The Trademark Reporter®

INTA International Trademark Association

The Law Journal of the International Trademark Association

United States Annual Review

The Sixty-Sixth Year of Administration of the Lanham Act of 1946

Theodore H. Davis Jr.
John L. Welch

January–February, 2014 Vol. 104 No. 1

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The Trademark Reporter (ISSN 0041-056X) is published electronically six times a year by the International Trademark Association, 655 Third Avenue, New York, NY 10017-5646 USA.

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(USPS 636-080)
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The Trademark Reporter®

UNITED STATES ANNUAL REVIEW

THE SIXTY-SIXTH YEAR OF ADMINISTRATION OF THE LANHAM ACT OF 1946*

INTRODUCTION

By Theodore H. Davis Jr.[**]

Perhaps the most notable recent development in trademark and unfair competition jurisprudence is one with effects that will become apparent only in the future. That development is the rather uncharacteristic interest in the Lanham Act by the Supreme Court of the United States, which, over the past twelve months, has taken under advisement one dispute arising under

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* The Annual Review is a continuation of the work originated in 1948 by Walter J. Derenberg and written by him through The Twenty-Fifth Year in 1972. This Review primarily covers opinions reported between July 1, 2012, and June 30, 2013, and certain proceedings falling outside that period.

** Author of the Introduction to, and Part III of, this volume; Partner, Kilpatrick Townsend & Stockton LLP, Atlanta, Georgia; member, Georgia and New York bars.

In the interest of full disclosure, the author notes his participation or that of his law firm in the following cases referenced by his contributions to this volume: Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 736 F.3d 198 (2d Cir. 2013) (counsel for plaintiffs); Collegiate Licensing Co. v. Am. Cas. Co. of Reading, Pa., 713 F.3d 71 (11th Cir. 2013) (counsel for plaintiff); Eureka Water Co. v. Nestlé Waters N. Am., Inc., 690 F.3d 1139 (10th Cir. 2012) (counsel for defendant); Putt-Putt, LLC v. 416 Constant Friendship, LLC, 936 F. Supp. 2d 648 (D. Md. 2013) (counsel for plaintiff); Bill's Birds Inc. v. Trademarketing Res. Inc., 920 F. Supp. 2d 357 (E.D.N.Y. 2013) (counsel for defendants); Lee Valley Tools, Ltd. v. Indus. Blade Co., 288 F.R.D. 254 (W.D.N.Y. 2013) (counsel for plaintiffs); Two Men & A Truck/Int'l Inc. v. Thomas, 908 F. Supp. 2d 1029 (D. Neb. 2012) (counsel for plaintiff); 1-800-Flowers.com Inc. v. Edible Arrangements LLC, 905 F. Supp. 2d 451(E.D.N.Y. 2012) (counsel for plaintiff); Who Dat Yat Chat, LLC v. Who Dat, Inc., 838 F. Supp. 2d 516 (E.D. La. 2012) (counsel for defendant National Football League); and Lianyungang FirstDart Tackle Co. v. DSM Dyneema B.V., 871 F. Supp. 2d 482 (E.D.N.C. 2012) (counsel for plaintiff). The author and his firm also represented the plaintiff in the infringement and unfair competition action underlying Interstate Bakeries Corp. v. OneBeacon Insurance Co., 686 F.3d 539 (8th Cir. 2012).

The author gratefully acknowledges the editorial contributions of Mary Kathryn Hagge, as well as the assistance of Louise Adams, Jennifer Elrod, Trevor Rosen, Kimberly Snoddy-George, and Christy Flagler in preparing his contributions to this volume for publication.

the Act,[1] issued a writ of certiorari in another,[2] and invited the views of the Solicitor General on the wisdom of accepting a third for review,[3] an invitation that materially increases the chances of the Court accepting the case.[4] Practitioners accustomed to the Court's silence on issues within the scope of the Act since *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*[5] might well regard this burst of activity as a precursor to End of Days, but the issues presented by each case arise out of substantive splits between the circuits and are, to paraphrase Elaine Benes, manifestly cert-worthy.[6] Those issues include the requirements for standing in false advertising actions brought under Section 43(a) of the Act,[7] whether a claim for false advertising under the same statute can be based on the allegedly inaccurate informational content of a food label regulated by the Food and Drug Administration,[8] and the extent to which decisions by the

---

1. *See* Static Control Components, Inc. v. Lexmark Int'l, Inc., 697 F.3d 387 (6th Cir. 2012), *cert. granted*, 133 S. Ct. 2766 (2013).

2. *See* Pom Wonderful LLC v. Coca-Cola Co., 679 F.3d 1170 (9th Cir. 2012), *cert. granted*, 134 S. Ct. 895 (2014).

3. *See* B & B Hardware, Inc. v. Hargis Indus., 716 F.3d 1020 (8th Cir. 2013), *petition for cert. filed*, No. 13-352 (U.S. Sept. 18, 2013), *later proceedings*, 2014 WL 102375 (U.S. Jan. 13, 2014) (mem.) (inviting Solicitor General "to file a brief in this case expressing the views of the United States").

4. According to one study of the frequency with which the Court grants of petitions for writs of certiorari following a "call for the views of the SG," or "CVSG":

> [T]he overall grant rate increases from 0.9% to 34% following a CVSG from the Court; in other words, the Court is 37 times more likely to grant a petition following a CVSG. For petitions on the paid docket, the grant rate increases even more, to 42%; a paid petition is 47 times more likely to be granted following a CVSG.

David C. Thompson & Melanie F. Wachtell, *An Empirical Analysis of Supreme Court Certiorari Petition Procedures: The Call for Response and the Call for the Views of the Solicitor General*, 16 Geo. Mason L. Rev. 237, 245 (2009).

5. 543 U.S. 111 (2004).

6. *See Seinfeld: The Sponge* (NBC television broadcast Dec. 7, 1995).

7. 15 U.S.C. § 1125(a) (2012). The question presented by the petition bearing on this issue reads as follows:

> Whether the appropriate analytic framework for determining a party's standing to maintain an action for false advertising under the Lanham Act is (1) the factors set forth in *Associated Gen. Contractors of Cal., Inc. v. Cal. State Council of Carpenters* ("AGC"), 459 U.S. 519, 537-45 (1983), as adopted by the Third, Fifth, Eighth, and Eleventh Circuits; (2) the categorical test, permitting suits only by an actual competitor, employed by the Seventh, Ninth, and Tenth Circuits; or (3) a version of the more expansive "reasonable interest" test, either as applied by the Sixth Circuit in this case or as applied by the Second Circuit in prior cases.

Petition for writ of certiorari, Lexmark Int'l, Inc. v. Static Control Components, Inc., No. 12-873, 2013 WL 166412, at *i (U.S. Jan. 14, 2013).

8. The question accepted by the Court on this issue is framed in the following manner by the petition presenting it: "Whether the court of appeals erred in holding that a private party cannot bring a Lanham Act claim challenging a product label regulated under the Food, Drug, and Cosmetic Act." Petition for writ of certiorari, Pom Wonderful LLC v. Coca-Cola Co., No. 12-761, 2012 WL 10159199, at *i (U.S. Dec. 21, 2012).

Trademark Trial and Appeal Board should have preclusive effect or, alternatively, should enjoy at least some deference, in later litigation involving the same marks.[9]

Aside from the Supreme Court's activity in the area, a particularly notable characteristic of trademark and unfair competition jurisprudence from the courts of general jurisdiction over the past year was the willingness of those courts to hold as a matter of law that the First Amendment precluded liability under various causes of action. In one line of opinions, this manifested itself in straightforward applications of the Second Circuit's opinion in *Rogers v. Grimaldi*,[10] which was originally articulated to protect the titles of creative works; titles afforded protection over the past year included those of a video game[11] and a motion picture.[12] In other cases, however, the practice of using the *Rogers* test to protect the *content* of creative works accelerated and resulted in successful motions to dismiss for failure to state claims by the producers and distributors of the movies *The Hangover: Part II*[13] and *The Dark Knight Rises*.[14] And, in still other opinions, *Rogers*-less applications of the First Amendment protected from liability the opinions expressed in a scientific article,[15] a satirical announcement that a politically-charged book had been withdrawn

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9. This issue arises from an infringement and unfair competition action in which the plaintiff previously had demonstrated to the Board's satisfaction that confusion was likely between the parties' marks. In a jury trial in which the plaintiff sought the same result, however, the district court hearing the case declined to give the Board's determination preclusive effect and, indeed, excluded it from admission. Following an affirmance by the Eighth Circuit, *see* B & B Hardware, Inc. v. Hargis Indus., 716 F.3d 1020 (8th Cir. 2013), *petition for cert. filed*, No. 13-352 (U.S. Sept. 18, 2013), *later proceedings*, 2014 WL 102375 (U.S. Jan. 13, 2014) (mem.), the plaintiff sought the Supreme Court's review of the following questions:

> 1. Whether the TTAB's finding of a likelihood of confusion precludes Hargis from relitigating that issue in infringement litigation, in which likelihood of confusion is an element.
>
> 2. Whether, if issue preclusion does not apply, the district court was obliged to defer to the TTAB's finding of a likelihood of confusion absent strong evidence to rebut it.

Petition for writ of certiorari, Hargis Indus. v. B&B Hardware, Inc., No. 13-352, at *i (U.S. Dec. 21, 2012), *available at* http://www.scotusblog.com/case-files/cases/bb-hardware-inc-v-hargis-industries-inc/ (visited on Feb. 1, 2014).

10. 875 F.2d 994 (2d Cir. 1989).

11. *See* Rebellion Developments Ltd. v. Stardock Entm't, Inc., 107 U.S.P.Q.2d 2160, 2163-65 (E.D. Mich. 2013).

12. *See* Winchester Mystery House, LLC v. Global Asylum, Inc., 148 Cal. Rptr. 3d 412, 420-22 (Ct. App. 2012).

13. *See* Louis Vuitton Mallatier S.A. v. Warner Bros. Entm't Inc., 868 F. Supp. 2d 172, 178 (S.D.N.Y. 2012).

14. *See* Fortres Grand Corp. v. Warner Bros. Entm't Inc., 947 F. Supp. 2d 922, 932-33 (N.D. Ind. 2013).

15. *See* ONY, Inc. v. Cornerstone Therapeutics, Inc., 720 F.3d 490, 496-97 (2d Cir. 2013).

from the marketplace,[16] the content of a song,[17] and the online posting of an ill-advised home movie made by a male celebrity with a "woman that was not his wife."[18]

At the same time, however, there were signs that the *Rogers* test may no longer hold sway as convincingly as it once did. For example, one court reached the rare conclusion that *Rogers* did not bar the entry of a preliminary injunction against the use of a movie title.[19] And, perhaps of greater cumulative consequence in light of the Ninth Circuit's subsequent reliance on it in an opinion issued outside the time period covered by this volume,[20] an order from the Third Circuit expressly rejected the applicability of *Rogers* altogether in a case brought by a former college athlete challenging the use of his image in a videogame under New Jersey right-of-publicity doctrine.[21] According to the latter court, use of the *Rogers* test would erect an inappropriately high barrier to liability;[22] the proper analysis, it held, was "whether the product containing a celebrity's likeness is so transformed that it has become primarily the defendant's own expression rather than the celebrity's likeness."[23]

An additional judicial divide outside of the registration context concerned the issue of whether, having demonstrated a likelihood of success on the merits of their claims for infringement or unfair competition, movants for injunctive relief were entitled to the traditional presumption of irreparable harm. Notwithstanding suggestions to the contrary in *eBay Inc. v. MercExchange, LLC*[24] and *Winter v. Natural Resources Defense Council, Inc.*,[25] a number

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16. *See* Farah v. Esquire Magazine, Inc., 863 F. Supp. 2d 29, 35, 37 (D.D.C. 2012), *aff'd*, 736 F.3d 528 (D.C. Cir. 2013).

17. *See, e.g.*, Lohan v. Perez, 924 F. Supp. 2d 447, 454 (E.D.N.Y. 2013) (granting motion to dismiss New York right-of-publicity causes of action on ground that one-line reference to plaintiff's name in hip-hop song was protected speech under First Amendment).

18. *See* Bollea v. Gawker Media, LLC, 105 U.S.P.Q.2d 1496, 1498 (M.D. Fla. 2012).

19. *See* Warner Bros. Entm't v. Global Asylum, Inc., 107 U.S.P.Q.2d 1910, 1923-24 (C.D. Cal. 2012), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013).

20. That opinion came in *In re* NCAA Student-Athlete Name & Likeness Licensing Litigation, 724 F.3d 1268 (9th Cir. 2013), in which the court held that the *Rogers* analysis was inapplicable to right-of-publicity causes of action brought under California law. *Id.* at 1273-83. Rather incongruously, however, the same panel of the same court on the same day held that *Rogers* properly *did* control the disposition of claims of false endorsement brought under federal law. *See* Brown v. Elec. Arts, Inc., 724 F.3d 1235, 1239-47 (9th Cir. 2013).

21. *See* Hart v. Elec. Arts, Inc., 717 F.3d 141 (3d Cir. 2013).

22. *Id.* at 157-58.

23. *Id.* at 160 (emphasis omitted) (alteration omitted) (quoting Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797, 810 (Cal. 2001)).

24. 547 U.S. 388 (2006).

25. 555 U.S. 7 (2008).

of courts continued to recognize the presumption,[26] and one court went so far as to hold that no showing of irreparable harm was required at all if the requested injunction was grounded in a finding of likely dilution under federal law.[27] In contrast, and what may be evidence that the high-water mark of applications of *eBay* and of *Winter* in unfair competition actions has come and gone, a distinct minority of opinions declined to apply the presumption, either because it was inconsistent with the Supreme Court's case law[28] or because they deemed it unnecessary to do so.[29]

The past year also produced a number of notable decisions addressing claims of rights to nontraditional marks. In the infringement and unfair competition context, the standout opinion—although not necessarily in the favorable sense—came in what was apparently the final round in litigation over the BETTY BOOP word and design marks in the Central District of California.[30] The outcome of that round was a finding that the defendants were entitled to prevail under the aesthetic functionality doctrine, but not because the plaintiffs' marks were functional and therefore ineligible for protection. Rather, as the court explained, its determination of nonliability was based on the nature of the defendants' use of the plaintiffs' apparently valid marks:

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26. *See, e.g.*, Abraham v. Alpha Chi Omega, 708 F.3d 614, 621 (5th Cir. 2013); Deckers Outdoor Corp. v. Does 1-100, 105 U.S.P.Q.2d 1894, 1898 (N.D. Ill. 2013); Randazza v. Cox, 920 F. Supp. 2d 1151, 1158 (D. Nev. 2013); Warner Bros. Entm't v. Global Asylum, Inc., 107 U.S.P.Q.2d 1910, 1926 (C.D. Cal. 2012), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013); ViaView Inc. v. Blue Mist Media, 105 U.S.P.Q.2d 1304, 1308 (D. Nev. 2012); Skycam Inc. v. Bennett, 104 U.S.P.Q.2d 1463, 1467 (N.D. Okla. 2012); Ford Motor Co. v. Heritage Mgmt. Grp., 911 F. Supp. 2d 616, 630-31 (E.D. Tenn. 2012); Two Men & A Truck/Int'l Inc. v. Thomas, 908 F. Supp. 2d 1029, 1039 (D. Neb. 2012); Coach, Inc. v. Horizon Trading USA Inc., 908 F. Supp. 2d 426, 439 (S.D.N.Y. 2012); Wm. Wrigley Jr. Co. v. Swerve IP, LLC, 900 F. Supp. 2d 794, 803 (N.D. Ill. 2012); E. W., LLC v. Rahman, 896 F. Supp. 2d 488, 505 (E.D. Va. 2012); Diamonds Direct USA, Inc. v. BJF Holdings, Inc., 895 F. Supp. 2d 752, 761 (E.D. Va. 2012)); Pure Fishing, Inc. v. Redwing Tackle, Ltd., 888 F. Supp. 2d 726, 737 (D.S.C. 2012); Djarum v. Dhanraj Imps., Inc., 876 F. Supp. 2d 664, 669 (W.D.N.C. 2012).

27. *See* Apple, Inc. v. Samsung Elecs. Co., 909 F. Supp. 2d 1147, 1157-58 (N.D. Cal. 2012), *vacated in part on other grounds*, 735 F.3d 1352 (Fed. Cir. 2013). The court did, however, ultimately denied the plaintiff's request for a permanent injunction on the ground that the defendant had discontinued use of the challenged trade dress at issue. *Id.* at 1159 ("Here, there is no ongoing diluting behavior to enjoin, and Apple cannot credibly claim to suffer any significant hardship in the absence of a trade dress injunction.").

28. *See, e.g.*, Rovio Entm't Ltd. v. Royal Plush Toys, Inc., 907 F. Supp. 2d 1086, 1093 (N.D. Cal. 2012).

29. *See, e.g.*, Peoples Fed. Sav. Bank v. People's United Bank, 672 F.3d 1, 9 n.11 (1st Cir. 2012); Diller v. Barry Driller Inc., 104 U.S.P.Q.2d 1676, 1680 (C.D. Cal. 2012); Herb Reed Enters. v. Monroe Powell's Platters, LLC, 842 F. Supp. 2d 1282, 1291 (D. Nev. 2012).

30. *See* Fleischer Studios Inc. v. A.V.E.L.A. Inc., 925 F. Supp. 2d 1067, 104 U.S.P.Q.2d 1750 (C.D. Cal. 2012).

> Because . . . Defendants' use of the [BETTY BOOP word] mark is a decorative feature of their merchandise and is not source-identifying, protection of the feature as a trademark would impose a significant non-reputation-related competitive disadvantage on Defendants. Were Defendants to market their goods bearing the image of Betty Boop or Betty Boop movie posters without the words Betty Boop to identify the character, that would make their products less marketable than the same product that included the BETTY BOOP name.[31]

Under this rationale, of course, *any* mark is fair game for use in an allegedly decorative sense, especially those most likely to be the bases of successful licensing programs.

Except for this novel theory of functionality, the Trademark Trial and Appeal Board's opinions on the eligibility of particular nontraditional marks for registration and protection were generally more interesting than their counterparts from federal and state courts. For example, in *In re Procter & Gamble Co.*,[32] the Board addressed the argument by a United States Patent and Trademark Office (USPTO) examiner that the applicant's ownership of a design patents bearing on the configuration of a bottle for mouthwash barred registration of "the overall contoured shape of a container for mouthwash and the design of the cap by itself."[33] According to the examiner, the patents created a presumption that the applied-for mark was merely ornamental rather than source-indicating. The Board was unconvinced, holding instead that "[w]e agree with applicant that these design patents do not carry with them a presumption that the applied-for marks do not perform a source-identifying function merely because the designs are described in the design patent documents as being ornamental."[34]

Procter & Gamble proved to be the exception to the rule, however, for the Board otherwise adopted a skeptical attitude toward applications to register other nontraditional marks. Thus, for example, the Board maintained its hostility toward claims of inherent distinctiveness for noises produced by electronic devices.[35] It also affirmed a refusal to register a pet food container found to be functional in the utilitarian sense and to lack either inherent or acquired distinctiveness.[36] Applications to register sensory marks comprising the "distinctive flavor of peppermint" and a

31. *Id.* at 1755-56 (internal quotation marks omitted).

32. 105 U.S.P.Q.2d 1119 (T.T.A.B. 2012).

33. *Id.* at 1119.

34. *Id.* at 1126.

35. *See In re* Powermat Inc., 105 U.S.P.Q.2d 1789, 1792-93 (T.T.A.B. 2013).

36. *See In re* Mars, Inc., 105 U.S.P.Q.2d 1859, 1860-71 (T.T.A.B. 2013).

"peppermint scent" for a formulation of nitroglycerin fell victim to the Board's findings that neither served as a mark and that the former was additionally functional.[37] Finally, in its own application of the aesthetic functionality doctrine, the Board found that the color black was unregistrable for flowers and live-cut floral arrangements because, it explained, "in the floral industry, color has significance and communicates particular messages."[38]

Also on the registration front, opinions from the Federal Circuit and the Board displayed an unusual receptiveness to findings by examining attorneys that applied-for marks would produce varying forms of deception in the marketplace. For example, on the issue of deceptiveness per se under Section 2(a),[39] the Board affirmed an examiner's determination that a mark consisting of the Greek letter alpha and followed by the upper-case letters CU was deceptive for dietary supplements that did not include copper: The applicant argued that the latter two letters were an abbreviation of "controlled uptake," but the Board concluded that consumers would instead interpret them as the chemical name of the mineral in question.[40] The Board was equally willing to affirm a deceptiveness-based refusal to register the stylized WHITE JASMINE mark for tea not consisting of white tea in part on the ground that the materiality of the mark's probable meaning to consumers was established by record evidence documenting the perceived health benefits of white tea.[41]

The Federal Circuit also got on the deception bandwagon by rolling out its familiar four-part test for evaluating whether an applied-for mark is primarily geographically deceptively misdescriptive in violation of Section 2(e)(3) of the Act.[42] In an application of that test, the court concluded that the USPTO had properly refused registration to the stylized JPK PARIS 75 mark for sunglasses, wallets, handbags, purses, travel bags, suitcases, belts and shoes.[43] And the Board invoked Section 2(e)(2) as well in sustaining a refusal to register the REAL RUSSIAN mark for

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37. *See In re* Pohl-Boskamp GmbH & Co., 106 U.S.P.Q.2d 1042, 1044-52 (T.T.A.B 2013).

38. *In re* Florists' Transworld Delivery, Inc., 106 U.S.P.Q.2d 1784, 1789 (T.T.A.B. 2013).

39. 15 U.S.C. § 1052(a) (2012).

40. *See In re* E5 LLC, 103 U.S.P.Q.2d 1578, 1580 (T.T.A.B. 2012).

41. *See In re* White Jasmine LLC, 106 U.S.P.Q.2d 1385, 1493 (T.T.A.B. 2013).

42. 15 U.S.C. § 1052(e)(3). Under that test, a mark is primarily geographically deceptively misdescriptive in violation of Section 2(e)(3) if: (1) the mark's primary significance is a generally known geographic location; (2) the consuming public is likely to believe the place identified by the mark indicates the origin of the goods bearing the mark, when in fact the goods do not come from that place; and (3) the misrepresentation would be a material factor in the consumer's decision to purchase the goods. *In re* Cal. Innovations, Inc., 329 F.3d 1334, 1341 (Fed. Cir. 2003).

43. *See In re* Miracle Tuesday, LLC, 695 F.3d 1339, 1344-47, 104 U.S.P.Q.2d 1330 (Fed. Cir. 2012).

vodka not originating in the Russian Federation.[44] As it noted with considerable understatement, "vodka is an important product of Russia and . . . both the public in general, and vodka drinkers in particular, would be aware that Russia is well-known for vodka."[45]

Some final cautionary tales suggesting that the requirements for registration are perhaps being applied with greater stringency than in the past took the form of opinions addressing the adequacy of claimants' averments of use in commerce and the specimens submitted in support of those averments. The Federal Circuit took the lead, concluding that the ability of consumers to see a registered mark while using software to order contact lenses did not render the use of the mark one in commerce in connection with that software, and it therefore declined to overturn the cancellation of a registration of a mark reciting that good.[46] As a general proposition, the Board's opinions were consistent with that outcome. One affirmed the rejection of specimens deemed to show the applied-for mark used in connection with the applicant's technology, rather than necessarily the goods claimed by the application.[47] Another concluded that an applicant to register a mark for audio recordings instead had submitted a specimen documenting the mark's use in connection with a nondownloadable music video performance.[48] An application to register a different mark for the same goods similarly foundered when the Board found that the applicant's proffered specimen did nothing more than identify the featured performer.[49] The Board rejected still another specimen after determining that it showed the mark's use in connection with a veterinary dental product, rather than with the pet treats recited in the applicant's identification of goods.[50] An annual report bearing the mark of the investment fund advisor issuing it likewise failed to support an application to register the mark for electronic publications in the financial services field because the report was merely an incidental aspect of the applicant's primary business.[51] And, after concluding that one registrant had been using its mark only internally and not in transactions with unaffiliated parties, the Board ordered the cancellation of the registration on the ground that the registrant

44. *See In re* Premiere Distillery, LLC, 103 U.S.P.Q.2d 1483, 1484-85 (T.T.A.B. 2012).

45. *Id.* at 1487.

46. *See* Lens.com, Inc. v. 1-800-Contacts, Inc., 686 F.3d 1376, 1382-83 (Fed. Cir. 2012).

47. *See In re* Phoseon Tech., Inc., 103 U.S.P.Q.2d 1822 (T.T.A.B. 2012).

48. *See In re* Rogowski, 104 U.S.P.Q.2d 2012, 2014 (T.T.A.B. 2012).

49. *See In re* Arnold, 105 U.S.P.Q.2d 1953, 1958-59 (T.T.A.B. 2013).

50. *See In re* Gulf Coast Nutritionals, Inc., 106 U.S.P.Q.2d 1243, 1246 (T.T.A.B. 2013).

51. *See In re* Thomas White Int'l, Ltd., 106 U.S.P.Q.2d 1158, 1163 (T.T.A.B. 2013).

had abandoned any rights it might have had.[52] The message should be clear: In a use-based system of trademark rights, not just any kind of use will do.

PART I. EX PARTE CASES

By John L. Welch*

A. United States Court of Appeals for the Federal Circuit

1. Section 2(a) Immoral or Scandalous

In re Fox

The U.S. Court of Appeals for the Federal Circuit ("CAFC") affirmed the decision of the Trademark Trial and Appeal Board ("TTAB" or "Board") holding that the mark depicted below, for "chocolate suckers molded in the shape of a rooster," was scandalous under Section 2(a) of the Lanham Act[53] and therefore unregistrable.[54] The appellate court held that "a mark that creates a double entendre falls within the proscription of Section 1052(a) where, as here, one of its meanings is clearly vulgar."[55]

The CAFC observed that the determination of whether a mark comprises scandalous matter is a conclusion of law based upon underlying factual inquiries.[56] The factual findings of the Board are reviewed for the presence of substantial evidence in support thereof.[57]

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52. *See* City Nat'l Bank v. OPGI Mgmt. GP Inc./Gestion OPGI Inc., 106 U.S.P.Q.2d 1668, 1678-79 (T.T.A.B. 2013).

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53. Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a).

54. *In re* Fox, 702 F.3d 633, 105 U.S.P.Q.2d 1247 (Fed. Cir. 2012).

55. *Id.* at 1248.

56. *Id.* at 1249, citing *In re* Mavety Media Grp. Ltd., 33 F.3d 1367, 1374, 31 U.S.P.Q.2d 1923 (Fed. Cir. 1994).

57. *Id.*, citing *In re* Coors Brewing Co., 343 F.3d 1340, 1343, 68 U.S.P.Q.2d 1059 (Fed. Cir. 2003).

Applicant Marsha Fox argued that the Board's finding that her mark had a vulgar meaning was not supported by substantial evidence. The CAFC disagreed. The Board did not err in viewing the distinction between the compound word "cocksucker" and the two-word phrase "cock sucker" as a "distinction without a difference."[58] Moreover, "the association of COCK SUCKER with a poultry-themed product does not diminish the vulgar meaning—it merely establishes an additional, non-vulgar meaning and a double entendre."[59] And that was what Fox intended.

Fox next argued that, even if her mark had a vulgar meaning, the mark was afforded special treatment by CAFC precedent: in her view, when a mark has a double meaning with one of the two being vulgar, the United States Patent and Trademark Office ("USPTO") must demonstrate that the public would choose the vulgar meaning. The court, however, observed that there is no requirement in the Trademark Act that a mark's vulgar meaning be its only relevant meaning, or even its most relevant meaning. Section 2(a) bars registration of a mark that "consists of or comprises . . . scandalous matter."[60] At the time of the statute's enactment in 1905, the word "comprises" meant "includes."[61] Therefore it is enough for the USPTO to demonstrate that the mark has (comprises) a vulgar meaning. Fox conceded that, for her mark to have the intended humorous double meaning, the consumer must understand both the risqué and the banal meaning of the mark.

The court did not agree with Fox that its precedent excludes double entendres from the statutory bar. The BLACK TAIL case[62] involved an ambiguity regarding the mark's interpretation, not a double entendre. In the JACK-OFF case,[63] the only pertinent meaning of the term was vulgar, and the court distinguished that situation from other cases in which the USPTO had approved marks for registration as double entendres. The JACK-OFF decision does not suggest that "that a mark that includes a double entendre would be exempt from the prohibition of Section 1052(a) when the mark would be seen by a substantial composite of the general public as having both a vulgar and a non-vulgar meaning."[64] The CAFC recognized that there were whimsical and

58. *Id.* at 1250.

59. *Id.*

60. Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a).

61. *In re Fox*, 702 F.3d at 638, 105 U.S.P.Q.2d at 1247, citing Webster's Academic Dictionary 121 (1895).

62. *In re* Mavety Media Grp. Ltd., 33 F.3d 1367, 31 U.S.P.Q.2d 1923 (Fed. Cir. 1994).

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

64. *In re Fox*, 702 F.3d at 639, 105 U.S.P.Q.2d at 1251.

humorous aspects to the mark at issue, but the fact that a mark is funny does not mean it cannot be scandalous.

Finally, Fox urged that, because there was doubt as to how the general public would view her mark, the court should permit the mark to be published for opposition, in order to bring to light any public objection. The court rejected that proposal both because there was no uncertainty here, and because the USPTO is empowered to serve as the "first line of defense against 'scandalous' marks," and the court has "no authority to read such a power out of existence."[65]

The court reiterated that Fox remained free to use her mark in commerce, but she would be unable "to call upon the resources of the federal government in order to enforce that mark."[66]

> Nothing in this decision precludes Fox from continuing to sell her merchandise under the mark at issue, or from seeking trademark protection for some other, otherwise registrable element of her product's design, dress, or labeling. If Fox is correct that the mark at issue "bring[s] [nothing] more than perhaps a smile to the face of the prospective purchaser," . . . then the market will no doubt reward her ingenuity. But this does not make her mark registrable.[67]

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

In re Miracle Tuesday, LLC

The CAFC upheld the TTAB's decision affirming a Section 2(e)(3)[68] refusal to register the mark shown below, finding it to be primarily geographically deceptively misdescriptive of sunglasses, wallets, handbags, purses, travel bags, suitcases, belts, and shoes.[69]

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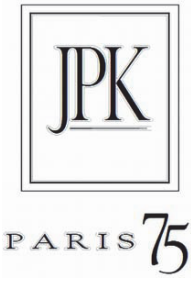
65. *Id.* at 1252.

66. *Id.*

67. *Id.* at 1251.

68. 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."

69. *In re* Miracle Tuesday, LLC, 695 F.3d 1339, 104 U.S.P.Q.2d 1330 (Fed. Cir. 2012).



A mark is primarily geographically deceptively misdescriptive if: (1) "the primary significance of the mark is a generally known geographic location"; (2) "the consuming public is likely to believe the place identified by the mark indicates the origin of the goods bearing the mark, when in fact the goods do not come from that place"; and (3) "the misrepresentation is a material factor in the consumer's decision" to purchase the goods.[70] Miracle Tuesday did not dispute that the primary significance of its mark was the city of Paris. It argued that the Board erred in finding that the goods did not originate in Paris even though the designer of the goods had significant ties to Paris, that the Board applied the wrong standard in concluding that the word "PARIS" was deceptive, and that it failed to consider certain material evidence in reaching its decision.

When a place is known for producing a product, a goods/place association may be inferred.[71] The question, then, was whether the applicant's goods, in fact, "originated" from the named place. It is not necessary that the goods be manufactured in a particular place in order to originate there; for example, goods may "originate" from a company's headquarters, even though made elsewhere.[72]

It was undisputed that Paris is famous for fashion and fashion accessories. Miracle Tuesday argued that its goods originated from Paris because its designer, Jean Pierre Klifa, had a significant connection with Paris, and customers were more interested in the designer's origin than in the origin of the goods themselves. The CAFC pointed out, however, that the inquiry under the statute was not whether there was a connection between the *designer* and Paris, but between the *goods* and Paris. The fact that Mr. Klifa lived in Paris more than twenty-five years ago was insufficient to establish that goods now marketed under the applied-for mark originated there. The involved goods were made in Asia and

70. *Id.* at 1332, quoting *In re* Cal. Innovations, Inc., 329 F.3d 1334, 1341, 66 U.S.P.Q.2d 1853, 1858 (Fed. Cir. 2003).

71. *Id.* at 1333.

72. *See, e.g.*, Corporacion Habanos S.A. v. Anncas Inc., 88 U.S.P.Q.2d 1785, 1791 (T.T.A.B. 2008) ("[A] product may be found to originate from a place, even though the product is manufactured elsewhere.").

designed in Miami. The evidence failed to show a "direct connection" between the goods and Paris, and therefore the Board was correct in its finding regarding origination.

As to the materiality of the misrepresentation, Miracle Tuesday contended that the USPTO must prove that use of the word "PARIS" did, in fact, deceive the public. It pointed to the CAFC's decision in *In re Les Halles de Paris*,[73] where the court imposed a "heightened standard" of proof under Section 2(e)(3). The CAFC pointed out, however, that *Halles* concerned services, not goods. Because geographic service marks are less likely to mislead the public, the court there drew a distinction "between the evidence necessary to give rise to an inference of materiality for goods and that necessary to give rise to that same inference for services."[74]

For goods, evidence that a place is famous as a source of those goods suffices to raise an inference of materiality. The Board properly applied that inference. Miracle Tuesday maintained that, because customers care more about the designer than about the origin of the goods, its mark should be treated like a service mark, but the court found no authority for that proposition.

Finally, Miracle Tuesday contended that the Board failed to consider certain evidence about consumer purchasing decisions and "country of origin" issues. The court, however, found that the Board had fully considered the "origination" issue, and that "the mere fact that the Board did not recite all of the evidence it considered does not mean that the evidence was not, in fact, reviewed."[75]

B. Trademark Trial and Appeal Board

1. Section 2(a) Deceptiveness

In re E5 LLC

The Board affirmed a Section 2(a) refusal of the mark shown below (the symbol for "alpha" followed by the upper-case letters "CU"), finding it to be deceptive[76] for "dietary supplements, namely, lipoic acid, vitamin C, ascorbic acid, zinc, zinc amino acid chelate, riboflavin, biotin, vanadium, vanadium sulfate."[77] The Board agreed with the examining attorney that to consumers "CU" means copper, that the applicant's goods did not contain copper,

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73. *In re* Les Halles de Paris J.V., 334 F.3d 1371, 1374, 67 U.S.P.Q.2d 1539, 1542 (Fed. Cir. 2003).

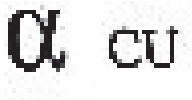
74. *In re Miracle Tuesday*, 104 U.S.P.Q.2d at 1335.

75. *Id.* at 1336.

76. 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 . . . deceptive . . . matter."

77. *In re* E5 LLC, 103 U.S.P.Q.2d 1578 (T.T.A.B. 2012).

and that this misrepresentation would materially affect the consumer's decision to purchase the goods.



The test for deceptiveness under Section 2(a) is set forth in *In re Budge*: (1) whether the mark misdescribes the goods; (2) if so, whether consumers would be likely to believe the misrepresentation; and (3) whether the misrepresentation would materially affect the potential purchaser's decision to purchase the product.[78]

The applicant's principal attack concerned the meaning of CU. It acknowledged that "Cu" with a lowercase "u" represents copper on the periodic table, but it argued that CU (upper case) would not be understood by consumers to mean copper. The Board was persuaded otherwise by the USPTO's submission of more than a dozen references showing the use of CU to refer to copper. Because the evidence also demonstrated that copper is a common ingredient in dietary supplements, the Board found that "consumers encountering applicant's mark with the term 'CU' will likely understand the term in context to refer to the chemical element copper."[79]

Applicant E5 rather feebly claimed that consumers "would immediately understand that CU, as used in connection with its goods, means 'Controlled Uptake,' rather than 'copper,'"[80] but there was no evidence to support that assertion. Although the applicant's specimen label described the goods as "Alpha Lipoic Acid Controlled Uptake Formula," the Board was not convinced that consumers would understand "CU" as the initials for "Controlled Uptake" as used in that complete phrase.

The Board also noted that the similar phrase "Alpha CU(TM) Controlled Uptake)" appears on the side panel of the specimen, but it was "not clear that consumers would even notice this insignificantly placed phrase, let alone make the connection between 'CU' and 'Controlled Uptake.'"[81] Furthermore, the Board observed that "any clarifying features of an applicant's advertising do not serve to overcome deceptiveness in a mark. Rather, the mark must stand on its own."[82]

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78. *In re* Budge, 857 F.2d 773, 774, 8 U.S.P.Q.2d 1259, 1260 (Fed. Cir. 1988).

79. *In re E5 LLC*, 103 U.S.P.Q.2d at 1580.

80. *Id.*

81. *Id.* at 1581.

82. *Id.*, citing *In re* ALP of S. Beach Inc., 79 U.S.P.Q.2d 1009, 1014-1015 (T.T.A.B. 2006) (CAFETERIA deceptive for "restaurants providing full service to sit-down patrons, excluding cafeteria-style restaurants").

The second prong of the *Budge* test was met by the evidence showing that copper is a common ingredient in dietary supplements. And the materiality prong was satisfied by proof that copper has important and desirable health benefits.

In re White Jasmine LLC

Affirming a Section 2(a) refusal of the mark WHITE JASMINE & Design, the Board found the word "White" to be deceptive for the applicant's tea.[83] For the sake of completeness, the Board also considered and affirmed the USPTO's alternative refusal based on its requirement that the term "WHITE JASMINE" be disclaimed, after reviewing the applicant's evidence of acquired distinctiveness and finding it insufficient.

Deceptiveness: The examining attorney put the applicant in hot water by submitting a considerable batch of Internet evidence establishing that "white jasmine" is a type of tea, including evidence of use of that term by competitors. She maintained that the word "white" in the applicant's mark was deceptive because its tea did not contain white tea: white tea is believed to have health benefits and its presence is a material factor in the consumer's purchasing decision.

The Board noted that a mark may be found deceptive based on a single term embedded in a larger mark.[84] Deceptiveness under Section 2(a) is an absolute bar to registration. The test for determining whether a mark is deceptive under Section 2(a) is as follows: (1) Is the term misdescriptive of the character, quality, function, composition, or use of the goods? (2) If so, are prospective purchasers likely to believe that the misdescription actually describes the goods? (3) If so, is the misdescription likely to affect the purchasing decision of a significant portion of the relevant consumers?[85]

As to the first question, white jasmine tea is a subcategory of two types of tea: white tea and jasmine tea. The word "white" immediately describes a significant ingredient of tea because it indicates that the tea is white tea, or at least contains white tea. The applicant admitted that its tea did not contain white tea leaves. Consequently, the term "white jasmine" misdescribed the applicant's tea.

As to the second question, the Board found it quite likely that consumers would believe that the applicant's tea contained white tea.

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83. *In re* White Jasmine LLC, 106 U.S.P.Q.2d 1385 (T.T.A.B. 2013).

84. *Id.* at 1391, citing *In re Fox*, 702 F.3d at 638, 105 U.S.P.Q.2d at 1247, for the proposition that "comprises" in Section 2(a) means "includes." *See supra* note 61.

85. *In re* Budge, 857 F.2d 773, 774, 8 U.S.P.Q.2d 1259, 1260 (Fed. Cir. 1988).

As to the third, the examining attorney's evidence showed that consumers perceive that white tea has desirable health benefits. Therefore, the misdescription was material to the purchasing decision.

Strike three! Yerrrrr out!

Disclaimer requirement: Although a disclaimer cannot render a deceptive mark registrable, the Board nonetheless considered and affirmed the USPTO's disclaimer requirement in the alternative.[86] The Board agreed with the examining attorney that the term "white jasmine" was deceptively misdescriptive under Section 2(e)(1).[87] A term is deceptively misdescriptive under that section if (1) it misdescribes the goods, and (2) a consumer is likely to believe the misrepresentation.[88]

The Board found clear evidence that consumers would believe that the applicant's tea was a particular type of white tea (white tea scented or flavored with jasmine). Because it was not, the term "white jasmine" was deceptively misdescriptive and had to be disclaimed.

Acquired distinctiveness: Deceptively misdescriptive marks, unlike marks that are deceptive under Section 2(a), may be registrable with a showing of acquired distinctiveness under Section 2(f).[89]

The Board found the applicant's Section 2(f) evidence unconvincing. Use since 2003 is not by itself persuasive in view of the nature of the matter sought to be registered and the widespread third-party use of the term "white jasmine." The applicant's sales of about $75,000 over four years was "hardly persuasive." Moreover, there was no evidence placing those sales in context vis-à-vis competing products. The applicant's advertising and marketing efforts were modest, and they did not outweigh its minimal sales and the extensive third-party use.

And so the Board affirmed the Section 2(a) refusal, and in the alternative affirmed the refusal to register based upon the applicant's failure to comply with the USPTO's Section 6(a) disclaimer requirement.

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86. Section 6(a) of the Lanham Act, 15 U.S.C. § 1056(a), states, in pertinent part, that "The Director may require the applicant to disclaim an unregistrable component of a mark otherwise registrable."

87. Section 2(e)(1) of the Lanham Act, 15 U.S.C. § 1052(e)(1), in pertinent part, bars registration of a mark that "when used on or in connection with the goods of the applicant is . . . deceptively misdescriptive of them . . . ."

88. *In re* Quady Winery Inc., 221 U.S.P.Q. 1213, 1214 (T.T.A.B. 1984). Note that if the misrepresentation is also material to the purchasing decision, then the term is, as here, deceptive under Section 2(a).

89. Section 2(f) of the Lanham Act, 15 U.S.C. § 1052(f) provides, in pertinent part, "Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing herein shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce."

2. Section 2(a) False Association

In re Jackson International Trading Co.

The Board affirmed a Section 2(a)[90] refusal to register the mark BENNY GOODMAN COLLECTION THE FINEST QUALITY (in stylized form) for fragrances, cosmetics, leather goods, and clothing, finding that the mark falsely suggested a connection with the late band leader, composer, and clarinetist, Benny Goodman.[91] The examining attorney, relying on various Internet websites and references, maintained that Benny Goodman "had a very long and successful career as a musician and bandleader, with a reputation that continues to this day."[92] Furthermore, she asserted that the Estate of Benny Goodman continued to protect his intellectual property rights.

The Board applies a four-part test in assessing whether Section 2(a) bars registration:

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

(2) The mark would be recognized as such because it points uniquely and unmistakably to that person;

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

(4) The prior user's name or identity is of sufficient fame or reputation that a connection with such person would be presumed when applicant's mark is used on applicant's goods.[93]

The Board, not surprisingly, found that the applied-for mark was a close approximation of the name BENNY GOODMAN. As to factor (2), the Board noted that performers commonly capitalize on their renown by licensing their names for collateral products, and so it found that consumers would associate the applicant's goods with the "well-known bandleader, composer and clarinetist."

The applicant argued that no one under forty years old would know Benny Goodman, and, moreover, that there were "Benny Goodmans" "galore" on Facebook. The applicant failed, however, to provide any evidence to support these assertions, and thus it failed to rebut the USPTO's evidence.

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90. Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), in pertinent part, bars registration of a mark that "[c]onsists of or comprises . . . matter which may . . . falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols . . . ."

91. *In re* Jackson Int'l Trading Co., 103 U.S.P.Q.2d 1417 (T.T.A.B. 2012).

92. *Id.* at 1418.

93. *Id.* at 1419. *See also In re* MC MC S.r.l., 88 U.S.P.Q.2d 1378, 1379 (T.T.A.B 2008); *In re* White, 80 U.S.P.Q.2d 1654, 1658 (T.T.A.B. 2006).

As to factor (3), there was no evidence of a connection between Benny Goodman and the applicant's business. And as to factor (4), the Board concluded that "Benny Goodman remains a well-known figure among a sufficient segment of the population as to support finding a false suggestion of a connection."[94]

The applicant contended that this case was similar to the "Maria Callas" case,[95] in which a Section 2(a) false association refusal was reversed because there was no evidence that there existed any entity having rights in the deceased singer's name. Here, however, the evidence showed that CMG Worldwide held itself out as the exclusive business representative for the Estate of Benny Goodman. Indeed, the applicant itself acknowledged that it was aware that there were heirs asserting rights in the name and persona of Benny Goodman.

3. Section 2(d) Likelihood of Confusion

a. Likelihood of Confusion Found

In re RiseSmart, Inc.

In a less than scintillating decision, the Board affirmed Section 2(d) refusals of the marks TALENT ASSURANCE for "personnel placement and recruitment services" and JOB ASSURANCE for "employment counseling and recruiting services; employment outplacement services," finding the marks likely to cause confusion with the registered mark ASSURANCE for "temporary personnel services."[96] The Board also affirmed the USPTO's requirement under Section 6(a) that the applicant disclaim the words "TALENT" and "JOB" in its respective marks.

Disclaimer Requirement: As to the word "TALENT," the examining attorney relied on third-party registrations for placement services, which registrations included a disclaimer of TALENT. She also pointed to the applicant's own website, where "talent" was used in a descriptive manner ("RiseSmart provides talent management solutions"). As with "TALENT," she submitted third-party registrations and website pages using the word "job" in connection with placement services (including one referring to RiseSmart as a company that "offers online job services").

Applicant RiseSmart lamely argued that "talent" had various defined meanings, but the Board observed that each definition, when applied to the applicant's services, described the same characteristic: "that applicant's services provide to employers

94. *In re Jackson Int'l Trading Co.*, 103 U.S.P.Q.2d at 1420.

95. *In re* MC MC S.r.l., 88 U.S.P.Q.2d 1378 (T.T.A.B. 2008).

96. *In re* RiseSmart, Inc., 104 U.S.P.Q.2d 1931 (T.T.A.B. 2012).

personnel with whatever skill set is required."[97] Not surprisingly, the Board also found JOB to be merely descriptive of RiseSmart's services.

Likelihood of Confusion: RiseSmart did not dispute that its services and those of the cited registration were not only closely related but also (because its recited services encompass "temporary personnel services") legally identical. There were no limitations in the involved applications or registration, and so the Board must presume that the services were offered via the same channels of trade to the same classes of customers.

Moreover, because the services were legally identical, a lesser degree of similarity between the marks was necessary to support a likelihood of confusion finding. RiseSmart's marks incorporated the cited mark in its entirety. Furthermore, ASSURANCE was the dominant element in RiseSmart's marks because TALENT and JOB were merely descriptive of its services.

RiseSmart contended that its marks engendered different commercial impressions from the mark ASSURANCE, but the Board disagreed: "We find that the marks would convey the same connotation with regard to the word ASSURANCE and the additional words in the applicant's mark simply provide more information as to the nature of the services."[98] The applicant's marks were likely to be seen as variations of the registered mark. In short, the Board concluded, the similarities in the marks outweighed their differences.

In re Cook Medical Technologies LLC

In a "somewhat unusual" likelihood of confusion case involving the comparison of two color marks, the Board affirmed a refusal to register the color "teal" for "medical devices, namely, guiding sheaths for use in conjunction with access needles, wire guides, and dilators for providing access for diagnostic and interventional devices in vascular and non-vascular procedures."[99] More specifically, Applicant Cook sought registration on the Supplemental Register for a mark consisting of "a translucent, iridescent teal color shown along the shaft length of a rib-reinforced medical guiding sheath." The Board found the applied-for mark likely to cause confusion with a registered mark comprising the color "blue" applied to the tip and indwelling length of catheters.

Cook confirmed that its sheaths could be used with catheters, and its website so indicated. Third-party websites corroborated the

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97. *Id.* at 1933.

98. *Id.* at 1935.

99. *In re* Cook Med. Techs. LLC, 105 U.S.P.Q.2d 1377 (T.T.A.B. 2012).

same type of complementary use. The Board therefore found the goods to be closely related. As we know, the closer the goods, the lesser the degree of similarity necessary to support a finding of likely confusion. Because there were no limitations as to channels of trade or classes of purchasers in the application and the cited registration, the Board presumed that the involved goods moved in the same, normal channels of trade to all classes of purchasers.

The "crux" of the appeal centered on the similarity of the marks. The Board noted that "likelihood of confusion takes on additional significance when the goods are pharmaceuticals or medical instruments."[100] It found the applicant's teal color mark that ran the length of the shaft of a guiding sheath for catheters to be similar in appearance to Cook's blue color mark that ran the length of its catheter. The Board noted that the applicant originally described its mark as the color "blue/teal," and it further observed that the narrow shape of the products might make it more difficult to differentiate between the shades of blue. "The fact that applicant's teal color mark may appear to be translucent and iridescent is not sufficient to distinguish the marks in a meaningful manner," because in some lighting conditions, "the translucence may not be perceptible and the iridescence may result in the teal being perceived as more blue than green."[101] Although Cook did not argue that the relevant purchasers were sophisticated and discriminating, the Board went on to observe that "even sophisticated purchasers are not immune from source confusion, especially in cases such as the instant one involving similar marks and closely related goods."[102] The Board concluded that the similarities between the marks and the goods outweighed the sophisticated purchaser factor, especially in the absence of evidence regarding the degree of care exercised in making the purchasing decision.

The record was devoid of evidence of third-party use of any color mark for medical devices, although that was "hardly the most probative factor in this case."[103] Cook's assertion of no actual confusion despite contemporaneous use of the marks for more than eighteen years was entitled to little weight in this *ex parte* context, where the registrant had no opportunity to be heard. Moreover, there was no evidence as to the extent of use of the marks, and thus it could not be determined whether there have been meaningful opportunities for actual confusion to occur.

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

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100. *Id.* at 1381.

101. *Id.* at 1383.

102. *Id.*

103. *Id.*

The Board went on to caution that its decision should not be taken to mean that "merely because a party obtains a registration for a single color that such registration will block others from using or registering marks for other colors, even similar colors."[104] Here, the registrant's mark was described only as the color "blue," and therefore the Board must consider every shade of blue in its Section 2(d) analysis.

Finally, the Board expressed some sympathy for Applicant Cook's concerns about the scope of protection given to the cited registration, but it noted that Cook did not avail itself of Section 18 of the Act,[105] which gives the Board the equitable power to cancel registrations in whole or in part, or to "otherwise restrict or rectify . . . the registration of a registered mark." The Board pointed out that "[t]his Section 18 claim, if successful, would modify the description of the mark from 'blue' to the specific shade of blue actually used in the marketplace. Such a claim can be used to modify overly broad identification of goods (for example, 'computer programs')."[106] Of course, the Board will not entertain such a Section 18 claim unless the proposed modification will serve to avoid a finding of likelihood of confusion between the involved marks.[107] The Board also noted that, as an alternative, Cook could have sought a consent from the registrant.

In re Midwest Gaming & Entertainment LLC

The Board affirmed a refusal to register the mark LOTUS for "bar services located in a casino," finding it likely to cause confusion with the identical mark registered for "providing banquet and social function facilities for special occasions; restaurant and bar services."[108] The applicant argued that the "restaurant and bar services" of the cited registration must be considered in the context of the entire recitation of services and therefore read narrowly to be services offered in connection with "banquet and social function facilities for special occasions." The Board disagreed, and instead read the disputed phrase as identifying discrete and separate services.

The crux of the matter was, of course, the similarity of the services recited in the application and the cited registration. The applicant limited its "bar services" to those offered in a casino, but

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104. *Id.* at 1384.

105. 15 U.S.C. § 1068. *See generally*, T. Lemper & L. McLeod, *Embracing Marketplace Realities: Rediscovering Section 18 of the Lanham Act on the Twentieth Anniversary of Its Revival*, 99 TMR 1299 (2009).

106. *In re Cook Med. Techs.*, 105 U.S.P.Q.2d at 1384.

107. Citing The Wellcome Found. Ltd. v. Merck & Co., 46 U.S.P.Q.2d 1478, 1479 (T.T.A.B. 1998).

108. *In re* Midwest Gaming & Entm't LLC, 106 U.S.P.Q.2d 1163 (T.T.A.B. 2013).

there was no restriction on the "restaurant and bar services" in the cited registration. The Board presumed that the latter services included bar services located in a casino.[109]

The Board acknowledged that it was unlikely that the registrant would be offering its bar and restaurant services in the same casinos as those in which the applicant rendered its bar services. "However, the relevant class of purchasers, i.e., casino patrons, would be the same in both cases, and we must assume that they could encounter applicant's and the registrant's services in the different casinos."[110]

In the identification of services of the cited registration, the words "providing banquet and social function facilities for special occasions" are separated by a semicolon from the words "restaurant and bar services." Under standard examination practice, a semicolon is used to separate distinct categories of goods or services.[111]

The Board observed that the applicant essentially was asserting that "restaurant and bar services" should be read *in pari materia* with "providing banquet and social function facilities for special occasions." That argument was unavailing.[112]

4. Section 2(e)(1) Mere Descriptiveness

In re Future Ads LLC

In a "very unusual" case, the Board reversed a refusal to register the mark ARCADEWEB & Design for Internet marketing services, finding that the USPTO had failed to meet its burden to show that ARCADEWEB was merely descriptive and must be disclaimed.[113] Although the applicant submitted little evidence, the Board blamed that on the USPTO's "unfair" handling of the case.

The record included dictionary definitions of "arcade" and "web," but the examining attorney did not submit any evidence showing use of the terms "arcadeweb" or "arcade web" in connection with services similar to those of the applicant. She did submit a copy of the applicant's prior Supplemental Registration

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109. *See* Canadian Imperial Bank of Commerce, N.A. v. Wells Fargo Bank, 1 U.S.P.Q.2d 1813, 1815 (Fed. Cir. 1987) ("[T]he question of likelihood of confusion must be determined based on an analysis of the mark as applied to the goods and/or services recited in applicant's application vis-à-vis the goods and/or services recited in an opposer's registration, rather than what the evidence shows the goods and/or services to be.").

110. *In re Midwest Gaming*, 106 U.S.P.Q.2d at 1167.

111. *See* Trademark Manual of Examining Procedure ("TMEP"), Section 1402.01(a) (October 2012).

112. *See In re* Thor Tech Inc., 90 U.S.P.Q.2d 1634 (T.T.A.B. 2009) (Interpreting the term "trailers" broadly in the phrase "trailers, dump trailers, and truck bodies" to include recreational trailers, rather than restrictively to refer to industrial and commercial trailers).

113. *In re* Future Ads LLC, 103 U.S.P.Q.2d 1571 (T.T.A.B. 2012).

for the mark ARCADEWEB in standard character form for identical services, but only in the context of requesting that the applicant acknowledge ownership thereof. However, in her final brief, the examining attorney, for the first time, asserted that, by obtaining this Supplemental Registration, the applicant had impliedly admitted that ARCADEWEB was merely descriptive.

The Board noted that an examining attorney need not limit the arguments in her brief to those raised in the various Office actions in support of the disclaimer requirement.[114] However, the Board found it unfair for the examining attorney to use this evidence "for an argument that is totally different from the purpose for which the [prior] registration was submitted, and not even hinted at in the Office actions . . . ."[115]

> [A]lthough we do not say that the examining attorney cannot use the evidence of the Supplemental Registration in support of her disclaimer requirement, or that we cannot consider the argument relying on that registration raised for the first time in her brief, we view the examining attorney's actions as poor examination practice and strongly urge that such a practice not be followed in the future.[116]

That "poor examination practice" had its effect on the substantive issue of mere descriptiveness.

The examining attorney maintained that "arcade" and "web" merely described a feature of the services because the applicant provides an "online arcade web site"—that is, "it disseminates advertising and promotes goods and services of others by means of arcade games on the web."[117]

The Board pointed out that registration on the Supplemental Register was *prima facie* evidence that, at least at the time of registration, the registered mark was merely descriptive.[118] However, the Board was troubled by the fact that "the examining attorney never put applicant on notice that the examining attorney was treating the Supplemental Registration as evidence in support of her position, or that applicant had options to address the prima facie evidence of the Supplemental Registration (i.e., to file evidence of acquired distinctiveness under Section 2(f) or submit rebuttal evidence)."[119]

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114. *See* Trademark Board Manual of Procedure, Section 1203.02(b) ("an examining attorney need not request remand in order to make a new argument or change the rationale for a refusal or requirement, as that is not considered to be a new refusal or requirement").

115. *In re Future Ads*, 103 U.S.P.Q.2d at 1573.

116. *Id.*

117. *Id.* at 1574.

118. *Id.*, citing *In re* Cent. Soya Co., Inc., 220 U.S.P.Q. 914, 917 (T.T.A.B. 1984).

119. *Id.*

The applicant did submit some evidence, in the form of a dictionary definition, that "arcade" was not merely descriptive of its services, but it might have submitted more had it been on timely notice of the USPTO's position:

> We acknowledge that this evidence is quite limited for rebutting the prima facie evidence of mere descriptiveness of a Supplemental Register registration. However, we must also recognize that the circumstances in this case are very unusual, and that the cause for this limited evidence was the examining attorney's raising the argument of mere descriptiveness based on that registration at a point where prosecution and examination had long closed. Because of this and because the examining attorney has not submitted any evidence going directly to the mere descriptiveness of ARCADEWEB, in this case these points outweigh any prima facie evidence of mere descriptiveness from the Supplemental Register registration.[120]

In re Phoseon Technology, Inc.

In this straightforward decision, the Board affirmed two refusals to register the mark SEMICONDUCTOR LIGHT MATRIX, finding it to be merely descriptive of "light curing systems composed primarily of light emitting diodes for industrial applications; UV curing systems composed primarily of light emitting diodes, for commercial applications, namely, for curing inks, coatings, adhesives, and a variety of other materials," and further finding that, as used on the applicant's specimen of use, the phrase failed to function as a trademark.[121]

As to mere descriptiveness,[122] the examining attorney relied on dictionary definitions of the constituent words and on use of the term in published articles, at third-party websites, and in two patent applications, leading the Board to find that "SEMICONDUCTOR LIGHT MATRIX directly describes the technology featured in applicant's products and, therefore, is merely descriptive of a significant feature of the product."[123]

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120. *Id.*

121. *In re* Phoseon Tech., Inc., 103 U.S.P.Q.2d 1822 (T.T.A.B. 2012). The failure-to-function issue is discussed in Part I.B.8, below.

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

123. *In re Phoseon Tech.*, 103 U.S.P.Q.2d at 1826.

In re Franklin County Historical Society

In another lackluster ruling, the Board affirmed a Section 2(e)(1) refusal to register CENTER OF SCIENCE AND INDUSTRY, finding it to be merely descriptive of "education and entertainment services, namely, operating a museum and conducting workshops, programs and demonstrations in the field of science," and lacking in acquired distinctiveness.[124] Furthermore, despite thirty-five years of use of the alleged mark, millions of museum visitors, and the receipt of national awards, the applicant failed to prove its claim of acquired distinctiveness under Section 2(f).

Mere Descriptiveness: the examining attorney relied on dictionary definitions of the constituent words, on third-party usage of the same or similar names for museum services, and on other uses of the individual words in connection with those services.

The Board found that the dictionary evidence showed the applied-for mark to be descriptive, and the third-party websites established that there was a competitive need to use those words. Although the applicant's identification of goods was broader than "museum services," a descriptiveness refusal is proper if the mark is descriptive of any of the identified services.[125] Here, it is clear that consumers would understand the applied-for mark to convey information about applicant's services: namely, "a place where services that concern science and industry are provided."[126]

Acquired Distinctiveness: The Board agreed with the USPTO that CENTER OF SCIENCE AND INDUSTRY was highly descriptive of the applicant's services, because it "directly and easily" conveyed information about the services.[127] Of course, the greater the descriptiveness of a term, the greater the evidentiary showing needed to establish acquired distinctiveness.

The applicant relied on a declaration from its director of marketing stating that the mark had been in use for thirty-five years. Furthermore, the museum had received twenty million visitors from all fifty states, had garnered media attention and collected national awards and featured "rare artifacts."

The examining attorney argued that the applicant was not known by the proposed mark but rather by the acronym "COSI," pointing out that in none of the materials submitted by the applicant did the proposed mark appear without the acronym. Even on the applicant's own website, the term "COSI" appears

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124. *In re* Franklin Cnty. Historical Soc'y, 104 U.S.P.Q.2d 1085 (T.T.A.B. 2012).

125. *Id.* at 1089, citing *In re* Chamber of Commerce of the U.S., 675 F.3d 1297, 1299, 102 U.S.P.Q.2d 1217, 1219 (Fed. Cir. 2012).

126. *Id.* at 1089.

127. *Id.*

prominently, while the full term "CENTER OF SCIENCE AND INDUSTRY" appears only once and in small type under the larger letters COSI.

The Board therefore concluded that the applicant's evidence of acquired distinctiveness was insufficient, and it affirmed the refusal to register.

In re Sadoru Group, Ltd.

The Board affirmed a Section 2(e)(1) refusal of SADORU (stylized), finding it merely descriptive of "motorcycle parts and accessories, namely motorcycle seats and ergonomic motorcycle pads for use with seats."[128] The applicant did not dispute that "sadoru," approximating the Japanese word for "saddle," was at least descriptive of the goods. The sole issue before the Board was whether the stylization of SADORU "creates a separate and inherently distinctive commercial impression apart from the word itself, such that the mark as a whole is not merely descriptive."[129]

The applicant argued that the stylization of its mark was inherently distinctive because "the hand-drawn script creates an impression taken from the Japanese ink-style script," giving the mark a "distinctive oriental flavor reminiscent of the ink brush strokes of Japanese (or other Oriental) calligraphy," and creating a mental reference to ancient Japan.[130] The examining attorney, however, provided a sample of Japanese calligraphy, and the Board agreed that the applicant's lettering was "not the same."[131]

The Board viewed the lettering in the applicant's mark to be "more in the nature of slightly stylized block lettering" and not like the brushstrokes of Japanese calligraphy.[132] The "dip" in the lettering is so minimal as to be insignificant, and the lettering is horizontal, rather than vertical like the calligraphy example.

The Board concluded that, considering the case law, the stylization of the SADORU mark "does not create a separate and

128. *In re* Sadoru Grp., Ltd., 105 U.S.P.Q.2d 1484 (T.T.A.B. 2012).

129. *Id.* at 1485-86.

130. *Id.* at 1488.

131. *Id.* at 1489.

132. *Id.*

inherently distinctive commercial impression apart from the word itself."[133]

5. Section 2(e)(3) Primarily Geographically Deceptively Misdescriptive

In re Premiere Distillery, LLC

Affirming a Section 2(e)(3) refusal to register REAL RUSSIAN, the Board found the mark to be primarily geographically deceptively misdescriptive of vodka.[134]

> To maintain a refusal under Section 2(e)(3), the Office must establish that (1) the primary significance of the mark is a generally known geographic location, (2) the relevant public would be likely to believe the place identified by the mark indicates the origin of the goods bearing the mark, when in fact the goods do not come from that place, and (3) the misrepresentation would be a material factor in the consumer's decision to purchase the goods.[135]

Applicant Premiere contended that the primary significance of RUSSIAN is not a generally known geographic location because the definitions of record "include multiple meanings for the term 'Russian,' . . . [and] geography is merely one of a number of meanings the term can have."[136] The Board pointed out, however, that the meaning of RUSSIAN must be considered not in a vacuum, but in the context of the goods at issue. For vodka, RUSSIAN had a primarily geographic meaning. Alternatively, Premiere asserted that RUSSIAN connoted the "style" of vodka, but the record lacked support for that contention.

As to the requisite goods/place association, the Board noted that the goods did not emanate from Russia. "Not surprisingly, the evidence of record here overwhelmingly supports a finding that Russia is extremely well known for vodka."[137] Premiere argued that its labels would eliminate any possible misunderstanding because they include the wording "Hand Made in the U.S.A." But that fact is irrelevant, because the Board must make its determination based on the mark as set forth in the application, regardless of other matter appearing on the labels or specimen of use.[138]

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133. *Id.* at 1490.

134. *In re* Premiere Distillery, LLC, 103 U.S.P.Q.2d 1483 (T.T.A.B. 2012).

135. *Id.* at 1483, citing *In re* Cal. Innovations Inc., 329 F.3d 1334, 1341, 66 U.S.P.Q.2d 1853, 1858 (Fed. Cir. 2003).

136. *Id.* at 1484.

137. *Id.* at 1485.

138. *Id.* at 1487, citing Compania de Licores Internacionales S.A., 102 U.S.P.Q.2d 1841, 1848-49 (T.T.A.B. 2012).

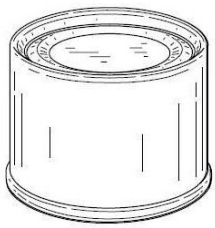
As to materiality, the evidence submitted by the examining attorney established that "vodka is an important product of Russia and that both the public in general, and vodka drinkers in particular, would be aware that Russia is well-known for vodka."[139] In view of the demonstrated fame and reputation of Russian vodka, the Board may infer that "a substantial portion of consumers who encounter REAL RUSSIAN on applicant's vodka are likely to incorrectly believe that the vodka comes from Russia and that such mistaken belief would materially influence their decision to purchase the vodka."[140]

6. Section 2(e)(5) Functionality

a. Utilitarian Functionality

In re Mars, Inc.

Mars, Inc. applied to register the packaging configuration shown below for "pet food." The mark comprised a cylindrical, inverted container having a "rounded top" with two concentric ridges forming the inner and outer lip of the top, and with the bottom having a wider, ridged lip. The examining attorney refused registration on the ground of functionality under Section 2(e)(5),[141] and alternatively on the ground that the package design was not inherently distinctive and failed to function as a trademark.[142] The Board affirmed both refusals.[143]



The Board applied the *Morton-Norwich*[144] factors in considering the functionality of the packaging design:

139. *Id.*

140. *Id.*

141. Section 2(e)(5) of the Lanham Act, 15 U.S.C. § 1052(e)(5), in pertinent part, bars registration of a mark that "comprises any matter that, as a whole, is functional."

142. The inherent distinctiveness issue is discussed in Part I.B.7, below.

143. *In re* Mars, Inc., 105 U.S.P.Q.2d 1859 (T.T.A.B. 2013).

144. *In re* Morton-Norwich Prods., Inc., 671 F.2d 1332, 213 U.S.P.Q. 9 (C.C.P.A. 1982).

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

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

> In addition, even if applicant's container does not make use of the ridges and beadings because it is not vacuum sealed, if they are functional on third-party containers, applicant should not be granted a registration that would inhibit third parties from using such ridges and beading on containers that are vacuum sealed.[145]

As to the flared bottom lip, the examining attorney maintained that this feature allowed stacking of the containers. Again, a third-party utility patent disclosed a can configuration having "a flared top and a container wall with a recession at the opposing bottom," allowing one can to be stacked with a second can of the same design.[146] "[T]he principle that having an end that cooperates with a flared lip for stacking purposes applies to both designs."[147] And the inverted nature of the applicant's design "does not negate any of the functional aspects of applicant's design, thereby rendering them non-functional."[148]

With regard to the second factor, whether Mars touted the utilitarian advantages of the design, the record did not include

145. *In re Mars, Inc.*, 105 U.S.P.Q.2d at 1864.

146. *Id.*

147. *Id.* at 1865.

148. *Id.*

advertising material because the application at issue was based on Section 1(b) intent-to-use.

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

As to the fourth factor, the cost of manufacture, Mars argued that it could have chosen a "stock" container, which purportedly would have been "an easier and cheaper alternative."[149] The Board pointed out, however, that the applicant provided no information regarding whether the stock containers were, in fact, simpler to manufacture or less costly. At most, the evidence did not show that the applied-for configuration resulted from a cheaper or easier method of manufacture.

The Board concluded that "competitors would need this flared lip for containers where no modification is made to the sizing of exterior ridging at the opposite end of the can, or where only slight modifications of the exterior ridging exist[]."[150] It therefore affirmed the Section 2(e)(5) refusal to register.

In re Pohl-Boskamp GmbH & Co. KG

The Board turned up its collective nose at Applicant Pohl-Boskamp's unpalatable attempt to register "the distinctive flavor of peppermint" and "the scent of peppermint" for pharmaceutical formulations of nitroglycerin.[151] As to the purported flavor mark, the Board affirmed the USPTO's two-pronged refusal: Section 2(e)(5) functionality, and failure-to-function. It also affirmed the single refusal of the scent mark on the ground of failure-to-function.[152]

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

The Board observed that the Trademark Act does not prohibit registration of flavor or scent marks. In *In re N.V. Organon*,[153] the Board affirmed a refusal to register an orange flavor for an antidepressant drug on the ground of functionality because the

149. *Id.* at 1866.

150. *Id.*

151. *In re* Pohl-Boskamp GmbH & Co. KG, 106 U.S.P.Q.2d 1042 (T.T.A.B. 2013).

152. The failure-to-function refusals are discussed in Part I.B.8, below.

153. *In re* N.V. Organon, 79 U.S.P.Q.2d 1639 (T.T.A.B. 2006).

flavor masked the unpleasant taste of the drug. In *In re Clarke*,[154] the Board found registrable the scent of Plumeria blossoms for thread and yarn.

Under the Supreme Court's *Inwood* test, a product feature is functional if it is "essential to the use or purpose of the article or if it affects the cost or quality of the article."[155] If functionality is established under *Inwood*, there is no need to inquire further into the facts in order to apply the factors established by the U.S. Court of Customs and Patent Appeals (CCPA) in *In re Morton-Norwich*.[156]

Nitroglycerin is odorless and tasteless, and so it is not necessary to mask its taste, as was the case in *Organon*. However, the examining attorney pointed to a third-party patent stating that menthol-containing substances (including peppermint) reduce the required dosage of nitroglycerine and reduce the side effects. Even though peppermint oil was listed as an inactive ingredient in Pohl-Boskamp's product, the patent showed that peppermint oil could improve the effectiveness of sublingual nitroglycerin spray. A competitor who desired to improve its nitroglycerin spray by adding peppermint oil might be put at a competitive disadvantage if Pohl-Boskamp had the exclusive right to market nitroglycerin spray having a peppermint flavor, because the competitor would have to avoid using peppermint oil or find a way to mask the flavor.

The Board concluded that, based on the record evidence, because peppermint oil "imparts a flavor of peppermint . . . and potentiates the effect of nitroglycerin,"[157] it affected the quality of nitroglycerin within the meaning of *Inwood*, and the applied-for mark was barred from registration by Section 2(e)(5).

b. Aesthetic Functionality

In re Florists' Transworld Delivery, Inc.

The Board affirmed two refusals to register a purported mark consisting of the color black applied to packaging for flowers, finding the mark to be aesthetically functional under Section 2(e)(5), and if not functional, then lacking in acquired distinctiveness.[158] Judge David Bucher added a thoughtful concurring opinion, suggesting that we lay to rest the "aesthetic

154. *In re* Clarke, 17 U.S.P.Q.2d 1238 (T.T.A.B. 1990).

155. Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 851 n.10, 214 U.S.P.Q. 1, 4 n.10 (1982).

156. *In re* Morton-Norwich Prods., Inc., 671 F.2d 1332, 213 U.S.P.Q. 9 (C.C.P.A. 1982).

157. *In re Pohl-Boskamp*, 106 U.S.P.Q.2d at 1048.

158. *In re* Florists' Transworld Delivery, Inc., 106 U.S.P.Q.2d 1784 (T.T.A.B. 2013).

functionality" label and instead focus on "first principles" when considering the registrability of non-traditional "marks."

In *M-5 Steel Mfg. Inc. v. O'Hagin's Inc.*,[159] the Board recognized that there are two forms of functionality: utilitarian functionality and aesthetic functionality. As discussed above, in considering utilitarian functionality the Board looks first to the test set forth in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*: a feature is considered to be functional in the utilitarian sense if it is "essential to the use or purpose of the article," or if it "affects the cost or quality of the article."[160] The Federal Circuit, in its analysis of utilitarian functionality, applies the four factors set out in *In re Morton-Norwich.*[161]

A design feature that does not meet the *Inwood* test for utilitarian functionality is still prohibited from registration if the exclusive appropriation of that feature would put competitors at a significant non–reputation-related disadvantage.[162]

The Board agreed with the examining attorney that the color black "serves an aesthetic function" when used for floral packaging; there exists a strong competitive need to use that color in order to convey a particular message to the recipient of the flowers.[163] The evidence showed that color communicates particular messages in the presentation of flowers. The color black may communicate elegance or luxury, or may have significance "on somber occasions such as in the context of death."[164] And, of course, black is traditionally used in Halloween floral bouquets or arrangements.

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

For the sake of completeness, the Board also addressed the refusal to register on the ground that the purported mark lacks acquired distinctiveness. Of course, the Supreme Court has held

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159. M-5 Steel Mfg. Inc. v. O'Hagin's Inc., 61 U.S.P.Q.2d 1086 (T.T.A.B. 2001).

160. *Inwood Labs*., 456 U.S. 844, 851 n.10, 214 U.S.P.Q. 1 at 4 n.10.

161. *In re Morton-Norwich Prods.*, 671 F.2d at 1333, 213 U.S.P.Q. at 15-16.

162. *See* Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 165, 34 U.S.P.Q.2d 1161, 1165 (1995); TrafFix Devices Inc. v. Mkt. Displays Inc., 532 U.S. 23, 32, 58 U.S.P.Q.2d 1001, 1006-7 (2001).

163. *In re Florists' Transworld Delivery, Inc.*, 106 U.S.P.Q.2d at 1789.

164. *Id.* at 1791.

that a single-color mark cannot be inherently distinctive.[165] Moreover, an applicant bears a "difficult burden" to establish acquired distinctiveness for such a mark.[166]

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

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

And so the Board affirmed the refusal under Sections 1, 2, and 45, finding a lack of adequate proof of acquired distinctiveness.

In a concurring opinion: Judge Bucher proposed that, when considering nontraditional source indicators, we resist the urge to force each case into a preexisting cubbyhole. Applying some already established label that (as in the case of the label "aesthetic functionality") may yield more confusion than enlightenment. He would instead look to "first principles drawn from our magnificent trademark jurisprudence."[167]

> [W]hen one is faced with a putative source-indicator such as the configuration of a product or its packaging or any product feature that enhances the attractiveness of the product, it is logical to ask as a first question whether the public interest is best served by refusing to permit a particular feature to be taken from the "public domain." This is, at its root, a public policy question, and turns on whether the non-traditional indicator should remain permanently available for competitors

165. Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 212, 54 U.S.P.Q.2d 1065, 1068 (2000); *see also Qualitex*, 514 U.S. at 162, 34 U.S.P.Q.2d at 1162-63.

166. *In re Florists' Transworld Delivery*, 106 U.S.P.Q.2d at 1792, quoting *In re* Owens-Corning Fiberglas Corp., 774 F.2d 1116, 1128, 227 U.S.P.Q. 417, 424 (Fed. Cir. 1985) (reversing a refusal to register the color "pink" as a trademark for fibrous glass residential insulation).

167. *In re Florists' Transworld Delivery*, 106 U.S.P.Q.2d at 1794.

> to use freely. If one sifts through the relevant case law, it is clear that the best enunciation of this standard is one focused on whether competitors can still compete effectively, or contrariwise, whether they will suffer a significant non-reputational disadvantage. [footnoted citations omitted].[168]

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

> Nonetheless, in every case, the first principles remain the same. Especially when confronting product features that enhance the attractiveness of the product (e.g., trade dress, surface design and overall color), being forced in advance to choose a label ("utilitarian functionality," "aesthetic functionality," "ornamentation," etc.), presents the possible peril of stumbling badly over first principles.[169]

This "first principles approach" will enable a tribunal to determine functionality while avoiding "the ongoing debate among the circuit courts of appeal as to whether the tortured concept of 'aesthetic functionality' has morphed far enough from *Pagliero* to retain some viability."[170]

As to acquired distinctiveness *vel non*, assuming that the putative source indicator has cleared the functionality ("first principles") hurdle, the attention turns away from the competitors to the consumers: "whether permitting encroachment on this (arguably) reputation-based feature that the public may well have come to associate with a single source will be subject to source confusion—a significant reason to provide protection for any distinctive mark."[171]

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

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168. *Id.*

169. *Id.* at 1795.

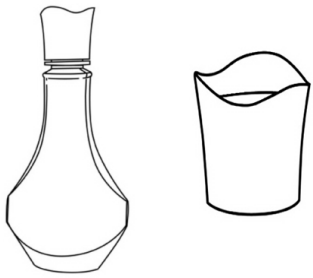
170. *Id.* (referring to Pagliero et al. v. Wallace China Co., 95 U.S.P.Q. 45 (9th Cir. 1952), which held that aesthetic features that are "an important ingredient in the commercial success of the product" are not protectable by trademark law).

171. *Id.*

7. Distinctiveness of Product Packaging

In re The Procter & Gamble Co.

The Board reversed the USPTO's refusals to register the two marks shown below, consisting of the overall shape of a container with cap, and the shape of the cap by itself, for mouthwash.[172] The examining attorney deemed the marks to be nondistinctive product packaging, and merely ornamental with no showing of acquired distinctiveness. The Board, however, ruled that the designs are inherently distinctive source indicators whose decorative or ornamental aspects are merely incidental.



The Board began by invoking the Supreme Court's teaching in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*[173] that consumers of many products are "'predisposed' through conditioning to regard packaging, containers, and other features of trade dress as signals of the source of a particular product."[174] Moreover, the record supported "the proposition that indicia of product packaging, and specifically bottle designs, function as source indicators in the retail market for mouthwash products."[175] The fact that store brands often mimic the trade dress of nationally branded mouthwash products reinforces the conclusion that trade dress has a source-identifying function.

The Board applied the CCPA's *Seabrook* test[176] to determine whether the designs at issue were inherently distinctive. Under *Seabrook*, three factors are to be considered in assessing a package design: (1) whether the packaging is a common basic shape or design, (2) whether it is unique or unusual in the particular field, and (3) whether it is a mere refinement of a commonly adopted and

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172. *In re* The Procter & Gamble Co., 105 U.S.P.Q.2d 1119 (T.T.A.B. 2012).

173. Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 54 U.S.P.Q.2d 1065 (2000).

174. *Wal-Mart Stores*, 529 U.S. at 213, 54 U.S.P.Q.2d at 1068-69.

175. *In re Procter & Gamble*, 105 U.S.P.Q.2d at 1121.

176. Seabrook Foods, Inc. v. Bar-Well Foods, Ltd., 568 F.2d 1342, 196 U.S.P.Q. 289 (C.C.P.A. 1977).

well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods.[177]

Considering the cap design and comparing it with the bottle tops in the record, the Board found it to be unusual and not a mere variation or refinement of an existing design. Therefore the cap design was inherently distinctive and entitled to registration on the Principal Register.

As to the bottle-and-cap design, the Board found it to be "not common" for oral care products.[178] In fact, the design won awards because of its uniqueness and garnered media publicity when it was released. The record showed that the design "not only enhanced the appeal of the product, but served simultaneously to identify *P&G's SCOPE OUTLAST* brand as well as to update consumers' associations with the *SCOPE* brand."[179] Compared with other designs, this design was unique in the field.

As to whether the design at issue was a mere refinement of well-known ornamentation for a mouthwash bottle, the Board agreed with P&G that the examining attorney failed to provide "any mouthwash bottle design that includes the unique contours, shapes, and proportions encompassed within applicant's mark."[180]

The Board therefore reversed the refusal to register the bottle-and-cap design as well, finding it to be inherently distinctive and registrable.

Finally, the Board reversed the refusals to register based on the ground of mere ornamentality, pointing out that a design that serves primarily as a source indicator and is only incidentally ornamental or decorative is registrable as a trademark.[181]

In re Mars, Inc.

As discussed above, the Board affirmed a Section 2(e)(5) functionality refusal to register the packaging configuration shown below for "pet food."[182] The Board also affirmed an alternative refusal under Sections 1, 2, and 45 of the Trademark Act, on the ground that the packaging was not inherently distinctive and failed to function as a trademark.

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177. The Board noted that, as Professor McCarthy has pointed out, these three factors really ask the same question: is the design so unique or unusual that one can assume that it will be automatically perceived by consumers as an indicator of source? 1 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 8:2 (4th ed. 2010).

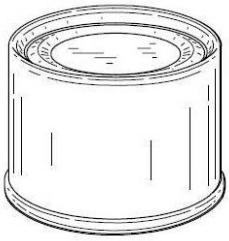
178. *In re Procter & Gamble*, 105 U.S.P.Q.2d at 1124.

179. *Id.*

180. *Id.* at 1125.

181. *See* TMEP § 1202.03.

182. *In re* Mars, Inc., 105 U.S.P.Q.2d 1859 (T.T.A.B. 2013). The Section 2(e)(5) refusal is discussed in Part I.B.6, above.



The mark comprised a cylindrical inverted container having a "rounded top" with two concentric ridges forming the inner and outer lip of the top, the bottom having a wider, ridged lip. Mars did not claim acquired distinctiveness, but product packaging may be inherently distinctive. That determination required resort to the CCPA's *Seabrook*[183] test, discussed immediately above.

By submitting various third-party pet food cans, including cans that have substantially the same ridging and/or beading as the Mars design, the examining attorney established that the design at issue was a common basic shape. Mars pointed to the differences between its container and the others, but the Board found this evidence unpersuasive. It observed that when the third-party containers are inverted, they share many of the same features as the Mars design.

In short, the Mars container design resembled many metal cans used in the pet food field. It was not unique or unusual, but rather had "the appearance of an upside down container."[184]

The Board concluded that, in view of the "strong similarities" between the Mars container and the other non-inverted containers, the applied-for design was a mere refinement of a commonly adopted and well-known form of ornamentation for pet food containers.[185]

8. Failure to Function/Unacceptable Specimen of Use

In re Phoseon Technology, Inc.

In addition to affirming the Section 2(e)(1) mere descriptiveness refusal[186] of SEMICONDUCTOR LIGHT MATRIX for light curing systems and ultraviolet ("UV") curing systems, the Board found that, as used on the applicant's specimen of use, the term failed to function as a trademark.[187]

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183. Seabrook Foods, Inc. v. Bar-Well Foods Ltd., 568 F.2d 1342, 196 U.S.P.Q. 289 (C.C.P.A. 1977).

184. *In re Mars*, 105 U.S.P.Q.2d at 1870.

185. *Id.* at 1871.

186. Discussed in Part I.B.4, above.

187. *In re* Phoseon Tech., Inc., 103 U.S.P.Q.2d 1822 (T.T.A.B. 2012).

Phoseon's specimen of use consisted of a photograph purportedly showing use of the mark in association with the goods on a trade show display. The examining attorney maintained, however, that the term "semiconductor light matrix" identified a technology, not the source of the UV curing system.

The critical issue concerned how the relevant public would perceive the mark; for example, whether the alleged mark would be perceived as identifying the source of the goods, or merely as an informational phrase. The Board found that the display engendered the commercial impression that Phoseon was selling a UV curing system that uses semiconductor light matrix technology. In other words, consumers would perceive the phrase "SEMICONDUCTOR LIGHT MATRIX" as identifying the technology used in Phoseon's product, not as identifying the source of the goods.

In re Rogowski

In seeking to register the trademark ACTIVE REASONER for "audio recordings featuring music" in International Class 9, Applicant Gary J. Rogowski submitted a specimen of use consisting of a screen shot of his YouTube webpage. The examining attorney issued a refusal to register on the ground that the specimen failed to show use of the mark in direct connection with the identified goods. The Board affirmed.[188]

Section 1(d)(1) of the Trademark Act, 15 U.S.C. § 1051(d)(1), requires that the applicant file a "specimen" or facsimile "of the mark as used in commerce." Under Section 45, 15 U.S.C. § 1127, a mark is in use in commerce when it is "placed in any manner on the goods or their containers or the displays associated therewith . . . and the goods are sold or transported in commerce . . . ."

The examining attorney maintained that Rogowski's mark as used on the specimen appeared to identify a "non-downloadable musical video performance that has been uploaded onto, or is streamed on the YouTube website, in International Classes 038 and 041, respectively."[189] She further contended that the specimen was unacceptable because it "fail[ed] to indicate that the audio recording may be downloadable."[190]

Applicant Rogowski, appearing *pro se*, asserted that his music video was downloadable because there were "many computer programs available for free, on the internet, which enable the user to download music and video."[191]

188. *In re* Rogowski, 104 U.S.P.Q.2d 2012 (T.T.A.B. 2012).

189. *Id.* at 2014.

190. *Id.*

191. *Id.*

The Board noted that International Class 9 encompasses audio recordings in both downloadable and tangible form, and Rogowski's identification of goods was sufficiently broad to cover musical sound recordings in both formats. It observed that the specimen of use include[d] the ACTIVE REASONER mark in the top left corner of the screenshot, with a "Subscribe" button close by. The mark appeared again on the right side, above a hyperlinked list of Rogowski's songs available on YouTube.

The Board recognized Rogowski's YouTube video as an "audio recording featuring music," but it concluded that the specimen "does not show the required correspondence between the mark and the identified goods being offered for sale or transported in commerce."[192]

> We acknowledge the advent and certainly the trend of music being offered in downloadable formats or the equivalent thereof in lieu of the traditional trade channels for tangible sound recordings, e.g., CDs being sold via retail or online stores. But we nonetheless find dispositive that applicant's specimen does not include a "download" or similar link to put the consumer on notice that the identified goods ("audio recordings featuring music") are indeed available for download or the equivalent thereof.[193]

The Board likened this case to online retailing cases in which a webpage specimen fails to provide a means for ordering the goods or services.[194] It noted Rogowski's assertion regarding third-party software, but nonetheless, "in the absence of a 'download' link or the equivalent thereof, applicant's specimen on its face fails to show use of his mark in commerce."[195]

In re Supreme Steel Framing System Association, Inc.

In another rather mundane ruling, the Board affirmed two refusals to register the mark SSFSA CERTIFIED CODE COMPLIANT, in standard character form, for "testing, analysis and evaluation of the goods and services of others for the purposes of certification in the field of the use of cold-formed steel tracks and steel framing studs" [CERTIFIED CODE COMPLIANT disclaimed].[196] It agreed with the examining attorney that (1) the applicant "is seeking to register more than one mark," and

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192. *Id.*

193. *Id.*

194. *Cf. In re* Dell Inc., 71 U.S.P.Q.2d 1725, 1727 (T.T.A.B. 2004) (website specimen for downloadable computer software is acceptable when it includes the means to download, purchase, or order the software).

195. *In re Rogowski*, 104 U.S.P.Q.2d at 2015.

196. *In re* Supreme Steel Framing Sys. Ass'n, Inc., 105 U.S.P.Q.2d 1385 (T.T.A.B. 2012).

(2) applicant's mark "differs on the drawing page and specimens of use," both in violation of Sections 1 and 45 of the Trademark Act.[197]

As to the "multiple marks" refusal, the Board observed that the Trademark Act and the Trademark Rules permit registration of only one mark per application. "The question presented is whether the specimens of use [see above] accurately depict a single, unitary mark engendering a unique and distinct commercial impression, or whether the specimens depict two separate marks."[198]

To resolve the issue, the Board must compare the specimens with the drawing and make a necessarily subjective determination. The Board concluded that, "[a]s they are presented on these specimens, 'SSFSA' and 'CERTIFIED CODE COMPLIANT' would not be perceived as components of a single unitary mark, but rather as two separate marks."[199]

> [The] spatially separate and distinct manner of presentation of these elements creates separate commercial impressions for SSFSA and CERTIFIED CODE COMPLIANT. Based on the manner in which they are depicted in the specimens, purchasers would be more likely to perceive these two elements as two different marks—SSFSA SUPREME STEEL FRAMING SYSTEM ASSOCIATION and design on the one hand, and CERTIFIED CODE COMPLIANT and design on the other—rather than the single mark shown on the drawing page.[200]

Having found that the drawing presents a single composite mark while the specimen does not, the Board perforce concluded that "the mark on the drawing differs from the multiple marks on the specimen."[201] And so the Board affirmed this second refusal as well.

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197. *Id.* at 1386.

198. *Id.* at 1387.

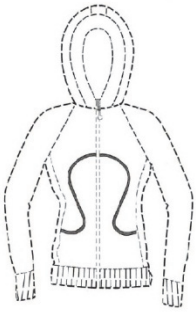
199. *Id.* at 1388.

200. *Id.*

201. *Id.* at 1389.

In re Lululemon Athletica Canada Inc.

In another variant on the failure-to-function theme, the Board affirmed a refusal to register the purported mark shown below for "hooded sweatshirts; jackets; coats," on the ground that the design is merely ornamental and not a trademark.[202]



Applied-for Mark

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

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

Lululemon asserted that its applied-for mark was inherently distinctive, pointing out that competitors used similar "large marks" on their clothing items, leading consumers to recognize Lululemon's design as a source identifier rather than merely an ornament. The examining attorney, however, contended that, because of the large size of the design, consumers would not view it as a mark. She also pointed to third-party registrations showing that similar designs were registered on the Supplemental Register or under Section 2(f)—that is, they were deemed not to be inherently distinctive.

Based on the record evidence, the Board observed that, although it "may have once been the practice in the clothing industry to limit logos to small sizes in discrete areas rather than

202. *In re* Lululemon Athletica Can. Inc., 105 U.S.P.Q.2d 1684 (T.T.A.B. 2013).

to have them 'emblazoned' across a garment," that is no longer industry practice.[203] In short, the large size of Lululemon's design did not *per se* rule out its registrability: "the size of the mark is one consideration along with others."[204]

Nonetheless, the Board tersely found that Lululemon's wave design was "rather simple" and looked "like piping." It was, the Board concluded, "likely to be perceived by the public merely as ornamental."[205]

That left option (3), that the mark serves as a "secondary source indicator." The Board recognized that ornamentation on clothing (e.g., logos on T-shirts) may be of a "special nature which inherently tells the purchasing public the source of the T-shirt, not the source of manufacture but the secondary source."[206]

> In the context of an ornamentality refusal, "secondary source" simply means that the use of the design or words would be perceived by the consumer as an indicator of source due to the applicant's prior use or registration of the mark for other goods or services (not the applied-for goods).[207]

Lululemon asserted that it had used "the same mark" for related goods and services: on a storefront, Christmas ball ornaments, shopping bag, luggage bag, gift card, wool cap, jacket, bamboo yoga brick, dense foam brick, yoga mat, skidless towel, hairbands, running cap, and headbands. The examining attorney contended, however, that the applied-for mark and the registered mark (shown below) were not the same mark.

Registered Mark

The Board agreed with the examining attorney. The registered mark comprised a wave design "confined in and highlighted by a contrasting-hued circle."[208] The sides of that design were thicker and closer together than in the applied-for mark, and the design in

203. *Id.* at 1689.

204. *Id.*

205. *Id.*

206. *Id.* (quoting *In re* Olin Corp., 181 U.S.P.Q. 182, 182 (1973)).

207. *Id.* at 1689, n.4.

208. *Id.* at 1690.

the registered mark was not of uniform thickness. And so the Board rejected Lululemon's secondary source argument.

In re Arnold

The USPTO refused registration of the mark BLATANCY for "audio recordings featuring music" in Class 9, on the ground that the mark failed to function as a trademark both because it comprised the title of a single artistic work, and because it merely identified the featured performer. The Board reversed the first refusal but affirmed the second.[209]

Title of a Single Work: Applicant Ethan A. Arnold overcame the "single work" refusal by showing that the mark BLATANCY had been used on a series of works. Of course, a title used on a series of works is registrable as a trademark.[210] The evidence included two CDs identified by the BLATANCY designation; because it was not clear whether the two CDs had the same content, the Board gave Arnold the benefit of the doubt on this issue.

Name of Performer: The evidence showed that BLATANCY was the name of a performing artist associated with the applicant's goods. The examining attorney followed Section 1202.09(a) of the Trademark Manual of Examining Procedure ("TMEP") by requiring that the applicant demonstrate that (1) the proposed mark had been used on a series of works and (2) the mark served to identify the source of the series of works. Applicant Arnold satisfied the first prong of the test. The question then was whether BLATANCY served to identify the source of the goods.

The examining attorney advised Arnold that he could satisfy the second prong of the test by submitting a verified statement as to his control over the nature and quality of the goods. Arnold did not do so. The Board, therefore, had to consider whether:

> applicant has demonstrated, through submission of evidence, that he controls the nature and quality of his goods and the use of the name BLATANCY thereon in such a way as to indicate the quality of those works; or, alternatively, whether this name has become so widely recognized, through vigorous promotion, that it now identifies applicant as the source of a series of works.[211]

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209. *In re* Arnold, 105 U.S.P.Q.2d 1953 (T.T.A.B. 2013).

210. *See In re* Cooper, 254 F.2d 611, 117 U.S.P.Q. 396 (C.C.P.A. 1958) ("The name for a series, at least while it is still being published, has a trademark function in indicating that each book of the series comes from the same source as the others." 254 F.2d at 615, 117 U.S.P.Q. at 400.)

211. *In re* Arnold, 105 U.S.P.Q.2d at 1958-59.

The Board looked to the applicant's MySpace Music page, his official website, advertisement cards, and CD insert, but it found the evidence as to control "conflicting and of uncertain meaning."[212] The evidence referred to a "Record Label" called "ComingUp Records" and to a "Publisher" named "Simply Original Music." Other evidence referred to BLATANCY as "Producer" and as a "publisher."

In short, it was unclear from the record who controlled the mark. It was the applicant's burden to dispel the ambiguities by means of reliable evidence, such as business records or affidavits, and he failed to carry that burden.

In re Powermat Inc.

Two more applications to register "chirp" sounds as trademarks fell on deaf ears at the TTAB. The Board affirmed the USPTO's refusals to register two applied-for marks, each comprising "five short electronic chirps"—one set of five in slightly increasing pitch, and the other set of five in slightly decreasing pitch—for battery chargers, on the ground that the sounds failed to function as trademarks.[213]

In some instances, a sound may function as a mark. Sounds emitted in the course of a product's ordinary function, however, cannot be inherently distinctive.[214]

Powermat's battery chargers emitted the ascending tones when an electronic device was placed on the charger and the descending tones when the device was removed. Powermat did not dispute that its battery chargers emitted the sounds in their ordinary course of operation. Therefore its applied-for sound marks were not inherently distinctive.

Powermat's advertising evidence and its (unsupported) argument that the sounds were developed by a professional composer and then market-tested could not change the result here. Even if Powermat's evidence of promotion of its sounds were considered the equivalent of "look-for" advertising, that would help Powermat only under a Section 2(f) claim of acquired distinctiveness, but Powermat made no such claim. It asserted only inherent distinctiveness, an assertion destined to be silenced by the cited Board precedent.

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212. *Id.* at 1959.

213. *In re* Powermat Inc., 105 U.S.P.Q.2d 1789 (T.T.A.B. 2013).

214. *In re* Vertex Grp. LLC, 89 U.S.P.Q.2d 1694 (T.T.A.B. 2009); Nextel Commc'ns v. Motorola, Inc., 91 U.S.P.Q.2d 1393 (T.T.A.B. 2009).

In re Pohl-Boskamp GmbH & Co. KG

As previously discussed,[215] the Board affirmed a Section 2(e)(5) refusal to register a mark comprising "the distinctive flavor of peppermint," deeming the applied-for mark to be *de jure* functional for pharmaceutical formulations of nytroglycerin. The Board also affirmed a refusal of that mark, as well as of a mark comprising the scent of peppermint, on the ground of failure-to-function as a trademark for the goods.[216]

In *In re N.V. Organon*,[217] the TTAB indicated that both flavor and scent should be treated like product designs when considering distinctiveness: that is, neither can be inherently distinctive. The issue, then, was acquired distinctiveness.[218] A "substantial showing" is required under Section 2(f) in order to demonstrate that a flavor or scent is registrable.[219]

Pohl-Boskamp claimed substantially exclusive use since 1989, but it admitted that one other manufacturer used a peppermint flavor with a spray, which product competed directly with the applicant's product. Pohl-Boskamp pointed to its great sales success and large marketing expenditures, and it provided declarations from twenty-three physicians and pharmacists.

The Board found that although the period of use was substantial, the import thereof was undercut by the lack of exclusivity. Not only was there a directly competing product, but there was also evidence of other antianginal products containing peppermint oil.

> The presence of other flavored and scented pharmaceutical products in the market is likely to reinforce consumers' perception of the flavor and scent of applicant's goods as mere physical attributes of the product, rather than as indicators of the product's source.[220]

Pohl-Boskamp's advertising materials did not promote the flavor or scent as trademarks. Its website and one advertisement contained a notice in small print that the peppermint flavor and scent were trademarks of the applicant, but "the inconspicuous placement, the legalistic tone and the plethora of claimed marks" made it "unlikely that these notices would have substantial impact on applicant's customers."[221]

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215. *See* Part I.B.6, above.

216. *In re* Pohl-Boskamp GmbH & Co. KG, 106 U.S.P.Q.2d 1042 (T.T.A.B. 2013).

217. *In re* N.V. Organon, 79 U.S.P.Q.2d 1639 (T.T.A.B. 2006).

218. Note that because the Board affirmed the functionality refusal, the flavor mark was unregistrable in any event.

219. *Id.* at 1049, citing *In re N.V. Organon*, 79 U.S.P.Q.2d at 1650.

220. *Id.* at 1049.

221. *Id.* at 1050.

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

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

> The testimonials are remarkable for their effort to say so much about so many different things in so few words. The declarants' willingness to vouch for the distinctiveness of so many of applicant's elements of trade dress affects the persuasiveness of these statements.[222]

Moreover, the declarations did not squarely address the issue at hand: they merely assert that Pohl-Boskamp's product is the only one having a peppermint flavor or scent (which is controverted by the record evidence) and that each declarant is familiar with the applicant's product and associates its scent with the applicant alone (flavor was not addressed as to this point).

Finally, the probative value of the declarations was reduced because they were "all essentially identical in form and were clearly not composed individually."[223]

> While we note the declarants' willingness to sign their names to the precise wording set forth in the statements, we question whether the declarants would fully embrace the proposition for which the testimonials have been put forth, *i.e.*, that each individual element of applicant's trade dress has the power of a trademark, functions to indicate that applicant is the source of the goods, and distinguishes applicant's good from those of others.[224]

The Board observed that because most substances create sensations of flavor and scent when introduced into the mouth, "[c]onsumers are not predisposed to equate either flavor or scent with the source of the product ingested."[225] Consequently, a very substantial amount of evidence would be required to prove acquired distinctiveness.

Here, the evidence of sales and promotion was equivocal, evidence of direct promotion of the purported marks was lacking, and the declarations alone were insufficient to satisfy Section 2(f). In contrast, evidence of use of peppermint scent and flavor by

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222. *Id.* at 1051.

223. *Id.*

224. *Id.*

225. *Id.*

others tended to show that flavor and scent "are more likely to be perceived merely as attributes of ingestible products than as indicators of source."[226]

And so the Board affirmed both failure-to-function refusals.

In re Gulf Coast Nutritionals, Inc.

In yet another case involving a faulty specimen of use, the Board affirmed a refusal to register the mark PLAQUE-ZAPPER for "pet products, namely, edible pet treats, pet food and pet beverages," finding that the applicant's specimen did not show use of the mark for the identified goods.[227] The specimen of use described the product as a veterinary dental or health care product rather than as pet treat as the applicant claimed.

The Board first pointed to *In re Bose Corp.*[228] regarding the role of the specimen of use:

> An important function of specimens in a trademark application is, manifestly, to enable the PTO to verify the statements made in the application regarding trademark use. In this regard, the manner in which an applicant has employed the asserted mark, as evidenced by the specimens of record, must be carefully considered in determining whether the asserted mark has been used as a trademark with respect to the goods *named in the application*.[229]

The applicant did not contend that the specimen showed use of the mark for pet food or pet beverages but urged that it qualified under an online definition of a "treat" as "entertainment, food, drink, etc. given by way of compliment or as an expression of friendly regard."[230] However, there was no evidence that this meaning was commonly recognized for "pet treats." Moreover, even applying the applicant's definition, the specimen did not support its position. The information on the specimen described a dental healthcare product that controlled plaque, tartar, and bad breath. It was described as odorless, colorless, and tasteless.

The Board concluded that any reasonable interpretation of the language used on the specimen pointed to a healthcare product, not a treat. The instructions and warnings on the specimen reinforced that interpretation. The term "pet treats" was commonly used to identify an edible item for pleasure or enjoyment. In the evidence of record, "pet treats" referred to

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226. *Id.* at 1052.

227. *In re* Gulf Coast Nutritionals, Inc., 106 U.S.P.Q.2d 1243 (T.T.A.B. 2013).

228. *In re* Bose Corp., 192 U.S.P.Q. 213 (C.C.P.A. 1976).

229. *In re Gulf Coast Nutritionals*, 106 U.S.P.Q.2d at 1246, quoting *In re Bose Corp.*, 192 U.S.P.Q. at 216 (emphasis in original).

230. *Id.* at 1246.

"chews," "biscuits," "bones," "crunchies," and "moist goodies." On one website, the applicant's product was not referred to as a "pet treat" but was listed under "dental products" as a "dental additive."

There was nothing in the specimen of use showing the mark PLAQUE-ZAPPER in connection with the identified goods. Therefore, registration was properly refused under Sections 1 and 45 of the Trademark Act.

9. Goods in Trade

In re Thomas White International, Ltd.

The Board affirmed a refusal to register the mark EMPOWERING THE INVESTOR, in standard character form [INVESTOR disclaimed], for "electronic publications, namely, reports featuring investment management and investment research information, and financial research and equity research information recorded on computer media" in Class 9.[231] The Board agreed with the USPTO that the specimen of use comprised a report that was merely incidental to the applicant's own business and did not constitute a "good in trade." Consequently, the specimen was "unacceptable to support registration of the mark for the identified goods."[232]

The specimen of use was a 52-page .pdf file entitled "Annual Report" for investment funds named "Thomas White Funds," for which the applicant was the advisor. The report explained the applicant's role as the advisor to the funds, provided an outlook for 2010, described the "portfolio strategy," provided a performance review of two funds, listed the specific holdings in each fund, and set forth investment, financial, and equity research information regarding various markets. The funds' accounting firm confirmed that the report presented fairly and accurately the financial details of the funds.

The Board accepted the applicant's assertion that the document was not an "annual report," as that term is normally understood. In any case, the Board found that the report was not a "good in trade."

> [T]he specimen shows applicant is using the mark only on an item incidental to conducting its own business. The annual investment report is a common and necessary adjunct to the rendering of applicant's investment management and research services, that is, it is one of the means through which it provides investment services. For customers who have invested in the funds, it serves the purpose of a status report

231. *In re* Thomas White Int'l, Ltd., 106 U.S.P.Q.2d 1158 (T.T.A.B. 2013).

232. *Id.* at 1163.

> on the customers' investments; there is no evidence in the record that applicant charges for the report. Such customers do not solicit or purchase such reports for their intrinsic value; rather, they merely are being provided a report on the status of their investments. With regard to prospective investors, the report is tantamount to a sales document; the answer to the fundamental question, "what is being offered for sale," is the opportunity to invest in the funds and receive the investment management services of applicant. The annual report provides advertising for the services, rather than being a product in itself. The report is not sold separately from the services, and the report has no viable existence or independent value separate and apart from the services. The publications are part and parcel of the services.[233]

10. Material Alteration of the Mark

In re Guitar Straps Online, LLC

Affirming two refusals to register the mark GOT STRAPS for "bumper stickers" and "online retail store services featuring straps for musical instruments and accessories for musical instruments,"[234] the Board concluded that the applicant's proposed amendment of the mark to add a question mark constituted a material alteration of the original mark under Trademark Rule 2.72(b)(2)[235] and that the application drawing was not a substantially exact representation of the mark GOT STRAPS?, as used on the specimens, under Trademark Rule 2.51(b).[236]

The Board noted that if the proposed amendment of adding a question mark were permitted, the amended drawing would comport with the specimens of use, and the second refusal would be moot. The key issue under Rule 2.72(b)(2) was whether the proposed amendment would materially alter the mark.

> The modified mark must contain what is the essence of the original mark, and the new form must create the impression of being essentially the same mark. The general test of whether an alteration is material is whether the mark would have to be republished after the alteration in order to fairly present the mark for purposes of opposition. If one mark is sufficiently

233. *Id.* at 1162-63.

234. *In re* Guitar Straps Online, LLC, 103 U.S.P.Q.2d 1745 (T.T.A.B. 2012).

235. Trademark Rule 2.72(b)(2), 37 C.F.R. § 2.72(b)(2), provides that in an application based on intention to use, the applicant may amend the drawing of the mark only if "[t]he proposed amendment does not materially alter the mark."

236. Trademark Rule 2.51(b), 37 C.F.R. § 2.51(b), provides that in an application based on intention to use, "once an amendment to allege use under § 2.76 or a statement of use under § 2.88 has been filed, the drawing of the mark must be a substantially exact representation of the mark as used on or in connection with the goods and/or services."

> different from another mark as to require republication, it would be tantamount to a new mark appropriate for a new application.[237]

The Board stressed that the "primary question is whether the proposed amendment contains 'the essence of the original mark' and whether it creates 'the impression of being essentially the same mark.'"[238] It pointed to TMEP Section 807.14(c) (8th ed. Oct. 2011), which lists instances in which addition or deletion of punctuation would change the commercial impression of a mark and would constitute a material alteration. The list includes "the addition or deletion of a question mark" as one instance.

The Board found that addition of a question mark to GOT STRAPS constituted a material alteration because it changed "the commercial impression of the original mark from a declaratory statement to an interrogative phrase."[239] The Board agreed with the examining attorney that GOT STRAPS? versus GOT STRAPS was equivalent to "do you have guitar straps?" versus "I have guitar straps."[240]

> The placement of a question mark at the end of the phrase GOT STRAPS transforms not only the appearance and meaning of applicant's original mark but also the pronunciation. In other words, applicant's proposed amendment alters "the essence of the original mark."[241]

The applicant pointed out that the USPTO does not provide a design code for the question mark for purposes of searching the USPTO database, arguing that the USPTO thus "does not believe that the question mark is a significant feature of the mark, and that it is not necessary to include the question mark in a search for the mark."[242] Therefore, the applicant reasoned, the addition of a question mark to GOT STRAPS would not require republication of the mark or a new search. The Board observed, however, that the USPTO treats a question mark as a standard character, and a standard character mark is not treated as a design mark or given a design code. In any case the assignment of a design code is a purely administrative practice that has no bearing on the issue at hand.

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237. *In re Guitar Straps Online*, 103 U.S.P.Q.2d at 1746-47, quoting *In re* Hacot-Colombier, 105 F.3d 616, 620, 41 U.S.P.Q.2d 1523, 1526 (Fed. Cir. 1997).

238. *Id.* at 1747, quoting *In re* Who? Vision Sys., Inc., 57 U.S.P.Q.2d 1211, 1218 (T.T.A.B. 2000).

239. *Id.* at 1748.

240. *Id.*

241. *Id.*

242. *Id.* at 1749.

Although the Board agreed with the applicant that a new search would not be required if the mark were amended, it concluded that republication would be necessary "given the change in the commercial impression of the mark, . . . in order to give interested third parties adequate notice."[243]

And so the Board affirmed the refusal on the ground that the proposed amendment would materially alter the mark, in violation of Trademark Rule 2.72.

With regard to the specimen/drawing issue, Trademark Rule 2.52 provides that the "drawing depicts the mark sought to be registered." Trademark Rule 2.51(b) states that the drawing of the mark must be a "substantially exact representation" of the mark as used. Although an applicant may seek to register any portion of a composite mark that presents a separate and distinct commercial impression, the mark as used "must not be so entwined (physically or conceptually) with other material that it is not separable from it in the mind of the consumer."[244]

The applicant contended that the words GOT STRAPS in the specimens of use created a separate and distinct commercial impression from the question mark.

The Board again turned to the TMEP, and particularly Section 807.12(a)(i), entitled "Role of Punctuation in Determining Whether Mark on Drawing Agrees with Mark on Specimen." It found the following hypothetical to be persuasive:

> For example, if the mark on the specimen is PREGNANT?, and the mark on the drawing is PREGNANT, the mark on the drawing is not a substantially exact representation of the mark as actually used. The question mark on the specimen transforms the word PREGNANT from a mere statement to a question, and, therefore, changes the commercial impression of the mark. Moreover, the drawing cannot be amended to add the punctuation because it would result in a material alteration. Therefore, the applicant must submit a new specimen showing the mark without the punctuation.[245]

The Board also found persuasive its decision in *In re Yale Sportswear Corp.*,[246] wherein it affirmed a refusal to register the mark UPPER 90 on the ground that the drawing was not a substantially exact representation of the mark as used because the

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243. *Id.*

244. *Id.* at 1751, quoting *In re* Yale Sportswear Corp., 88 U.S.P.Q.2d 1121 (T.T.A.B. 2008), quoting *In re* Chem. Dynamics Inc., 839 F.2d 1569, 5 U.S.P.Q.2d 1828 (Fed. Cir. 1988).

245. *Id.*, quoting TMEP Section 807.12(a)(iii): Punctuation on the Specimen but Not on the Drawing.

246. *In re* Yale Sportswear Corp., 88 U.S.P.Q.2d 1121 (T.T.A.B. 2008).

mark appeared on the specimens with the addition of a degree symbol (UPPER 90°).

The Board concluded that the literal element GOT STRAPS cannot be severed from the question mark without altering the commercial impression or meaning of the mark. In other words, the literal portion and the question mark were conceptually entwined, and therefore the applicant's drawing depicting GOT STRAPS was not a substantially exact representation of the mark as used in commerce.

PART II. INTER PARTES CASES

By John L. Welch

A. United States Court of Appeals for the Federal Circuit

1. Section 2(d) Likelihood of Confusion

a. Likelihood of Confusion Found

Midwestern Pet Foods, Inc. v. Société des Produits Nestlé S.A.

The CAFC affirmed the Board's decision[247] finding the mark WAGGIN' STRIPS for pet food and edible pet treats [STRIPS disclaimed], likely to cause confusion with the registered mark BEGGIN' STRIPS for dog snacks [STRIPS disclaimed].[248]

The Board properly accorded the BEGGIN' STRIPS mark a broad scope of protection based on use of the mark since 1988 and nationwide advertising, marketing, and sales, concluding that the mark has enjoyed "at least a high degree of recognition."[249] The two marks at issue have the same format, structure, and syntax and similar pronunciations, cadences, and intonations. Moreover, "the verbs 'wag' and 'beg' both suggest dog behavior, and in particular both convey the excitement exhibited by dogs during feeding." The Board reasonably concluded that the implicit reference to "bacon" in the opposer's mark did not detract from the similarity of the marks in sound and meaning.

The marks are used in connection with identical products that travel in the same channels of trade to the same classes of consumers. The products are inexpensive items that would be purchased with no more than ordinary care.

Although Opposer Nestlé did not introduce survey evidence, neither the TTAB nor the CAFC requires survey evidence in order

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247. Société des Produits Nestlé S.A. v. Midwestern Pet Foods, Inc., Opposition No. 91163853 (T.T.A.B. Mar. 31, 2011).

248. Midwestern Pet Foods, Inc. v. Société des Produits Nestlé S.A., 685 F.3d 1046, 103 U.S.P.Q.2d 1435 (Fed. Cir. 2012).

249. *Id.* at 1440.

to show a likelihood of confusion. No inference may be drawn against the opposer for failing to provide survey evidence.

And so, the appellate court ruled that the Board's finding of likelihood of confusion was supported by substantial evidence.

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

DuoProSS Meditech Corp. v. Inviro Medical Devices Ltd.

The CAFC reversed the TTAB's ruling[250] that Appellant DuoProSS had failed to prove mere descriptiveness with regard to Inviro's registered marks SNAP & Design (shown below) and SNAP SIMPLY SAFER for syringes.[251] The appellate court concluded that the Board failed to consider the design mark as a whole (instead focusing only on "one portion of it"[252]), failed to make adequate findings of fact, and erroneously found that "puffing could render the marks more than descriptive."[253]

In the Board proceeding, DuoProSS had counterclaimed to cancel five registrations asserted by Inviro. The Board ordered cancellation of three registrations for the word mark SNAP for needles and syringes, one on the ground that it was a duplicate registration, and the other two on the ground of mere descriptiveness: SNAP describes "a significant feature or function of [Inviro's] cannulae, syringes and needles, namely that to safely disable them, one must snap off the plunger."[254] Inviro did not appeal those rulings.

The Board denied the counterclaims of DuoProSS for cancellation of the two registrations here at issue, finding that the broken exclamation point in the SNAP & Design mark, and the words SIMPLY SAFER in the other mark, avoided the mere descriptiveness bar to registration.

Concerning the SNAP! Design Mark, the CAFC observed that it may reverse a Board decision on mere descriptiveness, which is a question of fact, only if the decision is not supported by

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250. Inviro Med. Devices Ltd. v. DuoProSS Meditech Corp., Cancellation No. 92046702 (T.T.A.B. Apr. 5, 2011).

251. DuoProSS Meditech Corp. v. Inviro Med. Devices Ltd., 695 F.3d 1247, 103 U.S.P.Q.2d 1753 (Fed. Cir. 2012).

252. *Id.* at 1754.

253. *Id.*

254. *Inviro Med. Devices*, Cancellation No. 92046702, slip op. at 23.

substantial evidence. "Where two different conclusions may be warranted based on the evidence of record, the Board's decision to favor one conclusion over the other is the type of decision that must be sustained by this court as supported by substantial evidence."[255] However, the CAFC found that the evidence here "supports no conclusion other than that the mark is merely descriptive."[256]

The Board improperly separated the SNAP & Design mark into two elements: the word SNAP and the broken exclamation point. Looking at the design portion alone, the Board found it to be merely suggestive of "the breaking of 'something,' not necessarily the breaking of a syringe."[257] But it should have considered the entire mark rather than the exclamation point in isolation.

> The Board's opinion lacks any indicia, however, that it actually considered the mark as a whole. The Board failed to explain why a mark composed of the admittedly descriptive word SNAP, which refers to a prominent function of the recited goods, and an exclamation point that depicts at least the breaking or snapping of 'something' is not, when taken as a whole, merely descriptive of the snapping syringes.[258]

The Board also failed to cite any evidence that the mark required "imagination, thought and perception" in order to determine the nature of the goods. The findings made by the Board contradicted that conclusion: they indicated that the mark, when viewed in the context of Inviro's products, did "nothing other than depict the snapping of a syringe plunger: the prominent functional feature of Inviro's goods."[259] The instructions packaged with the goods included an image that placed the mark and the snapping of the syringe plunger "in the same context."[260] The only reasonable inference was that a consumer would perceive the mark, in the context of the goods, as depicting the snapping of a plunger.

Regarding SNAP SIMPLY SAFER, the Board did not cite any evidence to support its conclusion that DuoProSS failed to prove the mere descriptiveness of this mark. It simply noted the rhyming pattern that results in a distinctive commercial impression, but there was no evidence that a consumer would focus on the alliteration. If anything, SIMPLY SAFER "describes the most important advantage of Inviro's products: their safety."[261]

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255. *DuoProSS Meditech Corp.*, 103 U.S.P.Q.2d at 1756, quoting *In re* Bayer Aktiengesellschaft, 488 F.3d 960, 970, 82 U.S.P.Q.2d 1828, 1836 (Fed. Cir. 2007).

256. *Id.* at 1755.

257. *Id.* at 1756, quoting *Inviro Med. Devices*, Cancellation No. 92046702, slip op. at 29.

258. *Id.*

259. *Id.* at 1757.

260. *Id.*

261. *Id.* at 1758.

Moreover, the Board erred as a matter of law when it concluded that the phrase is more than merely descriptive because SIMPLY SAFER is a laudatory phrase or puffery. The court ruled that "adding SIMPLY SAFER to SNAP does nothing more than laud the safety of Inviro's products, which . . . is a merely descriptive use."[262]

In sum, the Board's conclusion that DuoProSS failed to prove the mere descriptiveness of these two marks was not supported by substantial evidence, and therefore the CAFC reversed the decision and remanded the case to the Board for entry of judgment and issuance of an order requiring cancellation of the two registrations at issue.

3. Goods in Trade

Lens.com, Inc. v. 1-800 Contacts, Inc.

The CAFC affirmed the decision of the TTAB[263] summarily ordering cancellation of a registration for the mark LENS for "computer software featuring programs used for electronic ordering of contact lenses. . . ."[264] The Board found that software was "merely incidental to [Lens.com's] retail sale of contact lenses," and was not a "good in trade."[265] Because Lens.com had not used the registered mark LENS as a trademark in connection with the goods identified in the registration for a period of at least three years, the Board ruled that 1-800 Contacts had made a *prima facie* showing of abandonment, which Lens.com failed to rebut.

Section 45 provides that "A mark shall be deemed to be 'abandoned'. . . (1) When its use has been discontinued with intent not to resume such use. . . . Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. 'Use' of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark." Section 45 defines "use in commerce" for goods as follows:

> The bona fide use of a mark in the ordinary course of trade . . . . [A] mark shall be deemed to be in use in commerce—
>
> (1) on goods when—

262. *Id.* at 1759.

263. 1-800 Contacts, Inc. v. Lens.com, Inc., Cancellation No. 92049925 (T.T.A.B. May 18, 2010).

264. Lens.com, Inc. v. 1-800 Contacts, Inc., 686 F.3d 1376, 103 U.S.P.Q.2d 1672 (Fed. Cir. 2012).

265. *1-800 Contacts, Inc.*, Cancellation No. 92049925, slip op. at 8.

> (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and
>
> (B) the goods are sold or transported in commerce.

The CAFC observed that the actual sale of goods is not required to satisfy the "use in commerce" requirement, provided that the goods are "transported" in commerce.[266]

Registrant Lens.com did not sell software, and therefore the appeal focused on "whether Lens.com's software was a 'good' that was "transported in commerce."[267] The CCPA precedent establishes that "an article does not qualify as a good in trade when that article is 'simply the conduit through which [the applicant] renders services,' i.e., is 'the essence or gist of [the applicant's] services.'"[268] In addition, "when an article 'has no independent value apart from the services,' such article is not likely to be an independent good in trade."[269]

The court noted, however, that there is little precedent on whether an Internet service provider's software is an independent "good" in commerce, or is merely incidental to the Internet services.

The question was whether consumers associate a mark with software, as opposed to other services. That is "a factual determination that must be conducted on a case-by-case basis. Relevant factors to consider include whether the software: (1) is simply the conduit or necessary tool useful only to obtain applicant's services; (2) is so inextricably tied to and associated with the service as to have no viable existence apart therefrom; and (3) is neither sold separately from nor has any independent value apart from the services."[270] None of these factors is dispositive.

> Here, Lens.com's software is merely the conduit through which it renders its online retail services. Lens.com's customers utilize the website (and thereby the software associated therewith) to avail themselves of Lens.com's services. Lens.com's software is inextricably intertwined with the *service* that Lens.com provides to its customers—the software facilitates the customers' online order, which is unique to each

266. *Lens.com, Inc.*, 686 F.3d at 1379, 103 U.S.P.Q.2d at 1675.

267. *Id.*

268. *Id.*, quoting *In re* Shareholders Data, 495 F.2d 1360, 1361, 181 U.S.P.Q. 722, 723 (C.C.P.A. 1974).

269. *Id.*, quoting *In re Shareholders Data*, 495 F.2d 1360 at 1360.

270. *Id.* at 1676.

> customer depending on the links he or she clicks on, the screens viewed, and the ultimate decision of whether or not to order contacts. While Lens.com's software may provide greater value to Lens.com's online retail *services* by enhancing the overall consumer experience, there is no evidence that it has any independent value apart from in rendering the service.[271]

There was no evidence of record indicating that "consumers have any reason to be aware of any connection between the LENS mark and Lens.com's software."[272] There was no association of the LENS mark with software on the registrant's website, and no evidence that consumers made such an association. Even viewing the evidence in a light most favorable to the registrant, there was no genuine issue of material fact regarding this association, or lack thereof.

Therefore, because the registrant had not used the mark in connection with software, as a good in trade, for a period of three consecutive years, the mark was properly deemed abandoned and the Board's ruling was correct.

4. Collateral Estoppel

Stephen Slesinger, Inc. v. Disney Enterprises, Inc.

A divided panel of the CAFC affirmed the TTAB's entry of summary judgment in a consolidated proceeding (eleven oppositions and one cancellation) involving trademark rights in various Winnie-the-Pooh marks. The Board ruled[273] that collateral estoppel barred defendant Stephen Slesinger, Inc. ("SSI") from re-litigating the issue of ownership, and that absent ownership, SSI's claims for likelihood of confusion, dilution, and fraud must fail.[274]

This case is a chapter in a long-running dispute concerning rights arising out of the works of A.A. Milne. The TTAB proceeding involved only the registrability of certain trademarks relating to those works. The controversy centered around a 1983 agreement between the parties. SSI claimed that certain rights in the Winnie-the-Pooh works were reserved to it by the agreement, whereas Disney maintained that the agreement assigned all of SSI's ownership rights (including trademark rights) to Disney.

At the TTAB, Disney moved to dismiss all of SSI's claims on the ground that SSI was collaterally estopped from re-litigating the issue of ownership of the marks because that issue was decided in 2009 in a civil action between the parties in the U.S. District

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271. *Id.* (emphasis in original).

272. *Id.* at 1677.

273. Stephen Slesinger, Inc. v. Disney Enters., Inc., 98 U.S.P.Q.2d 1890 (T.T.A.B. 2011).

274. Stephen Slesinger, Inc. v. Disney Enters., Inc., 702 F.3d 640, 105 U.S.P.Q.2d 1472 (Fed. Cir. 2012).

Court for the Central District of California. The district court found that Slesinger granted its rights to Disney and therefore could not claim infringement of any retained rights.

SSI argued that the district court did not actually decide that issue and further that such a determination was not necessary to the district court's judgment. SSI maintained that the court decided only whether Disney's uses were authorized and did not need to consider the issue of whether there was an assignment or a mere license of the rights.

The Board, treating the motion as one for summary judgment, found that collateral estoppel barred SSI's claims, and it granted Disney's motion.

The CAFC panel majority observed that the Board's decision to grant summary judgment was reviewed without deference. The appellate court observed that collateral estoppel requires four elements: (1) a prior action presents an identical issue; (2) the prior action actually litigated and adjudged that issue; (3) the judgment in that prior action necessarily required determination of the identical issue; and (4) the prior action featured full representation of the estopped party.

SSI conceded that the first and fourth factors were satisfied. As to the second factor, SSI maintained that the district court failed to consider properly the scope of the 1983 agreement, noting, for example, that the district court did not use the word "assignment." The CAFC concluded otherwise. It agreed with the Board's statement that "[t]he clear wording of the district court's order does not support SSI's contention that the decision was focused only on whether a particular array of uses by Disney of the POOH works was authorized."[275] Moreover, as the Board concluded, the "unambiguous nature of the contracts is strongly supported by the conduct of the parties over the nearly 50 years of their relationship."[276] Both SSI and Disney parties treated the agreements as a complete assignment of rights to Disney. "With such a clear explanation that Slesinger conveyed all rights completely to Disney, it is immaterial that the district court used the terms 'transfer' and 'grant' rather than 'assignment.'"[277]

With regard to the third factor, the CAFC found the district court's ruling to be neither incidental nor collateral. It directly addressed SSI's ownership interest in the POOH rights, and that evaluation was "clearly an essential element of the judgment."[278] The district court had to decide the issue of ownership before taking up the issue of whether Disney's uses of the marks were

275. *Stephen Slesinger*, 98 U.S.P.Q.2d at 1897.

276. *Id.*

277. *Slesinger, Inc.*, 702 F.3d at 644, 105 U.S.P.Q.2d at 1475.

278. *Id.* at 1476.

infringing. It was also essential to determine ownership before considering SSI's request to correct the registrations in question to SSI's name.

Therefore, the CAFC agreed with the Board that collateral estoppel applied, and it affirmed the Board's decision.

Circuit Judge Reyna dissented, maintaining that the district court did not decide ownership of the trademarks, and furthermore that a decision on ownership was not a prerequisite to the district court's decision concerning trademark infringement. In a nutshell, Judge Reyna asserted that the district court "was asked to resolve whether the transfer effected a license (for use), or an assignment (sale) of the trademarks."[279] The court could have decided that Disney had a license to use the mark, and therefore was not an infringer. "The district court's failure to definitively and expressly state whether the transfer was a license or assignment is striking and illuminating,"[280] and there was a reasonable doubt as to whether the district court decided that issue.

Moreover, Disney did not have to be an owner of the marks to avoid the infringement claim. "[O]wnership of the Pooh trademarks was not the only rational basis on which a fact finder could find non-infringement. An equally rational basis is that Disney was an authorized user under a license. It follows that collateral estoppel cannot apply."[281]

Therefore, Judge Reyna concluded that the TTAB had erred.

B. Trademark Trial and Appeal Board

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

Baroness Small Estates, Inc. v. American Wine Trade, Inc.

The Board dismissed a two-pronged petition for cancellation of a registration for the mark CMS (stylized) for wine, finding the mark to be neither generic nor merely descriptive of the goods.[282] The mark was derived from the generic names "cabernet savignon," "merlot," and "syrah."

As to mere descriptiveness, the Board found no proof that "C" is a recognized abbreviation for "cabernet sauvignon," or "M" for "merlot," or "S" for "syrah." In fact, the evidence showed that the mark CMS did not directly and immediately convey the meaning of the three varietals.

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279. *Id.* at 1477.

280. *Id.*

281. *Id.* at 1478.

282. Baroness Small Estates, Inc. v. Am. Wine Trade, Inc., 104 U.S.P.Q.2d 1224 (T.T.A.B. 2012). The genericness issue is discussed in Part II.B.5, below.

> The authors of the various articles and reviews and sales information believed that they needed to spell out the connection between CMS and the names of the varietals that are contained in the wine, and that readers would not immediately understand that the mark CMS has the meaning of cabernet sauvignon, merlot, syrah. Although some consumers may be able to figure out that the mark was derived from the initials of the varietals comprising the wine, the process of recognizing that derivation requires some thought, and that is the very essence of a suggestive mark.[283]

And so the Board found the mark CMS to be inherently distinctive, and it dismissed the Section 2(e)(1) claim.

ChaCha Search, Inc. v. Grape Technology Group, Inc.

Grape Technology was squashed by ChaCha in this combined opposition and cancellation proceeding. The Board denied Grape's belated motion to amend its counterclaim, denied its summary judgment motion seeking cancellation of ChaCha's registration on the newly proposed ground of failure-to-function, and granted ChaCha's summary judgment motion for a ruling that its registered mark 242242 was not merely descriptive of "[p]roviding search engine services for obtaining specific user-requested information via text messaging, instant messaging, mobile internet, voice messaging, and wireless devices."[284]

ChaCha maintained that its mark 242242 (corresponding to CHACHA on the telephone dial) was not merely descriptive of its mobile search services because it did not identify any quality, characteristic, function, feature, purpose, or use of the services.

Grape argued that the USPTO has established "a bright line examination rule that requires alphanumeric telephone number marks to be deemed registrable [only] if there are word elements in the alphanumeric telephone number that are not descriptive or generic of the goods or services offered in association with the alleged mark,"[285] and Grape further contended that because 242242 is the "Short Message Service" number by which users may obtain ChaCha's search services, the mark is merely descriptive.

Reviewing the record evidence, the Board found no genuine dispute that the mark 242242 does not identify an ingredient, quality, characteristic, function, feature, purpose, or use of ChaCha's recited services. Grape's assertion that "the fact that the marks are presented as telephone numbers gives rise to an

283. *Id.* at 1230.

284. ChaCha Search, Inc. v. Grape Tech. Grp., Inc., 105 U.S.P.Q.2d 1298 (T.T.A.B. 2012). The denial of Grape's motions is discussed in Part II.B.9.a, below.

285. *Id.* at 1302.

inference that they are functional and descriptive" lacked any support and, the Board found, was "incorrect."[286] Nor did Grape explain how 242242 identified an ingredient, quality, characteristic, function, feature, purpose, or use of ChaCha's services.

And so the Board granted ChaCha's motion for summary judgment.

2. Section 2(e)(4) Primarily Merely a Surname

Mitchell Miller, a Professional Corp.
dba Miller Law Group, P.C. v. Miller

This Miller's tale had quite an unhappy ending for the applicant, Michele Ballard Miller. The Board sustained an opposition to her application to register MILLER LAW GROUP for legal services [LAW GROUP disclaimed], finding the alleged mark to be primarily merely a surname under Section 2(e)(4)[287] and lacking in acquired distinctiveness.[288] The non-surname meanings of "miller" did not eclipse the surname significance of the word when used in the context of legal services.

Applying its standard surname test,[289] the Board first found that "Miller" is a common surname. It is the sixth most frequently occurring surname in the 2000 U.S. Census (1,127,803 occurrences), and it is a common surname in the legal profession. Even the applicant admitted that "Miller" is a common surname. And the fact that the applicant's own name was "Miller" "strengthen[ed] the inference that the public will perceive the term as a surname."[290]

The Board took judicial notice of the definitions of "miller" as "one that operates a mill" and "any of various moths having powdery wings." However, in the context of the applicant's services, the surname significance of "Miller" is its primary significance.

> The question is not whether a mark having surname significance might also have a non-surname significance, but whether, in the context of the goods or services at issue, that

286. *Id.* at 1303.

287. Section 2(e)(4) of the Lanham Act, 15 U.S.C. § 1052(e)(4), bars registration of a mark that "is primarily merely a surname."

288. Mitchell Miller, a Prof'l Corp. dba Miller Law Grp., P.C. v. Miller, 105 U.S.P.Q.2d 1615 (T.T.A.B. 2013).

289. The four factors are: (1) whether the surname is rare; (2) whether anyone connected with the applicant has the involved term as a surname; (3) whether the term has any other recognized meaning; and (4) whether the term has the "look and feel" of a surname. *See In re* Benthin Mgmt. Gmbh, 37 U.S.P.Q.2d 1332 (T.T.A.B. 1995).

290. *Mitchell Miller*, 105 U.S.P.Q.2d at 1620.

> non-surname significance is the mark's primary significance to the purchasing public, thus eclipsing and relegating the mark's surname significance to secondary rather than primary status.[291]

Finally, and not surprisingly, the Board found that "Miller" has the "look and feel"[292] of a surname, given that it is the sixth most common surname in this country.

In sum, the evidence was overwhelming that the primary significance of "Miller" to the relevant public is that of a surname. The addition of the phrase "LAW GROUP" to "MILLER" did not change its primary significance. "Considered as a whole and in light of the preponderance of the evidence,"[293] the Board found that MILLER LAW GROUP is primarily merely a surname under Section 2(e)(4).

Of course, a Section 2(e)(4) surname refusal may be overcome by proof of acquired distinctiveness under Section 2(f). The applicant's evidence showed use of the applied-for mark since 1998, with growing revenues and tens of thousands of dollars spent on marketing.

However, the opposer had used the mark MILLER LAW GROUP, P.C. since 2007, on letterhead, signage, etc. The opposer also provided evidence of third-party use of MILLER in connection with legal services: at least seven users in addition to the opposer and the applicant. The State Bar of California included 274 active attorneys with the surname "Miller," and San Francisco alone had 68. With "Miller" being the sixth most common surname, it was "reasonable to presume that there are additional legal practitioners that use MILLER in connection with legal services, and that the record only reflects a small sampling of those users."[294]

Although the applicant used the applied-for mark continuously for more than twenty years, "it is clear from the record that applicant has not established that her use of MILLER was substantially exclusive as required by Section 2(f)."[295] In addition, the applicant had consented to use and registration of the surname MILLER by three parties in connection with certain legal services.

> Moreover, applicant has not [submitted], and it would appear cannot in good faith[] submit a verified statement with an affidavit or signed declaration under 37 C.F.R. § 2.20 that the

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291. *Id.* at 1621.

292. The Board explained that this means that the mark has the "structure and pronunciation" or "the look and sound" of a surname.

293. *Id.* at 1622.

294. *Mitchell Miller*, 105 U.S.P.Q.2d at 1625.

295. *Id.*

mark has become distinctive of her legal services through her "substantially" exclusive use in commerce.[296]

The Board therefore found that the neither the surname "Miller" nor the applied-for mark MILLER LAW GROUP had acquired distinctiveness with respect to legal services.

3. Cancellation of a Madrid Protocol Extension of Protection

SaddleSprings, Inc. v. Mad Croc Brands, Inc.

The TTAB denied Respondent Mad Croc's motion to dismiss this petition for cancellation of a Section 66(a) registration (a/k/a Madrid Protocol extension of protection), which petition alleged that the mark at issue had been abandoned.[297] Mad Croc contended that because the corresponding International Registration was still viable, the registration could not be cancelled under Section 14, and therefore the petition failed to state a claim on which relief could be granted. The Board, however, ruled that "an owner of a Section 66(a) registration is subject to the same treatment and conditions which prevail in connection with any other registrant. . . . [T]his includes the possibility that the registration may be cancelled on any available ground under Section 14 of the Trademark Act, 15 U.S.C. § 1064."[298]

Petitioner SaddleSprings alleged that respondent has "either never used the Registered Mark in commerce or completely ceased using [the] Registered Mark, in connection with the goods identified in the Registration for a period of at least three consecutive years."[299]

In its motion, Mad Crocs argued that its registration was subject to Section 71 of the Trademark Act, 15 U.S.C. Section 1141k, which states that "an extension of protection remains in force for the term of the international registration, except that the Director may cancel the extension if the affidavit required by Section 1141k is not timely filed." Consequently, respondent asserted, the Director has no authority to cancel the registration prior to expiration of the grace period for filing a declaration or affidavit of use—that is, prior to six years and six months after the registration issued on February 20, 2007.

SaddleSprings maintained that respondent's arguments conflicted with Section 69 of the Trademark Act, which provides

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296. *Id.*

297. SaddleSprings, Inc. v. Mad Croc Brands, Inc., 104 U.S.P.Q.2d 1948 (T.T.A.B. 2012).

298. *Id.* at 1952.

299. *Id.* at 1949.

that "an extension of protection shall have the same effect and validity as a registration on the Principal Register." It argued that, under respondent's interpretation, Madrid-based registrations would be immune from attack, even if obtained fraudulently and even if the mark has been abandoned, or is generic or "functionable [sic]."

So the question for the Board was "whether abandonment is an available claim with respect to a registration based on Section 66(a) for which the underlying international registration is valid and subsisting."[300]

The Board observed that there are some distinctions between registrations issuing on different bases under the Trademark Act: for example, a Section 1(a) registration requires use, while Section 44 and 66(a) registrations do not; a Section 44(e) registration stands independent of the underlying foreign national registration, while a Section 66(a) registration always remains part of and dependent upon the international registration. However, "the availability of particular grounds for cancellation is not such a distinction."[301]

Section 71 is "clearly not a limitation on cancellation of a Section 66(a) registration any more than Section 8 . . . is with respect to registrations issued under Section 1 or 44."[302] The two sections are "similar by design":[303] each sets out the normal duration or term of the registration, but neither expressly limits the right of others to petition for cancellation under Section 14 of the Act.

The Board found no support in the text of the Trademark Act for respondent's proposed reading of Section 71. Moreover, if Section 71 were to be read as respondent suggests, then Section 8 should be read to prohibit cancellation of any registration under Section 14:

> Indeed, if respondent's interpretation of Section 71 were correct, we would be bound to interpret the similar provisions of Trademark Act Section 8 ("Each registration shall remain in force for 10 years. . . . ") to prohibit cancellation of registrations based on Trademark Act Sections 1 or 44, except as provided in Section 8. Such an interpretation would prohibit the cancellation of any registration under Trademark Act Section 14, rendering that section meaningless. To the contrary, the USPTO has long interpreted Section 14 to permit inter partes proceedings to cancel registrations

300. *Id.* at 1950.

301. *Id.* at 1951.

302. *Id.*

303. *Id.*

notwithstanding compliance by the registrant with Section 8.[304]

The Board asserted that its interpretation of the statute was consistent with Article 5(6) of the Madrid Protocol,[305] which expressly acknowledges that a request for extension may be subject to cancellation.[306]

Because trademark rights in this country are based on use in commerce, and because the validity of a Section 66(a) registration must be determined under the Trademark Act, the registrant must use the mark in commerce in order to avoid abandonment. In the absence of justifiable non-use, registrations for marks that have never been used, or for which use has been discontinued with no intent to resume use, are subject to cancellation even if the International Registration remains in effect.

And so the Board denied the motion to dismiss and issued an order resuming the proceeding.

4. Dilution by Blurring

Academy of Motion Picture Arts and Sciences v. Alliance of Professionals & Consultants, Inc.

In a case of first impression, the Board granted Respondent APC's motion to dismiss cancellation petitioner Motion Picture Academy's claim for dilution-by-blurring, on the ground that Section 43(c)(6)(B) provides a "complete bar" to a dilution claim against a federal registration.[307] Although the parties and commentators agree that a "clerical error" was made during passage of the Trademark Dilution Revision Act in 2006 (TDRA),[308] the Board applied the statute as written, finding insufficient basis in the legislative history to justify an alternative reading of the statutory language.

APC registered the mark OSCAR in 2011 for "providing recognition and incentives by the way of awards and contests to demonstrate excellence in the field of business consultation and information technology." The Academy petitioned to cancel on

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304. *Id.* at 1951.

305. Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, June 27, 1989 (as amended), 828 U.N.T.S 1185, S. Treaty Doc. No. 106-41.

306. Article 5(6) states: "Invalidation, by the competent authorities of a Contracting Party, of the effects, in the territory of that Contracting Party, of an international registration may not be pronounced without the holder of such international registration having, in good time, been afforded the opportunity of defending his rights. Invalidation shall be notified to the International Bureau."

307. Acad. Motion Picture Arts and Scis. v. Alliance of Prof'ls & Consultants, Inc., 104 U.S.P.Q.2d 1234 (T.T.A.B. 2012).

308. Pub. L. 109-312, Section 1, 120 Stat. 1730 (2006).

three grounds: Section 2(d) likelihood of confusion with its registered mark OSCAR for various entertainment services; Section 2(a) false association; and Section 43(c) dilution-by-blurring. Prior to answering the petition, Respondent APC filed a motion to dismiss the dilution claim, asserting the "federal registration defense."

The Board found no cases raising this issue in the federal courts or before the Board; the fact that the Board has entertained dilution claims in other cancellation proceedings was "not persuasive."[309]

The federal registration defense was included in the Federal Trademark Dilution Act of 1995 ("FTDA"),[310] which provided that "ownership by a person of a valid registration" is a "complete bar" to any action brought "under common law or a statute and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement." In 2006, the TDRA sought to expand this defense to include all types of state law dilution claims by replacing "dilution of the distinctiveness of a mark" with "dilution by blurring or dilution by tarnishment."

During Senate consideration of the House bill,[311] Section 43(c)(6) was slightly reorganized. The Senate version of the bill became law, and as a result the statute stated that ownership of a federal registration acts as a "complete bar" to a federal dilution claim (as well as state-based claims).[312] The Academy argued that the interpretation urged by APC would result in inconsistencies and absurd results. Commentators (and the parties) agreed that a clerical error (a misplaced "or") had occurred, but they disagreed as to how that "error" should be interpreted.

The Board observed that when statutory terms are unambiguous, the language must be given effect, except in those

309. *Acad. Motion Picture Arts and Scis.*, 104 U.S.P.Q.2d at 1237.

310. Pub. L. 104-98, 109 Stat. 985 (1996).

311. The House version read: "The ownership by a person of a valid registration . . . shall be a complete bar to an action against that person, with respect to that mark, that—(A) is brought by another person under the common law or a statute of a State; and (B)(i) seeks to prevent dilution by blurring or dilution by tarnishment; or (ii) asserts any claim of actual or likely damage or harm to the distinctiveness or reputation of a mark. . . ."

312. As enacted in 2006, Section 43(c)(6) read as follows: "The ownership by a person of a valid registration . . . shall be a complete bar to an action against that person, with respect to that mark, that—(A)(i) is brought by another person under the common law or a statute of a State; and (ii) seeks to prevent dilution by blurring or dilution by tarnishment; or (B) asserts any claim of actual or likely damage or harm to the distinctiveness or reputation of a mark, label, or form of advertisement." Note the change from "A and B(i) or (ii)" in the House version (fn. 259, above) to "A(i) and (ii) or B."

"rare and exceptional circumstances"[313] when there is a "clearly expressed legislative intent to the contrary."[314]

The Academy characterized this reorganization of the language as "unintended," but the Board found "scant legislative history, and certainly not enough to support an alternative reading in this case."[315] The Board "must apply and enforce the statute as written, rather than picking and choosing a preferred interpretation." It must "assume that Congress means what it says."[316] In the Board's view, if Congress intended something else, it was up to Congress to amend the statute accordingly.

And so, the Board granted the motion to dismiss.

On October 5, 2012, eight days after this decision was issued, President Obama signed into law "An Act to amend the Trademark Act of 1946 to correct an error in the provisions relating to remedies for dilution."[317] This Act amended the Trademark Act to correct the clerical error in Section 43(c)(6).[318] However, the corrected version of Section 43(c)(6) is not retroactive; it applies only to actions commenced on or after October 5, 2012.[319]

5. Genericness

Baroness Small Estates, Inc. v. American Wine Trade, Inc.

The Board dismissed this petition for cancellation of a registration for the mark CMS (stylized) for wine, finding the mark to be neither generic nor merely descriptive of the goods.[320] As to the genericness issue, the Board ruled that just because the mark was derived from the generic names "cabernet sauvignon," "merlot," and "syrah," or that one can "figure out" the derivation of

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313. *Acad. Motion Picture Arts and Scis.*, 104 U.S.P.Q.2d at 1236, quoting Rubin v. U.S., 449 U.S. 424, 430 (1981) (quoting TVA v. Hill, 437 U.S. 153, 187 n.33 (1978)).

314. *Id.*, quoting Consumer Prod. Safety Comm'n v. GTE Sylvania, Inc., 447 U.S. 102, 108 (1980).

315. *Acad. Motion Picture Arts and Scis.*, 104 U.S.P.Q.2d at 1237.

316. *Id.*

317. Pub. L. 120-190, Section 1(a), 126 Stat. 1436 (2012).

318. The law corrects Section 43(c)(6) to read as follows: "Ownership of valid registration a complete bar to action. The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register under this chapter shall be a complete bar to an action against that person, with respect to that mark, that—(A) is brought by another person under the common law or a statute of a State; and (B)(i) seeks to prevent dilution by blurring or dilution by tarnishment; or (ii) asserts any claim of actual or likely damage or harm to the distinctiveness or reputation of a mark, label, or form of advertisement." This comports with the House version set forth in fn. 259.

319. *See* the Board's nonprecedential decision in *Under Armour, Inc. v. Evade, LLC*, Cancellation No. 92052716 (T.T.A.B. Feb. 14, 2013), applying the "federal registration defense" to bar a claim for dilution in a proceeding commenced prior to October 5, 2012.

320. Baroness Small Estates, Inc. v. Am. Wine Trade, Inc., 104 U.S.P.Q.2d 1224 (T.T.A.B. 2012). The ruling on mere descriptiveness is discussed in Part II.B.1, above.

the term when provided with the generic terms does not mean the mark is generic.

The question was whether CMS was understood by the relevant public to refer to the genus of goods: that is, "whether the initials for generic or merely descriptive terms, or a combination thereof, are also generally recognized and used as an accepted abbreviation for the term itself."[321]

The petitioner contended that the public would understand that "cabernet," "merlot," and "syrah" were the generic names of the wines that were blended in the respondent's wine and would also understand that "CMS" referred to those generic terms. It submitted evidence of five different third-party wines for which the term "CMS" had been used. The Board pointed out, however, that regarding four of those wines use had ceased, and, in any case, the extent of public exposure to the term was not clear. Moreover, the manner of usage of "CMS" was mixed and not sufficient to show, by clear evidence, that the term was generic for wine.

The petitioner also submitted a definition of "CMS" from the Internet website *Abbreviations.com*, which listed 92 definitions for that acronym, one being "Cabernet Merlot Syrah." But the website gave no basis for that listing, nor did it indicate when the acronym first appeared. The respondent, on the other hand, submitted a number of references in which "CMS" was not listed as an acronym for cabernet, merlot, syrah (including *Acronymfinder.com*, which provided 278 other meanings for CMS).

There was no question that CMS was derived from the initials of the varietals that made up respondent's wine. "However, the fact that a term is derived from individual generic words or even a listing of generic words does not necessarily make the derived term generic. Nor does the fact that one can figure out the derivation of a term by seeing it in the context of the generic words make that term generic."[322]

And so the Board concluded that the petitioner had failed to prove that the consuming public perceived the term "CMS" as generic for wine.

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321. *Id.* at 1226. *See* Modern Optics, Inc. v. Univis Lens Co., 234 F.2d 504, 506, 110 U.S.P.Q. 293, 295 (C.C.P.A. 1956) ("[A]s a general rule, initials cannot be considered descriptive unless they have become so generally understood as representing descriptive words as to be accepted as substantially synonymous therewith").

322. *Id.* at 1229.

6. Concurrent Use

America's Best Franchising, Inc. v. Abbott

In a rare, contested concurrent use proceeding, the Board awarded junior user America's Best Franchising, Inc. ("ABF") concurrent use registrations for three marks (comprising the term 3 PALMS in slightly varying design forms) for hotel and motel services, in the entire United States except for the State of Arizona.[323] The Board ruled that although Abbott was the first user of the mark 3 PALMS, his inaction over a considerable time amounted to an abandonment of his right to expand beyond his original trading area.

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

It was undisputed that Abbott was first to use 3 PALMS in April 2004. He had not offered hotel services under that mark outside of the Scottsdale location but had made "fairly extensive use of the mark on the Internet."[324] Abbott placed advertisements on prominent search engines and travel-related websites, and in various online travel directories. About half of the hotel's customers were from outside Arizona, and the Internet was the primary tool for generating sales. Abbott claimed that since 2006 he intended to expand his use of 3 PALMS, and from 2007 through 2009 he made offers or sought loan commitments for eight other hotels. All told, he made 40 to 50 offers to purchase hotels, but every offer was rejected. All of the hotels were in Arizona, New Mexico, or California.

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

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

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323. Am.'s Best Franchising, Inc. v. Abbott, 106 U.S.P.Q.2d 1540 (T.T.A.B. 2013).

324. *Id.* at 1544.

remained, then, the question of the registrable rights of each party throughout the rest of the United States.

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

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

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

> Hotel services are by definition rendered in a particular geographic location, even if they are also offered, by the same ultimate source, in other geographic locations under the same mark. In fact, a hotel's physical location is among its most salient features . . . . Thus consumers, already conditioned to focus less on PALMS and palm trees than other features of the parties' marks, will also be unlikely to be confused because those searching for an Arizona hotel will not encounter any of ABF's 3 PALMS hotels.[325]

Because Abbott has not expanded beyond Scottsdale, and because there was no evidence that Abbott's hotel had a reputation beyond Arizona, the fact that both parties advertised online was not enough to result in a likelihood of confusion.

Finally, the Board found that the lack of actual confusion over several years of contemporaneous use was at least somewhat relevant.

Turning to the issue of the appropriate territorial restriction, the Board observed that it was not limited to considering only ABF's actual use prior to Abbott's filing date. Moreover, there is a policy of rewarding those who first seek registration under the Lanham Act, and "the concurrent use proviso of Section 2(f) exhibits no bias in favor of the prior user."[326]

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325. *Id.* at 1550-51.

326. *Id.* at 1553, quoting Weiner King, Inc. v. Wiener King Corp., 615 F.2d 512, 524, 204 U.S.P.Q. 820, 831 (C.C.P.A. 1980).

The Board found that Abbott, through his inaction, abandoned his right to expand the use of his mark. ABF's activities and expansion throughout most regions of the United States entitled it to the territory it requested, "especially because ABF was the first to seek federal registration."[327]

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

7. Goods/Services in Trade

City National Bank v. OPGI Management GP Inc./ Gestion OPGI Inc.

The Board sustained a petition for cancellation of OPGI's registration (issued under Section 44(e)) for the service mark TREASURYNET for "providing information on financial information, namely corporate treasury and loan information and commercial real estate property management information via a global computer network," finding that OPGI had used the mark only internally and not "in commerce," and it therefore had abandoned the mark.[328]

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

"Use in commerce" is defined, in pertinent part, in Section 45 of the Trademark Act (15 U.S.C. § 1127) as follows:

> [T]he bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce – . . . on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

Respondent OPGI is a Canadian company that owns an intranet website whereby its employees may access an informational database identified as "TreasuryNet." Third parties cannot directly access the information in the TREASURYNET database; only OPGI's employees may do so.

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327. *Id.* at 1554.

328. City Nat'l Bank v. OPGI Mgmt. GP Inc./Gestion OPGI Inc., 106 U.S.P.Q.2d 1668 (T.T.A.B. 2013). The Board first ruled on several evidentiary matters, discussed in Part II.B.9.g, below.

OPGI relied on several decisions in which the provision of services to employees (administration of an employee annuity plan,[329] in-house sales training[330]) under a particular mark was deemed to be use of the mark in interstate commerce. It contended that it similarly "provides tangible services directly to its employees under the TREASURYNET mark."[331] The Board, however, pointed out that OPGI "is the real beneficiary and not its employees who are accessing the TREASURYNET database in order to perform their jobs."[332]

> Respondent's employees are not being offered a benefit and otherwise taught skills that are transferrable to other positions outside of their employment with respondent. Rather, respondent's employees are merely using respondent's proprietary database as a source of information in performing their work; they would not have access to this database upon leaving their job with respondent. The record in this proceeding provides no indication how respondent's employees would personally benefit from having access to the TREASURYNET database other than the satisfaction of knowing that they are fulfilling their employment duties on behalf of respondent.[333]

The Board then turned to the issue of abandonment. Under Section 45 of the Trademark Act (15 U.S.C. § 1127), a mark is considered to be abandoned when "its use has been discontinued with intent not to resume such use." Furthermore, a mark shall be deemed to be abandoned when, *inter alia*, "its use has been discontinued with intent not to resume such use." Non-use for three consecutive years gives rise to a *prima facie* case of abandonment.

The Board concluded that OPGI had not used TREASURYNET as a mark in commerce in connection with the recited services and therefore that it abandoned its mark. More specifically, OPGI did not use TREASURYNET in commerce since at least the date of issuance of its registration, February 20, 2007, resulting in more than three years of non-use.[334] The record therefore established a *prima facie* case of abandonment, which OPGI did not successfully rebut.

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329. Am. Int'l Reinsurance Co. v. Airco, Inc., 570 F.2d 941, 197 U.S.P.Q. 69 (C.C.P.A. 1978).

330. Huthwaite, Inc. v. Sunrise Assisted Living, Inc., 261 F. Supp. 2d 502, 66 U.S.P.Q.2d 1902 (E.D. Va. 2003).

331. *City Nat'l Bank*, 106 U.S.P.Q.2d at 1676.

332. *Id.* at 1677.

333. *Id.* at 1677-78.

334. Note that because the registration in question was based on Section 44 of the Lanham Act, 15 U.S.C. § 1126, use of the mark was not required for purpose of registration.

And so the Board granted the petition for cancellation.

8. Procedural Issues

a. Proper Service of Initial Pleading

Musical Directions v. McHugh

In this procedural kerfuffle, the Board denied Applicant Norman W. McHugh's motion seeking dismissal of this opposition due to lack of proper service of the Notice of Opposition.[335] The Board found that Opposer Musical Directions complied with the applicable rule when it served the Notice by certified mail—albeit five days after filing the Notice with the Board—and that the error made by the opposer on the ESTTA[336] cover sheet—saying that service had been made by fax or email—was harmless. Although the opposer should have notified the Board when the Notice was returned as undeliverable, Applicant McHugh's attorney was, in fact, aware of the Notice via an email sent to McHugh four days after the filing, and so no harm was suffered by McHugh in not receiving the mailed copy.

The certificate of service submitted by the opposer with its Notice of Opposition, filed on May 25, 2012, indicated that the opposer served a copy of the Notice by fax or email. Applicant McHugh asserted that he did not consent to service by fax or email and never received a copy of the Notice. Because the opposer did not serve the Notice by one of the other means of service specified in Rule 2.119,[337] McHugh maintained that proper service was not timely effectuated and he insisted that the opposition be dismissed.

The opposer asserted that it did serve the Notice on May 30, 2012 (prior to the deadline for filing the opposition) by first-class mail, and, as proof, it submitted a certified mailing receipt listing McHugh's correspondence address of record. The service copy of the Notice was, however, returned as undeliverable. The opposer also emailed a copy of the Notice to McHugh on May 29, 2012, and six days later it received a response from an attorney for McHugh, who asked for a telephone conference with the opposer regarding the opposition.

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335. Musical Directions v. McHugh, 104 U.S.P.Q.2d 1157 (T.T.A.B. 2012).

336. TTAB submissions may be made online via the Electronic System for Trademark Trials and Appeals ("ESTTA"), a filing system accessible on the United States Patent and Trademark Office website.

337. Other possibilities for service under that Rule included: hand delivery to McHugh; leaving a copy of the Notice with someone in his employment at his usual place of business; if he has no usual place of business, leaving a copy at his residence with a member of his family who is over fourteen years of age and of discretion; and transmission by overnight courier, by Express Mail, or by first-class mail, which may also be certified or registered.

McHugh countered that the email message did not include any information as to when the opposition was filed, that he never received the copy served by first-class mail, and that the opposer, knowing the copy was not received, was obligated by Rule 2.101(b)[338] to take additional steps to effectuate service by notifying the Board that the mailed copy had not been delivered.

The Board observed that Rule 2.119 does not require that the opposer provide proof of *receipt* of the Notice of Opposition, but only proof of *service*. The certified mailing receipt sufficed to show the opposer's compliance with that Rule. The fact that the copy was returned as undeliverable does not negate the opposer's compliance with the Rule. In addition, the Board noted that under Rule 2.101(b), the opposer was required to inform the Board of the nondelivery. However, under the circumstances, the opposer's failure to do so was not significant.

Because the applicant's (former) counsel received the Notice of Opposition by email, the Board found no harm to Applicant McHugh arising from the nondelivery of the mailed copy. Although the certificate of service on the ESTTA cover sheet stated that service was made by fax or email, and such means of service would not have been proper, the improper wording on the ESTTA cover sheet "does not nullify opposer's compliance with the Board's service requirements inasmuch as opposer has submitted a copy of the certified mailing receipt of the service copy of its notice of opposition."[339]

Moreover, although the opposer effectuated proper service by first-class mail five days after it filed its opposition, its service on May 30 was timely because the deadline date was May 31. However, the effective date of the notice of opposition must be amended to May 30, 2012, to correspond with the date of proper service.

b. Stipulated Service by email

McDonald's Corporation v.
Cambridge Overseas Development Inc.

The parties to this opposition proceeding filed a stipulation to accept service by e-mail while retaining the five additional days afforded by Rule 2.119(c)[340] for filing and/or serving responsive

338. This Rule requires, in pertinent part, that "[i]f any service copy of the opposition is returned to the opposer as undeliverable, the opposer must notify the Board within ten days of receipt of the returned copy."

339. *Musical Directions*, 104 U.S.P.Q.2d at 1158.

340. Rule 2.119(c) provides: "When service is made by first-class mail, 'Express Mail'" or overnight courier, the date of mailing or of delivery to the overnight courier will be considered the date of service. Whenever a party is required to take some action within a prescribed period after the service of a paper upon the party by another party and the paper

documents, applicable for service by first-class mail. No can do, said the Board, as it rejected the stipulation.[341]

Rule 2.119(b)(6) allows service of papers by electronic transmission when the parties so agree. But they cannot also take advantage of the five-extra-days-for-mailing provision of Rule 2.119(c). That five-extra-days rule applies only to service by first-class mail, Express Mail, or overnight courier.[342]

The Board pointed out that a stipulation such as that filed here would run afoul of Rule 2.127, which states that the time for filing reply briefs and motions under Federal Rule of Civil Procedure ("FRCP") 56(d) "will not be extended."

Therefore, the Board refused to approve the stipulation. However, it observed that the parties could stipulate that they would accept service by first-class mail but with a courtesy e-mail copy sent simultaneously. Then the five-extra-days-for-mailing would apply.[343]

c. Section 14 Partial Abandonment versus Section 18 Modification

Johnson & Johnson v. Obschestvo s Ogranitchennoy; Otvetstvennostiu WDS

In this instructive procedural skirmish, Petitioner Johnson & Johnson ("J&J") moved to dismiss Applicant's Obschestvo s Ogranitchennoy's counterclaim for partial cancellation of a J&J registration on the ground of abandonment as to some of the listed goods. The applicant invoked Section 18[344] in its counterclaim; J&J argued that the counterclaim lacked the necessary allegation that the cancellation would avoid a likelihood of confusion. The Board ruled that Section 18 did not apply at all, and that this "straightforward" counterclaim for partial abandonment fell under Section 14, where no such allegation of avoidance was needed.[345]

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is served by first-class mail, 'Express Mail,' or overnight courier, 5 days shall be added to the prescribed period."

341. McDonald's Corp. v. Cambridge Overseas Dev. Inc., 106 U.S.P.Q.2d 1339 (T.T.A.B. 2013).

342. *See* Miscellaneous Changes to TTAB Rules, 72 Fed. Reg. 42442, 42250 (Aug. 1, 2007) ("[A]s for agreed use by parties of e-mail or fax for forwarding service copies, the office confirms that Section 2.119(c) would not apply to service by electronic transmission (email or fax) under Section 2.119(b)(6).").

343. One wonders what the sanction would be for failing to serve the "courtesy copy."

344. Section 18 of the Lanham Act, 15 U.S.C. § 1068, gives the Board the equitable power to cancel registrations in whole or in part, or to "otherwise restrict or rectify . . . the registration of a registered mark."

345. Johnson & Johnson v. Obschestvo s Ogranitchennoy; Otvetstvennostiu WDS, 104 U.S.P.Q.2d 2037 (T.T.A.B. 2012).

The Board concluded that the parties missed the real issue because the counterclaim was "sufficient without reference to Section 18."[346] A counterclaim for partial abandonment "does not require any reference to avoidance of a likelihood of confusion."[347] Such an allegation is needed only when the claim seeks to modify or restrict the identification of goods or services, and not when, as here, a party seeks to have discrete goods or services deleted on a theory of abandonment.

> [W]hile Section 18 allows the Board to consider claims it could not entertain in an opposition under Section 13 or a cancellation under Section 14, for example, a restriction in a concurrent use case, or the entry of a modification to an identification of goods where the modification would avoid a likelihood of confusion, it does not change the statutory basis for cancellation where a valid ground for cancellation exists, such as a partial abandonment under Section 14, as is the case here.[348]

And so the Board denied J&J's motion to dismiss the counterclaim.

d. Section 18 Rectification of an Opposed Application

Embarcadero Technologies, Inc. v. RStudio, Inc.

Prior to the close of discovery in this Section 2(d) opposition, Applicant RStudio moved under Rule 2.133[349] (and Section 18) to narrow the descriptions of its software and related services in the opposed applications "in the event that the Board deems such amendments necessary to dismiss the opposition." The Board deferred ruling on the motion until final decision. It ultimately found that, taking into account the applicant's proposed amendments, there was no significant relationship between the

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346. *Id.* at 2039.

347. *Id.* The requirement that a party seeking a modification or restriction of a registration under Section 18 must allege that avoidance of a likelihood of confusion will result, stems from the TTAB's decision in Eurostar, Inc. v. "Euro-Star" Reitmoden GmbH, 34 U.S.P.Q.2d 1266, 1271 n.3 (T.T.A.B. 1994).

348. *Id.*

349. Rule 2.133, entitled "Amendment of application or registration during proceedings," provides, in pertinent part, that "(a) An application subject to an opposition may not be amended in substance nor may a registration subject to a cancellation be amended or disclaimed in part, except with the consent of the other party or parties and the approval of the Trademark Trial and Appeal Board, or upon motion granted by the Board." and "(b) If, in an inter partes proceeding, the Trademark Trial and Appeal Board finds that a party whose application or registration is the subject of the proceeding is not entitled to registration in the absence of a specified restriction to the application or registration, the Board will allow the party time in which to file a motion that the application or registration be amended to conform to the findings of the Board, failing which judgment will be entered against the party."

applicant's software and services and the opposer's software, and so it dismissed the opposition.[350]

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

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

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

As to the involved goods and services, the applicant's "unamended" software and services were clearly related to the opposer's database modeling software. As to the amended goods and services, however, the Board did not find "any significant relationship between the respective software products," and it further noted that the applicant's services were even further removed from the opposer's goods.[351]

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

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

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350. Embarcadero Techs., Inc. v. RStudio, Inc., 105 U.S.P.Q.2d 1825 (T.T.A.B. 2013).

351. *Id.* at 1839.

e. Accelerated Case Resolution (ACR)

Chanel, Inc. v. Makarczyk

The parties to this opposition proceeding opted for the Board's Accelerated Case Resolution ("ACR") procedure,[352] agreeing to forego discovery, expert testimony, trial, and oral hearing.[353] They stipulated that the Board may resolve genuine issues of fact and issue a final ruling based on the parties' ACR submissions: that is, briefs and declarations or affidavits.

Applicant Jerzy Makarczyk, appearing *pro se*, applied to register the mark CHANEL for "real estate development and construction of commercial, residential and hotel property." Chanel, Inc. opposed on the grounds of likelihood of confusion, false suggestion of a connection (Section 2(a)), and dilution, relying on a number of registrations for the mark CHANEL for cosmetics, toiletries, etc.

In addition to streamlining the procedure, the parties stipulated to a number of facts, mostly basic, but including this one: "Applicant uses in connection with his real estate development and construction of commercial, residential and hotel property services not only the CHANEL mark but also the marks HERMES and PLAYBOY among others." Presumably, the opposer will attempt to parlay that fact into some kind of "bad faith" claim against the applicant.

The Board approved the stipulation, set a briefing schedule, and stated that it would "endeavor to issue a decision on the merits within 50 days of the due date for opposers' rebuttal brief" (that is, before December 17, 2013).[354] The proceeding was commenced on December 7, 2012.

9. Motion Practice

a. Motion to Amend Counterclaim

ChaCha Search, Inc. v. Grape Technology Group, Inc.

In this combined opposition and cancellation proceeding, the Board granted ChaCha's summary judgment motion, ruling that the registered mark 242242 was not merely descriptive of "[p]roviding search engine services for obtaining specific user-requested information via text messaging, instant messaging, mobile internet, voice messaging, and wireless devices."[355] Before

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

353. Chanel, Inc. v. Makarczyk, 106 U.S.P.Q.2d 1774 (T.T.A.B. 2013).

354. *Id.* at 1776.

355. ChaCha Search, Inc. v. Grape Tech. Grp., Inc., 105 U.S.P.Q.2d 1298 (T.T.A.B. 2012). The mere descriptiveness issue is discussed in Part II.B.1, above.

reaching that decision, the Board denied Grape's belated motion to amend its counterclaim to add a failure-to-function claim, and then, not surprisingly, denied Grape's summary judgment motion seeking cancellation of ChaCha's registration on that proposed new ground.

Grape filed its counterclaim in November 2010, indicating on the ESTTA cover sheet that "mere descriptiveness" was the only ground for cancellation. Its allegations likewise referenced only mere descriptiveness (and lack of acquired distinctiveness). Grape sought to amend its counterclaim to add the ground of failure to function as a trademark, asserting that its proposed new allegations merely served to amplify the allegations raised in the original counterclaim. The Board disagreed, finding that Grape was "clearly seeking to add a new ground for cancellation."[356] The Board observed that "[a] claim that a mark is merely descriptive relates to the character of the mark at issue, while a claim that matter does not function as a mark is generally tied to the manner in which that matter is used."[357]

Moreover, Grape's motion to amend was filed in February 2012, fifteen months after its original counterclaim, after it served its pretrial disclosures (which date had been extended twice), and after ChaCha had filed its own motion for summary judgment. The Board accordingly found that Grape had unduly delayed in filing its motion to amend. The new ground proposed by Grape was based on facts known to it when it filed its original counterclaim. Although Grape claimed that the parties had been in settlement negotiations, the Board noted that those negotiations ended in July 2011.

The Board further found that ChaCha would suffer prejudice if the motion to amend were granted. "[A]llowing piecemeal prosecution of this case would reward Grape for its apparent haphazardness and would unfairly prejudice ChaCha by increasing the time, effort, and money that respondent would be required to expend to defend against an additional basis for Grape's challenge to its registration."[358]

And so the Board denied the motion to amend, and it proceeded to deny Grape's cross-motion for summary judgment on the unpleaded ground of failure-to-function.

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356. *Id.* at 1301.

357. *Id.*

358. *Id.* at 1301-02.

b. Motion to Dismiss Under Rule 2.132

Otter Products LLC v. BaseOneLabs LLC

In this Section 2(d) opposition, Otter Products relied solely on its Supplemental Registration for the mark IMPACT SERIES for cellphone protective cases, claiming likelihood of confusion with the applied-for mark IMPACTBAND for similar goods. The Board granted Applicant BaseOneLab's motion to dismiss under Section 2.132(b), ruling that Otter's mark is presumed to be merely descriptive and that, absent additional evidence, Otter could not prevail based solely on its ownership of a Supplemental Registration.[359]

Rule 2.132 provides for involuntary dismissal of a proceeding after a plaintiff's time for taking testimony has expired, if (a) a plaintiff has not taken testimony or any other evidence (failure to prosecute), or (b) plaintiff relies only on USPTO records and defendant establishes that plaintiff has "shown no right to relief." The Board rejected the applicant's claim under sub-section (a), because Otter did offer "something"—its Supplemental Registration. The Board agreed with the applicant, however, as to sub-section (b) because it concluded that Otter had failed to show a right to relief.

Otter's ownership of a Supplemental Registration sufficed to give it standing to oppose, and removed priority as an issue in the proceeding. But to prevail under Section 2(d), an opposer must show that it has "proprietary rights in the term [it] relies upon to demonstrate likelihood of confusion as to source."[360]

Otter failed to provide any evidence that it had proprietary rights in the mark IMPACT SERIES. Otter's only evidence, the Supplemental Registration, was not evidence of ownership, validity, or the exclusive right to use. Under Section 26 of the Lanham Act,[361] a Supplemental Registration does not enjoy the presumptions of Section 7(b).[362] In short, a Supplemental

359. Otter Prods. LLC v. BaseOneLabs LLC, 105 U.S.P.Q.2d 1252 (T.T.A.B. 2012).

360. *Id.* at 1255, quoting Otto Roth & Co. v. Universal Foods Corp., 640 F.2d 1317, 1320, 209 U.S.P.Q. 40, 43 (C.C.P.A. 1981).

361. Section 26 of the Lanham Act, 15 U.S.C. § 1094, provides, in pertinent part, "registration on the supplemental register shall not be subject to or receive the advantages of sections . . . 1057(b) . . . of this title."

362. 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 provided by this chapter 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.

Registration "is not prima facie evidence of anything except that the registration has issued."[363]

The mark in Otter's Supplemental Registration is presumed to be merely descriptive.[364] Because Otter provided no evidence of acquired distinctiveness, it failed to establish any proprietary rights in the term IMPACT SERIES and therefore could not prevail in this proceeding.[365]

c. Motion to Withdraw Voluntary Surrender

Christiane E, LLC v. International Expeditions, Inc.

Respondent International Expeditions, rather than answer Christiane E's petition for cancellation on the ground of abandonment, filed a voluntary surrender of the challenged registration without the petitioner's consent. Pursuant to Trademark Rule 2.134(a), in such circumstances "judgment shall be entered against the respondent." About four months later, and before the Board had acted on the surrender, Expeditions moved to withdraw the surrender. The Board said no dice.[366]

Although this case presented an issue of first impression for the Board, it found instructive *In re Glaxo Group Ltd.*,[367] which involved abandonment of an application during ex parte examination. There, when the applicant petitioned to withdraw the abandonment, the Commissioner denied the petition, "noting that such a withdrawal would be allowed 'only in an extraordinary situation' in view of the 'interests of third parties and the administrative requirements of the Office' and determined that '[n]either the applicant's reevaluation of the importance of the mark, nor the fact that the petition was filed before the Office had formally processed the express abandonment is deemed to be an extraordinary situation.'"[368]

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363. Otter Prods. LLC v. BaseOneLabs LLC, 105 U.S.P.Q.2d at 1255, quoting Hi-Shear Corp. v. Nat'l Auto. Parts Ass'n, 152 U.S.P.Q. 341, 344 (T.T.A.B. 1966).

364. *Id.*, citing *In re* Med. Disposables Co., 25 U.S.P.Q.2d 1801, 1805 (T.T.A.B. 1992); Perma Ceram Enters., Inc. v. Preco Indus., Ltd., 23 U.S.P.Q.2d 1134, 1137 n.11 (T.T.A.B. 1992).

365. The Board noted that a mark on the Supplemental Register may be cited as a basis for refusing registration to another mark under Section 2(d) because, in the *ex parte* context, the USPTO does not and cannot question the validity of a registered mark that is cited against another mark under Section 2(d). In the *inter partes* context, however, the *Otto Roth* doctrine requires that a plaintiff establish the validity of the mark it asserts in order to prevail on a claim of likelihood of confusion. *Id.* at 1256.

366. Christiane E, LLC v. Int'l Expeditions, Inc., 106 U.S.P.Q.2d 2042 (T.T.A.B. 2013).

367. *In re* Glaxo Grp. Ltd., 33 U.S.P.Q.2d 1535 (Comm'r 1993).

368. *Christiane E*, 106 U.S.P.Q.2d at 2043, quoting *In re Glaxo Grp.*, 33 U.S.P.Q.2d at 1535.

The Board found that the principles underlying *Glaxo* applied here as well. Expeditions voluntarily relinquished an interest and that relinquishment became part of the public record available for inspection by the public and by employees of the USPTO, "some of whom may have relied to their detriment on the filing."[369] Furthermore, the voluntary surrender of the challenged registration during the proceeding "directly implicates the concrete rights of petitioner."[370] The Board saw no reason to apply a less stringent standard than that applied in *Glaxo*.

Expeditions, in justification of its change of mind, stated that "it did not know that petitioner was . . . formed by a founder of one of the Registrant's predecessors [and that] petitioner has hired at least one of the Registrant's employees." That was, the Board observed, not only irrelevant but unsupported by any evidence.

In short, the Board did not find this to be an "extraordinary situation" that would warrant the granting of Expeditions' request to withdraw its surrender.

d. Motion to Compel Expert Report

RTX Scientific, Inc. v. Nu-Calgon Wholesaler, Inc.

The Board granted the respondent's motion to compel the petitioner to serve an expert written report pursuant to FRCP 26(a)(2)(B), ruling that the question of whether a party's witness is "retained or specially employed to provide expert testimony" does not depend on whether the party controls the expert's time or compensates the expert.[371] Rather it turns on whether the expert opinion testimony "arises from his enlistment as an expert and not from an on-the-scene involvement in any incidents giving rise to the litigation."[372]

The petitioner filed and served an expert disclosure statement identifying one Roger Holder as an "unretained expert" pursuant to Trademark Manual of Board Procedure Section 401.03 and FRCP 26(a)(2)(C). The respondent moved to compel a written expert report signed by Mr. Holder under FRCP 26(a)(2)(B).

The respondent asserted that the petitioner provided only limited information regarding the witness and not the detailed report that Rule 26(a)(2)(B) requires of a witness "retained or specially employed to provide expert testimony in the case or one whose duties as the party's employee regularly involve giving expert testimony."

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369. *Id.* at 2044.

370. *Id.*

371. RTX Sci., Inc. v. Nu-Calgon Wholesaler, Inc., 106 U.S.P.Q.2d 1492 (T.T.A.B. 2013).

372. *Id.* at 1495.

The petitioner admitted that Mr. Holder was a third-party witness capable of giving expert testimony, but asserted that it did not retain Mr. Holder, that he was not specially employed by the petitioner, that he had not been and would not be compensated, and that he had not prepared any written report. The petitioner further asserted that the Rule did not require written reports of "unretained" expert witnesses and that the respondent could subpoena Mr. Holder for information.

The Board observed that, in a TTAB proceeding, a party's planned use of an expert witness is largely governed by FRCP 26(a)(2). The 2010 amendment to that Rule makes clear that there is a distinction between an expert witness who is required to produce a report and one who is not.

Under Fed. R. Civ. P. 26(a)(2)(B), an expert "disclosure must be accompanied by a written report—prepared and signed by the witness—if the witness is one retained or specially employed to provide expert testimony in the case or one whose duties as the party's employee regularly involve giving expert testimony."

Thus the courts distinguish between "retained and specially employed" experts and "unretained experts." Only the former must provide written reports (containing the information listed in FRCP 26(a)(2)(B)).

In 2010, FRCP 26(a)(2)(c) was added to emphasize that a FRCP 26(2)(a)(2)(B) report is required only from an expert described in (a)(2)(B). So then the question was: When is an expert witness "retained or specially employed"? The First Circuit in *Downey v. Bob's Discount Furniture Holdings, Inc.*[373] interpreted the term as follows: "[Where] the expert comes to the case as a stranger and draws opinions on facts supplied by others, in preparation for trial, he reasonably can be viewed as retained or specially employed for that purpose." That witness is distinguished from a percipient witness who happens to be an expert: for example, a treating physician, or treating pesticide professionals, or treating water damage remediation professionals.

TTAB proceedings are based on a plaintiff's belief of damage arising from registration of a mark. Unlike tort of personal injury cases, there are usually no specific incidents (e.g., auto accidents, floods, or bedbug infestations) that lead to the proceedings. So in Board proceedings, an expert is typically recruited not on the basis of personal knowledge of an event but because of his or her particular knowledge of a relevant field. Therefore, the Board concluded, that type of expert is a "retained" expert for purposes of FRCP 26(a)(2)(B), and his or her written report would be required.

Here, Mr. Holder was identified as an expert in the heating, ventilation, air conditioning and refrigeration industry who would

373. Downey v. Bob's Disc. Furniture Holdings, Inc., 633 F.3d 1, 6-7 (1st Cir. 2011).

testify about the functionality and lack of distinctiveness of the respondent's claimed trade dress (the blue color of cleaning preparation for air conditioning and refrigeration coils). Mr. Holder had no "on-the-scene" involvement in any incidents giving rise to the proceeding. He was a "retained" expert witness, and his report must be provided. Contrary to the petitioner's argument, the question of whether Mr. Holder was a "retained" witness did not hinge on whether the petitioner controlled his time or compensated him.

e. Motion to Re-open Discovery

Luster Products, Inc. v. Van Zandt

A motion to re-open discovery faces a high hurdle at the TTAB: the movant must show "excusable neglect." Good luck with that! The Board once again applied the Supreme Court's *Pioneer*[374] factors in denying Applicant John M. Van Zandt's motion to re-open, concluding that Van Zandt's failure to seek an extension of time prior to the close of discovery "appears to have been a result of a strategic decision, which was entirely within his control."[375]

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

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

The Board applied the Supreme Court's *Pioneer* analysis to determine whether Van Zandt's failure to seek an extension of time prior to the close of the discovery period was the result of "excusable neglect."[376]

> [A]t bottom [the decision is] an equitable one, taking account of all relevant circumstances surrounding the party's omission. These include . . . [1] the danger of prejudice to the [nonmovant], [2] the length of the delay and its potential

374. Pioneer Inv. Servs. Co. v. Brunswick Assocs. L.P., 507 U.S. 380 (1993).

375. Luster Prods., Inc. v. Van Zandt, 104 U.S.P.Q.2d 1877, 1880 (T.T.A.B. 2012).

376. Rule 6(b)(1)(B), Fed. R. Civ. P., states that the court "may, for good cause, extend the time . . . on motion made after the time has expired if the party failed to act because of excusable neglect."

> impact on judicial proceedings, [3] the reason for the delay, including whether it was within the reasonable control of the movant, and [4] whether the movant acted in good faith.[377]

Several courts have stated that the third *Pioneer* factor—the reason for the delay and whether it was in the control of the moving party—might be the most important factor. Here, the third factor weighed strongly against a finding of excusable neglect. If Van Zandt had been concerned about Luster's failure to timely serve initial disclosures, he should have filed a motion to compel. The Board observed that "[a] party that does not receive initial disclosures and does not file a motion to compel such disclosures risks their being served late in the discovery period concurrently with discovery requests, as illustrated by the instant case."[378] Furthermore, "[t]o the extent that applicant made a calculated strategic decision not to take discovery in the hope that opposer had lost interest in the proceeding, the events in this case illustrate the danger of such a decision."[379]

Although Van Zandt contended that he needed the initial disclosure in order to prepare his own discovery requests, the Board again noted his failure to move to compel. Moreover, he could have prepared discovery requests based on Luster's pleaded claim.

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

As to the first factor, the Board found no evidence of significant prejudice to Luster, and as to the fourth, there was no evidence of bad faith by Van Zandt.

Balancing the *Pioneer* factors, the Board ruled that Van Zandt's failure to timely act prior to the close of discovery was not the result of excusable neglect, and so it denied the motion to re-open.

f. Motion to Exclude Belatedly Identified Witness

Spier Wines (PTY) Ltd. v. Shepher

Opposer Spier Wines noticed the testimony deposition of one witness, Ms. Eve Jell, but she was first identified as a potential

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377. *Luster Prods.*, 104 U.S.P.Q.2d at 1878, quoting *Pioneer Inv. Servs.*, 507 U.S. at 395.

378. *Id.* at 1879.

379. *Id.*

witness only in Spier's pretrial disclosures. In its initial disclosures, Spier had identified another person who had subsequently left the company. Applicant Ofer Z. Shepher moved to strike the pretrial disclosures and to quash the notice of taking testimony because of Spier's failure to timely identify Ms. Jell in a supplement to its initial disclosures or otherwise. The Board granted the motion.[380]

To determine whether Spier's failure to identify Ms. Jell in its initial disclosures, in supplemental initial disclosures, or in response to interrogatories, was substantially justified or harmless, the Board weighed the five factors set forth in *Great Seats, Inc. v. Great Seats, Ltd.*:[381]

(1) the surprise to the party against whom the evidence would be offered;

(2) the ability of that party to cure the surprise;

(3) the extent to which allowing the testimony would disrupt the trial;

(4) the importance of the evidence; and

(5) the non-disclosing party's explanation for its failure to disclose the evidence.

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

As to the importance of the evidence (factor 4), the Board noted that Jell's testimony was not the only evidence that Spier had to offer: Spier submitted the pleaded registrations and several notices of reliance. It did not appear that her testimony (on industry awards, pronunciation of the term "Spier," and perceptions of U.S. customers), would be "particularly critical or persuasive in the ultimate determination of the merits of the case by a panel of Board judges."[382]

As to whether Shepher could cure the surprise (factor 2), the Board pointed out that discovery had closed more than one year previously, and further that the proposed deposition on written questions (Ms. Jell resides in South Africa) would deprive Shepher

380. Spier Wines (PTY) Ltd. v. Shepher, 105 U.S.P.Q.2d 1239 (T.T.A.B. 2012).

381. *Id.* at 1242, quoting Great Seats, Inc. v. Great Seats, Ltd., 100 U.S.P.Q.2d 1323, 1327 (T.T.A.B. 2011).

382. *Id.* at 1245.

of the opportunity to confront the witness and cross-examine her. The Board therefore concluded that Shepher had little, if any, ability to cure the surprise.

Finally, re-opening the discovery period to allow a discovery deposition on written questions would significantly disrupt the proceeding (factor 3).

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

> [T]he Board concludes that opposer failed to timely identify Ms. Jell as a person knowledgeable about the issues involved in these proceedings, and that such failure was neither harmless nor substantially justified. Essentially, opposer treated the initial and pretrial disclosure requirements as unrelated events, rather than recognizing that disclosures and discovery responses should be viewed as a continuum of *inter partes* communication designed to avoid unfair surprise and to facilitate fair adjudication of the case on the merits.[383]

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

g. Motion to Exclude Evidence

City National Bank v. OPGI Management GP Inc./ Gestion OPGI Inc.

As discussed above,[384] the Board sustained a petition for cancellation of OPGI's registration for the service mark TREASURYNET for "providing information on financial information namely corporate treasury and loan information and commercial real estate property management information via a global computer network," finding that OPGI had used the mark only internally and not "in commerce," and had therefore abandoned the mark.[385] Before reaching its decision, the Board rendered several evidentiary rulings of note.

The Board first dealt with an issue regarding discovery deposition testimony taken of OPGI's Rule 30(b)(6) designee, its in-house counsel, Mr. Smart. Trademark Rule 2.120(j)(4) provides that "if only part of a discovery deposition is submitted and made

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383. *Id.* at 1246.

384. *See* Part II.B.7, above.

385. City Nat'l Bank v. OPGI Mgmt. GP Inc./Gestion OPGI Inc., 106 U.S.P.Q.2d 1668 (T.T.A.B. 2013).

part of the record by a party, an adverse party may introduce under a notice of reliance any other part of the deposition which should in fairness be considered so as to make not misleading what was offered by the submitting party."

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

Next, the Board overruled Petitioner City's objection to a certain third-party publication downloaded from the Internet, ruling that under *Safer, Inc. v. OMS Investments, Inc.*,[386] the document was properly submitted via notice of reliance. However, the Board emphasized, the third-party document had limited probative value because it was admissible solely for what it showed on its face. It could not be considered to prove the truth of any matter stated therein.

City also objected to Mr. Smart's trial testimony regarding any events occurring before his employment by OPGI in 2008, on the grounds of hearsay and lack of foundation. OPGI maintained that Mr. Smart had "sufficient reliable knowledge" based on his investigations and discussions "regarding intent and the like with the persons with the most knowledge of those issues and by reviewing relevant documents."[387]

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

> [T]he [business record hearsay exception] rule does not provide for the admission into evidence of the testimony of a person who lacks personal knowledge of the facts, who is unable to testify to the fulfillment of the conditions specified within the

386. Safer, Inc. v. OMS Invs., Inc., 94 U.S.P.Q.2d 1031, 1039 (T.T.A.B. 2010) (holding that "if a document obtained from the Internet identifies its date of publication or date that it was accessed and printed, and its source (*e.g.,* the URL), it may be admitted into evidence pursuant to a notice of reliance in the same manner as a printed publication in general circulation in accordance with Trademark Rule 2.122(e)").

387. Nat'l Bank v. OPGI Mgmt. GP Inc./Gestion OPGI Inc., 106 U.S.P.Q.2d at 1673.

rule, and who is testifying only about what he has read or has been allowed to review.[388]

The Board concluded that OPGI failed to demonstrate that Mr. Smart had personal knowledge regarding OPGI's history prior to May 2008, or its use of the term TREASURYNET prior to that date. Furthermore, his testimony revealed that OPGI could have produced a witness with the requisite personal knowledge of matters for those years, but failed to explain why that person could not have testified. Nor did OPGI show that, as in-house counsel, Mr. Smart would have had knowledge of the pre-employment matters regarding which he was testifying. And so the Board sustained City's objection and refused to consider Mr. Smart's testimony regarding pre-2008 matters.[389]

Dan Foam ApS v. Sleep Innovations, Inc.

The Board denied cross-motions for summary judgment in this Section 2(d) cancellation proceeding, but in light of the overlap in goods (pillows and mattresses), it observed that the disposition of the case would likely turn on the issues of similarity of the marks and the scope of protection to be afforded them, and it suggested that the parties consider invoking the Board's ACR procedure.[390] Before reaching that point, however, the Board ruled on two preliminary procedural matters involving the exclusion, admissibility, and probative value of certain third-party evidence.

Petitioner Dan Foam obtained certain documents from a third party via subpoena duces tecum. Respondent Sleep Innovations argued that the petitioner did not provide notice to it prior to service of the subpoena and that it became aware of the subpoena only when, four days later, it received copies of the documents produced. Dan Foam subsequently submitted the documents on its summary judgment motion, authenticated by a declaration from an employee of the producing party. Sleep Innovations contended (in opposition to the summary judgment motion) that Dan Foam had violated FRCP 45(b)(1) by failing to give notice of the subpoena, and therefore that the documents should be excluded.

The Board agreed that Dan Foam had failed to comply with the Federal Rule, but that noncompliance did not automatically require exclusion of the documents where the aggrieved party was not prejudiced by the delay.

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388. *Id.*, quoting Olin Corp. v. Hydrotreat, Inc., 210 U.S.P.Q. 63, 67 (T.T.A.B. 1981).

389. In any event, the Board noted, Mr. Smart's disallowed trial testimony regarding pre-2008 activities would not have made a difference. Any use prior to 2008 would not erase the three-year period of abandonment subsequent to 2007, and furthermore his testimony would only confirm that same internal use of the mark for an even longer period of time. *Id.* at 1679.

390. Dan Foam ApS v. Sleep Innovations, Inc., 106 U.S.P.Q.2d 1939 (T.T.A.B. 2013).

Although Sleep Innovations waited seven months to voice its objection, that was timely because the Board does not entertain motions in limine or otherwise exclude evidence preliminarily. However, Sleep Innovations was not harmed by the delay, and therefore exclusion of the documents was not warranted. Discovery closed about four months after Sleep Innovations received the documents, and therefore it could have obtained additional documents from, or taken a deposition of, the third party. It failed to do so.

The Board then addressed whether certain documents obtained via the subpoena were admissible into evidence. A declaration from the third party stated that the documents were taken from "an established customer inquiry database" and were "genuine and authentic copies of business records kept in the normal course of . . . business."[391]

The documents in question comprised undated transcripts of live online chats and telephone conversations between representatives of the third party (identified only by first name) and customers (mostly unnamed or not identified by their first and last names). These statements were hearsay because neither the representative nor the customer testified in this proceeding. In other words, they were "out of court" statements offered to prove that the customers were confused.

The statements did not fall within the "business records" exception to the hearsay rule (FRE 803(6)) because the declarant did not state that the making of the transcripts was "done in the course of a regularly conducted activity of its business and that making the transcripts at issue was a regular practice of that activity." However, the documents were admissible under FRE 803(1) to the extent that they reflected the "present-sense impressions of the customers."[392] Furthermore, the Board observed, "statements of customer confusion in the trademark context fall under the FRE 803(3) 'state of mind exception' to the hearsay rule."[393] In any case, the documents had little probative value absent explanatory testimony.

391. *Id.* at 1943.

392. *Id.*

393. *Id.*

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

By Theodore H. Davis Jr.

A. Establishing Liability for Trademark Infringement, Unfair Competition, and Related Torts

1. Violations of Trademark Rights

a. Establishing Protectable Rights

i. The Effect of Federal Registrations on the Mark-Validity Inquiry

The significance of the absence of a federal registration on the USPTO's Principal Register is well established and did not produce any confusion among courts over the past year: A claimant seeking to establish protectable rights to an unregistered mark bears the burden of proof as to each of the three common-law prerequisites for protection, namely, use in commerce, distinctiveness, and nonfunctionality.[394] This principle is expressly codified in Section 43(a)(3) of the Act[395] where the functionality inquiry is concerned, and, with the arguable exception of one court confronted with a Utah state registration,[396] opinions over the past

394. *See, e.g.*, SMJ & J, Inc. v. NRG Heat & Power, LLC, 912 F. Supp. 2d 189, 201 (M.D. Pa. 2012) ("Unlike federally registered marks, unregistered marks enjoy no presumption of validity."); Libya v. Miski, 103 U.S.P.Q.2d 1927, 1391 (D.D.C. 2012) ("'Because a nonregistered mark has no presumption of validity,' the burden of proving the mark's classification [on the spectrum of distinctiveness] lies on the party asserting the mark is entitled to protection." (quoting A.J. Canfield Co. v. Honickman, 808 F.2d 291, 197 (3d Cir. 1986)); Majorsky v. Douglas, 58 A.3d 1250, 1261 (Pa. Super. Ct. 2012) ("Because [the lead appellant] never registered [his name] as a mark, Appellants were required to show that the name was entitled to trademark protection despite the fact that it was not registered.").

395. 15 U.S.C. § 1125(a)(3) (2012); *see also* Nordock Inc. v. Sys. Inc., 927 F. Supp. 2d 577, 609 (E.D. Wis. 2013) ("[A] plaintiff must prove that an unregistered trade dress is 'not functional.'" (quoting 15 U.S.C. § 1125(a)(3)); Urban Grp. Exercise Consultants Ltd. v. Dick's Sporting Goods Inc., 106 U.S.P.Q.2d 1756, 1761 (S.D.N.Y. 2012) ("[T]he law is well settled that a plaintiff alleging infringement or dilution of an unregistered trade dress must prove that its alleged trade dress is non-functional.").

396. That court began its disposition of a defense motion for summary judgment grounded in the theory that the plaintiff's claimed mark lacked distinctiveness by properly noting that "because [the plaintiff] never registered its mark with the United States Patent and Trademark Office, it cannot rely upon a presumption that its mark merits protection." Primary Children's Med. Ctr. Found. v. Scentsy Inc., 104 U.S.P.Q.2d 1124, 1127 (D. Utah 2012). By the end of its analysis, however, it noted that:

> The fact that [the plaintiff] has maintained a Utah registration of [its] mark also supports the inference that the mark is protectable. Neither party has directed the court to case law holding that, unlike a federally registered mark, a mark registered in the state is entitled to a presumption of protectability. But the Utah Trademark Act "shall be interpreted to provide for the registration and protection of trademarks and

year generally applied it when evaluating the other two prerequisites as well.[397]

Although incontestable registrations typically were accorded the respect they deserved,[398] things were less apparent where registrations that were not yet incontestable were concerned. Sections 7(b) and 33(a) of the Lanham Act provide that such a registration is "prima facie evidence of the validity of the registered mark,"[399] but the latter section also provides that that prima facie evidence "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."[400] Consistent with that express language, one court concluded that "when a plaintiff sues for infringement of its [nonincontestably] registered mark, the defendant bears the burden to rebut the presumption of [the] mark's protectibility by a preponderance of the evidence."[401] Another court's evaluation of the evidentiary significance of a nonincontestable registration went even further, holding that "the registration alone is sufficient to prove that the use of the mark . . . is protectable."[402]

In contrast, some courts accorded less weight to nonincontestable registrations. For example, in considering whether to overturn a jury's decision that the owner of such a

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> service marks in a manner substantially consistent with the federal system of trademark registration and protection under the Trademark Act of 1946, 15 U.S.C. Sec. 1015, et seq." And there would be no reason to grant [the plaintiff] a state registration unless a reasonable person could find that the mark was worthy of protection.

Id. at 1130 (quoting Utah Code Ann. § 70-3a-102(2) (2007)).

397. *See, e.g.*, Rockland Exposition, Inc. v. Alliance of Auto. Serv. Providers of N.J., 894 F. Supp. 2d 288, 313 (S.D.N.Y. 2012) ("Where (as here) a mark is unregistered, the plaintiff 'has the burden of proving that its mark is a valid [service mark].'" (alteration in original) (quoting Cache, Inc. v. M.Z. Berger & Co., No. 99-CV-12320, 2001 WL 38283, at *4 (S.D.N.Y. Jan. 16, 2001))).

398. *See, e.g.*, Web-Adviso v. Trump, 927 F. Supp. 2d 32, 39 (E.D.N.Y. 2013) (holding that "conclusive evidence" of mark validity attaching to incontestable registration under 15 U.S.C. § 1115(b) (2012) meant that "[the counterclaim defendant] cannot argue that the [counterclaim plaintiff's] mark lacks secondary meaning"); *see also* Putt-Putt, LLC v. 416 Constant Friendship, LLC, 936 F. Supp. 2d 648, 656 (D. Md. 2013) (holding that plaintiff's incontestable registration shifted burden of proof to defendant to prove genericness by preponderance of evidence).

399. 15 U.S.C. §§ 1057(b), 1115(a).

400. *Id.* § 1115(a) (emphasis added).

401. Ritani, LLC v. Aghjayan, 880 F. Supp. 2d 425, 444-45 (S.D.N.Y. 2012) (second alteration in original) (quoting Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc., 192 F.3d 337, 345 (2d Cir. 1999)); *see also* Giggle, Inc. v. netFocal, Inc., 856 F. Supp. 2d 625, 629-30 (S.D.N.Y. 2012) ("Registered marks . . . are presumptively distinctive, although this can be *overcome* by showing that a registered mark is generic or is descriptive without secondary meaning.").

402. Warner Bros. Entm't v. Global Asylum, Inc., 107 U.S.P.Q.2d 1910, 1914 (C.D. Cal. 2012), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013).

registration owned a protectable mark, one court held merely that "the jury could have inferred from the federal registration that the mark is suggestive or has acquired secondary meaning."[403] And another qualified the majority rule by holding that "the presumption of inherent distinctiveness that attaches to a mark when it obtains registration without [the USPTO] requiring proof of secondary meaning applies [only] to the most salient feature of the mark."[404] Finally, one court applied a mix of the majority and minority rules, holding that "[r]egistration and the presumption it creates . . . do, for purposes of suit, shift the burden of proof from the plaintiff, who in a common law infringement action would have [had] to establish his right to exclusive use, to the defendant, who must introduce sufficient evidence to rebut the presumption of [the] plaintiff's right to such [exclusive] use."[405]

ii. The Common-Law Requirements for Mark Validity

(A) 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,[406] as well as corresponding state statutory and common-law claims. According to one court applying the statutory definition of use in commerce found in Section 45 of the Act, "[a] mark is 'used in commerce' when (1) 'it is placed in any manner on the goods or their containers or the displays associated therewith,' and (2) 'the goods are sold or transported in commerce.'"[407] Another applying the Virginia Trademark and Service Mark Act[408] used a substantively identical test.[409]

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403. Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468, 485 (D. Md. 2012).

404. JL Beverage Co. v. Beam, Inc., 899 F. Supp. 2d 991, 1001 n.6 (D. Nev. 2012).

405. Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506, 535 (S.D. W. Va. 2012) (second and fourth alterations in original) (quoting Pizzeria Uno Corp. v. Temple, 747 F.2d 1522, 1529 (4th Cir. 1984)) (internal quotation marks omitted).

406. 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) (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).

407. Stark v. Diageo Chateau & Estate Wines Co., 907 F. Supp. 2d 1042, 1052 (N.D. Cal. 2012) (quoting 15 U.S.C. § 1127 (2012)).

408. Va. Code §§ 59.1-92.1 to 59.1-92.22 (West 2011).

409. *See* Diamonds Direct USA, Inc. v. BJF Holdings, Inc., 895 F. Supp. 2d 752, 760 (E.D. Va. 2012).

The nuances in how a claimed mark may be used, whether as a mark or otherwise, were apparent in an opinion in a dispute between parties that previously had cooperated in putting on trade shows in the automotive industry.[410] The defendants averred prior use of the NORTHEAST mark in connection with shows predating the parties' relationship, but the plaintiff argued in a summary judgment motion that the defendants' use was to identify the trade shows themselves, rather than the origin of the services the defendants claimed to have provided. The court sided with the defendants, citing promotional flyers in the record both featuring the mark and "implying that [the lead defendant] is responsible for the management and coordination of the shows."[411] Summary judgment in the plaintiff's favor therefore was inappropriate because "[the lead defendant] . . . has provided some evidence to demonstrate that it used the 'Northeast' mark 'in connection with services [it] rendered' in organizing and promoting automotive themed trade shows."[412]

Other courts were not so reluctant to resolve as a matter of law the issue of whether the plaintiffs before them had used their marks in commerce.[413] The plaintiff's claim of priority in one case featuring such a disposition was based on the filing date of a use-based application that subsequently matured into a registration covering "television broadcasting" services.[414] Discovery disclosed that, at the time the plaintiff's application was filed, the use of his mark consisted primarily of the mark's appearances in the credits of a third party's television program. Granting the defendant's motion for summary judgment, the court found the plaintiff's allegations of prior use in commerce to be deficient for several reasons. One was that the plaintiff's involvement in the third-party television program was limited to contributing music videos to the program free of charge.[415] Another was that, although the plaintiff claimed to have his own program under development, he had, at most, engaged in a token use of his mark in connection with those efforts.[416] Yet another reason was that the third party's

410. *See* Rockland Exposition, Inc. v. Alliance of Auto. Serv. Providers of N.J., 894 F. Supp. 2d 288 (S.D.N.Y. 2012).

411. *Id.* at 306.

412. *Id.* at 307 (third alteration in original) (quoting Am. Express Co. v. Goetz, 515 F.3d 156, 161 (2d Cir. 2008)).

413. *See, e.g.*, Jalin Realty Capital Advisors, LLC v. A Better Wireless, NISP, LLC, 917 F. Supp. 2d 927, 938 (D. Minn. 2013) (granting defense motion for summary judgment on ground that "[b]ecause there is no evidence that [the plaintiff] ever used the mark [at issue], that mark cannot form the basis of [the plaintiff's] common law trademark infringement claim").

414. *See* Scorpiniti v. Fox Television Studios, Inc., 918 F. Supp. 2d 866 (N.D. Iowa 2013).

415. *Id.* at 874-75.

416. *Id.* at 875.

program was aired only on a non-commercial public access station that did not reach beyond central Iowa.[417] Finally, the plaintiff's limited involvement in the broadcast of the program precluded him from establishing that he had engaged in the diffusion or transmission of content required by the definition of broadcasting services.[418]

(2) Use Through Licensees

Because Section 5 of the Act[419] and the common law alike recognize that a claim of priority can be based on a mark's properly licensed use by another party, the claimant to a particular mark need not demonstrate that it has used the mark in commerce itself. Facing a defense motion for summary judgment grounded in the defendants' alleged priority of rights, one plaintiff successfully invoked this "related companies" principle to create a dispute of fact on the issue.[420] The plaintiff's evidence was not particularly compelling: Instead of relying on a formal license between it and the other company in question, its showing focused primarily on the claim that its former president was, as the court described it, "involved in" the other company's operations during the time period in question, as well as rather conclusory testimony that it had controlled the other company's use of the disputed mark.[421] That was enough for the court, though, which concluded that "[t]hough this evidence admittedly is minimal, the Court need not find that [the plaintiff] will prevail on its claim, but merely that it has presented a disputed issue of material fact."[422]

(3) Use-Based Geographic Rights

Under Section 7(c) of the Act, nationwide constructive priority attaches to a federal registration on the Principal Register as of the filing date of the application from which it matured,[423] but the geographic scope of the registrant's rights are still subject to the *Dawn Donut* doctrine.[424] One opinion making this point arose from a dispute between a plaintiff fraternal organization and a competing organization led by a former licensee of the plaintiff's

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417. *Id.* at 875-76.

418. *Id.* at 877.

419. 15 U.S.C. § 1055 (2012).

420. *See* Rockland Exposition, Inc. v. Alliance of Auto. Serv. Providers of N.J., 894 F. Supp. 2d 288 (S.D.N.Y. 2012).

421. *Id.* at 311.

422. *Id.* at 312.

423. *See* 15 U.S.C. § 1057(c) (2012).

424. *See* Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358 (2d Cir. 1959).

marks, himself named as an individual defendant.[425] Although the plaintiff had little difficulty demonstrating that the defendants' use of closely similar marks had caused actual, let alone likely, confusion, the court declined to enter the nationwide injunctive relief requested by the plaintiff. It explained that "[u]nder the Lanham Act, the senior owner of a federal registration has superior priority over all junior users, but a court will enjoin the junior user only if the registrant is likely to enter, or has entered, the junior user's trade territory."[426] As a consequence, it held that "the mandatory injunction Plaintiff seeks will be limited to the geographic territory which it has actually penetrated—which appears to be limited to the states of West Virginia, Ohio, and Kentucky."[427]

A second opinion reached a result consistent with the *Dawn Donut* doctrine but did so in the context of its inquiry into whether the parties' marks were likely to be confused with each other.[428] The lead plaintiff in the case was a boutique winemaker who owned an incontestable federal registration of his mark. What the lead plaintiff lacked, however, were means of distributing his wine other than at his Sonoma County tasting room or through telephone and online orders. Weighing the plaintiffs' motion for a preliminary injunction, the court observed that:

> [P]enetration of the wine market is incredibly difficult and expensive. [The lead plaintiff] himself is a boutique winemaker with no experience in nationwide marketing or business. He lacks any significant third-party distribution chains even for his small enterprise and does not demonstrate a sophisticated knowledge of the challenges of the market at issue. On this record, the possibility remains speculative as to whether Plaintiffs can expand to [the defendant's] current market position. However, [the defendant] is fully capable of accessing [the lead plaintiff's] established market in Sonoma County.[429]

Accordingly, although the plaintiffs were limited to at least some injunctive relief, the geographic scope of that relief was limited to Sonoma County.[430]

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425. *See* Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506 (S.D. W. Va. 2012).

426. *Id.* at 520 (quoting Emergency One, Inc. v. Am. Fire Eagle Engine Co., 332 F.3d 264, 268-69 (4th Cir. 2003)).

427. *Id.* at 521.

428. *See* Stark v. Diageo Chateau & Estate Wines Co., 907 F. Supp. 2d 1042 (N.D. Cal. 2012).

429. *Id.* at 1064-65.

430. *Id.* at 1068.

The same opinion addressed the extent to which the plaintiffs might be entitled to relief against the alleged infringement of an *unregistered* mark. Wine bearing that mark, the court found, "is sold off premises at one high-end wine store in Manhattan and through the internet, and is available on premises at two locations in Brooklyn, one upscale restaurant and one wine bar."[431] The court ultimately found that the second mark had not been infringed, but not before determining that the plaintiffs were unlikely to establish protectable rights except in Manhattan and Brooklyn; any relief to which the plaintiffs might have been entitled therefore would have been limited to those boroughs.[432]

Prior use of a mark in New York City also was the focus in a case brought by the owners of a delicatessen with two locations in Manhattan.[433] The defendants in the action owned a federal registration of a mark they alleged was infringed by that of the plaintiffs, but the plaintiffs demonstrated to the court's satisfaction that their date of first use was earlier than the defendants' registration date. This led the plaintiffs to assert that they were entitled to injunctive relief in the tri-state area of New York, Connecticut, and New Jersey, but the court found that argument to be unfounded:

> [The lead defendant], as the senior registrant, has presumptive nationwide rights to use its mark. Judicially permitted use, if any, for the Deli of its . . . mark outside the geographic parameters of the Deli's demonstrated prior use of that mark would at most be concurrent with, and not exclusive of, the use by [the lead defendant], as the senior registrant, of its mark in those new geographic areas. Thus, any request by the Deli for exclusive rights outside the specific geographic area in which it has demonstrated prior use of its mark is, as a matter of law, not merited.[434]

One court gave the "*prima facie* evidence" of mark ownership attaching to a registration issued state-wide by the Virginia State Corporation Commission[435] a preemptive effect comparable to the national constructive priority provided for by Section 7(c).[436] The plaintiffs before that court had never actually done business in the Commonwealth of Virginia, but that did not dissuade them from claiming rights superior to those of a state registrant of the same mark. Although the plaintiffs averred that they had used their

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431. *Id.* at 1058.

432. *Id.* at 1052.

433. *See* Lebewohl v. Heart Attack Grill LLC, 890 F. Supp. 2d 278 (S.D.N.Y. 2012).

434. *Id.* at 300.

435. *See* Va. Code § 59.1-92.6 (2011).

436. *See* Diamonds Direct USA, Inc. v. BJF Holdings, Inc., 895 F. Supp. 2d 752 (E.D. Va. 2012).

mark in advertising reaching Virginia, the court noted that "[m]erely advertising a mark in a given territory is insufficient to establish use—advertisements must have the desired effect of penetrating the consumer market in that location."[437] Beyond this legal proposition, the court found as factual matters that the plaintiffs' mark was presented in less-than-conspicuous fashion in the plaintiffs' advertisements and that, in any case, the advertisements indicated that the plaintiffs' operations were located in North Carolina and Alabama. Of the first of these findings, the court remarked that "[f]leeting references to [the plaintiffs] in magazines, often in fine print, are the sort of 'casual or transitory' references that fail to establish a protectable mark."[438] And, of the second, it noted that "the evidence failed to prove whether [of the plaintiffs'] advertisements in Virginia enticed a Virginian to travel to [the plaintiffs'] outlets in North Carolina or Alabama or even to purchase jewelry from home."[439] Because [the plaintiffs'] purported use of the subject mark in Virginia is insufficient to establish a common law mark here"[440] "[the defendant's] presumptive ownership of the mark has not been rebutted, and so it appears highly likely that [the defendant] will prevail on this issue."[441]

If neither party to a dispute owns a registration on the Principal Register—or, apparently, one issued under the Virginia law—its rights ordinarily will be limited to the geographic areas in which it does business.[442] One court set forth the following doctrinal test for determining market penetration in this context:

> To determine whether an actor has sufficiently penetrated a market to avail itself of protection for its mark, the Court must consider the following four elements: "(1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area." The senior user bears the burden of showing sufficient market penetration and must show a "clear

437. *Id.* at 759.

438. *Id.* at 760.

439. *Id.*

440. *Id.* at 761.

441. *Id.*

442. *See generally* United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90 (1918); Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916).

> entitlement" to protection of its trademark in a particular market.[443]

The same opinion explained that a plaintiff can escape the restrictions of this rule by demonstrating that an unoccupied area lies within its zone of natural expansion:

> Under this theory, the senior user is entitled to protection in regions where it is reasonably expected to expand, "if the senior user has constantly expanded its business by the date of the junior user's adoption of the mark, and if distances [between the users' markets] are not great . . . even though no actual sales have yet been made in that area by the senior user."[444]

The court ultimately deferred a final decision on the scope of the parties' rights. In doing so, however, it cautioned the parties that the zone of natural expansion doctrine "usually is 'narrowly interpreted' because it is 'impossible' to determine with any kind of precision the senior user's potential zone of expansion."[445] In particular, "[a] mere hope of expansion is insufficient to show entitlement to trademark protection under this theory."[446]

(B) Distinctiveness

(1) Distinctiveness of Traditional Marks

(a) Generic Designations

Of all the claimed marks sought to be protected over the past year, the fate of one was a foregone conclusion. That one was the two-word string "ale house," which was alleged to be a protectable mark for a drinking establishment that also served food.[447] The plaintiff was disadvantaged by the outcome of an earlier case in which its designation had been found generic as a matter of law.[448] To escape the preclusive effect of that litigation, the plaintiff sought to establish that circumstances had changed by submitting: (1) declaration testimony from two consumers in a single

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443. SMJ & J, Inc. v. NRG Heat & Power, LLC, 912 F. Supp. 2d 189, 206-07 (M.D. Pa. 2012) (quoting Natural Footwear Ltd. v. Hart, Schaffner & Marx, 760 F.2d 1383, 1398 (3d Cir. 1985); Lucent Info. Mgmt., Inc. v. Lucent Techs., Inc., 186 F.3d 311, 316 (3d Cir. 1999)).

444. SMJ & J, Inc. v. NRG Heat & Power, LLC, 912 F. Supp. 2d 189, 205 (M.D. Pa. 2012) (quoting ACCU Personnel, Inc. v. AccuStaff, Inc., 846 F. Supp. 1191, 1208 (D. Del. 1994) (quoting 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 26:08[1] (3d ed. 1992) (internal quotation marks omitted)).

445. *Id.* (quoting Laurel Capital Grp. v. BT Fin. Corp., 45 F. Supp. 2d 469, 493 (W.D. Pa. 1999)).

446. *Id.*

447. *See* Miller's Ale House, Inc. v. Boynton Carolina Ale House, LLC, 702 F.3d 1312 (11th Cir. 2012).

448. *See* Ale House Mgmt., Inc. Raleigh Ale House, Inc., 205 F.3d 137 (4th Cir. 2000).

geographic market served by one of its restaurants; (2) employee statements that other consumers had confused the parties' restaurants; (3) evidence that it had opened new stores since the earlier case; and (4) evidence of its promotional spend during the intervening years.[449] Citing record evidence that "restaurants and bars unaffiliated with either party use the term 'ale house,'" the court was unconvinced that the plaintiff had shown the required "differentiating facts" necessary to render the earlier judgment inapplicable.[450] It therefore affirmed entry of summary judgment in the defendant's favor.[451]

In contrast, some plaintiffs had better success fending off allegations that their claimed marks were, in fact, generic and unprotectable designations.[452] One was a Utah medical center, which had for years operated a fundraiser under the unregistered FESTIVAL OF TREES name.[453] Moving for summary judgment, the defendant argued that the plaintiff's claimed mark was generic, a contention that led the court to refer to the Tenth Circuit's multifactored test for genericness, one that turned on: "(1) consumer surveys; (2) the use of the term in media publications; (3) the use of the term by competitors in the industry; (4) purchaser testimony concerning the term; and (5) the plaintiff's use of the term."[454] Denying the defendant's motion, the court found that "[t]he parties have provided that evidence of three of these factors, and all of them support the inference that 'Festival of Trees' is recognized as a non-generic mark in Utah."[455] The referenced record evidence included: (1) the results of a survey commissioned by the plaintiff, the results of which purported to show that 80.2 percent of respondents recognized the plaintiff's claimed mark *as* a mark;[456] (2) "examples from local media demonstrat[ing] that, for many readers of these publications, the

449. *Miller's Ale House*, 702 F.3d at 1320-21.

450. *Id.* at 1321.

451. *Id.*

452. *See, e.g.*, Putt-Putt, LLC v. 416 Constant Friendship, LLC, 936 F. Supp. 2d 648, 656-57 (D. Md. 2013) (finding three unauthenticated generic uses of plaintiff's incontestably registered PUTT mark an insufficient basis on which to support a finding of genericness).

453. *See* Primary Children's Med. Ctr. Found. v. Scentsy Inc., 104 U.S.P.Q.2d 1124 (D. Utah 2012).

454. *Id.* at 1128.

455. *Id.*

456. *Id.* at 1128-29. The defendant did not challenge the methodology underlying the plaintiff's survey but instead argued that the results were irrelevant in light of evidence that the plaintiff was not the first party to have coined its claimed mark. The court responded by noting its agreement "with authorities that challenge this position and find[] that consumer surveys can play an important role in determining [mark validity] even if the term at issue as not first coined by the party seeking to protect its mark." *Id.* at 1129.

term 'Festival of Trees' is associated with a specific event";[457] and (3) overall, the plaintiff's own usage was "consistent with its argument that the term is distinct in Utah."[458] For good measure, the court pointed out in a later portion of its opinion that a third-party federal registration of the same mark "cuts against [the defendant's] argument that the term 'Festival of Trees' is generic."[459] "Given all of these facts," the court concluded, "a reasonable jury could find that 'Festival of Trees' is not a generic term."[460]

(b) Descriptive Marks

"A descriptive mark . . . immediately conveys the nature or function of the [associated] product and is entitled to protection only if it has become distinctive by acquiring a secondary meaning."[461] One designation found to be descriptive was the following composite mark, registered and used in connection with vodka:[462]

Not surprisingly, the plaintiff's claim of inherent distinctiveness centered around the stylized lips component of its mark. The court was unmoved, holding instead that "[b]ecause the [plaintiff's] mark contains the word 'vodka,' the Court determines that the mark is descriptive."[463] In an example of the pot calling the kettle black, it went on to accuse the plaintiff of having improperly focused on a single element of the mark: "[U]nder the anti-dissection rule, the validity and distinctiveness of a composite

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457. *Id.* The defendant submitted examples of media usage favorable to its position, leading the court to conclude that:

> While these examples do call into doubt [the plaintiff's] assertion that a Utah resident will understand the primary significance of the term "Festival of Trees"' to mean something specific, the examples of usage in local media that [the plaintiff] has submitted counterbalance [the defendant's] evidence and are sufficient to allow a reasonable jury to find that the term is not generic.

Id.

458. *Id.* at 1130.

459. *Id.* at 1133.

460. *Id.* at 1130.

461. Scorpiniti v. Fox Television Studios, Inc., 918 F. Supp. 2d 866, 879 (N.D. Iowa 2013).

462. *See* JL Beverage Co. v. Beam, Inc., 899 F. Supp. 2d 991 (D. Nev. 2012).

463. *Id.* at 999.

trademark is determined by viewing the trademark as a whole as it appears in the marketplace."[464]

More surprisingly, another court concluded as a matter of law that the mark THE GATE was descriptive of a religion-oriented television program.[465] The court opened the way to this determination in conventional form by invoking the boilerplate proposition that "[a] descriptive mark . . . immediately conveys the nature or function of the product and is entitled to protection only if it has become distinctive by acquiring a secondary meaning."[466] In the final analysis, however, the court's conclusion was driven more by the plaintiff's disclaimer of the words "the gate" in an application to the USPTO more than by any doctrinal analysis.[467] As the court explained, "a disclaimer in a trademark application renders the mark descriptive."[468]

Finally, straightforward applications of black-letter rules led to other findings, or at least potential findings, of descriptiveness. Thus, for example, one court confirmed and applied the traditional rule that personal names are considered descriptive marks.[469] Another concluded that the claimed SERIES 2000 mark for differential pressure gauges might be found a mere model number properly "treated the same as other merely descriptive terms."[470] Rather predictably, the Republic of Libya failed to prove that its EMBASSY OF LIBYA and LIBYAN EMBASSY marks were anything but descriptive for document legalization services.[471] And the LOVELYSKIN and LOVELYSKIN.COM marks were found to be descriptive of skin-care products based in part on the issuance of the federal registrations covering them under Section 2(f) of the Act.[472]

(c) Suggestive Marks

A suggestive mark "suggests rather than describes an ingredient or characteristic of the [associated] goods and requires

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464. *Id.* (quoting Official Airline Guides, Inc. v. Goss, 6 F.3d 1385, 1392 (9th Cir. 1993)) (internal quotation marks omitted).

465. *See* Scorpiniti v. Fox Television Studios, Inc., 918 F. Supp. 2d 866 (N.D. Iowa 2013)

466. *Id.* at 880 (quoting Duluth News–Tribune, a Div. of Nw. Publ'ns, Inc. v. Mesabi Publ'g Co., 84 F.3d 1093, 1096 (8th Cir. 1996)).

467. *Id.* at 881.

468. *Id.*

469. *See, e.g.*, Mercado-Salinas v. Bart Enters. Int'l, Ltd., 852 F. Supp. 2d 208, 223 (D.P.R. 2012) (WALTER MERCADO for psychic and astrological services).

470. Dwyer Instruments, Inc. v. Sensocon, Inc., 873 F. Supp. 2d 1015, 1038 (N.D. Ind. 2012).

471. *See* Libya v. Miski, 103 U.S.P.Q.2d 1927 (D.D.C. 2012).

472. *See* Lovely Skin Inc. v. Ishtar Care Prods. LLC, 105 U.S.P.Q.2d 1427, 1432 (D. Neb. 2012) (citing 15 U.S.C. § 1052(f) (2012)).

the observer or listener to use imagination and perception to determine the nature of the goods."[473] When applying this standard, the Sixth Circuit adopted a rather generous attitude toward the distinctiveness of the 5-HOUR ENERGY mark for energy drinks:

> The "5–hour ENERGY" mark could be characterized as merely descriptive, in the sense that it simply describes a product that will give someone five hours of energy. But that is not the end of such an inquiry. The first question one would ask is *how* would the energy be transferred? Through food? Through drink? Through injections? Through pills? Through exercise? Also, one would ask what kind of energy is the mark referring to? Food energy (measured in Calories)? Electrical energy? Nuclear energy? With some thought, one could arrive at the conclusion that the mark refers to an energy shot. But it is not as straightforward as [the defendant] suggests. Such cognitive inferences are indicative of "suggestive" rather than descriptive marks.[474]

A Virginia federal district court was equally receptive to a claim that the CARIBBEAN CRESCENT mark was suggestive when used in connection with various food items.[475] Indeed, the court determined there was no material dispute regarding the issue:

> The imagery evoked by the trade name is not that of food or products related to food, but rather of the sandy, crescent-shaped tropical beaches for which the geographic area of the Caribbean has traditionally been known. Such imagery does not induce any logical association with food, much less the specific products that bear the instant trade name. Further, regarding the gastronomic classification of the subject food, to be sure, the products produced under the company name CARIBBEAN CRESCENT are by no means exclusively Caribbean in theme. In fact, it cannot be said that even a majority of the cuisine produced under the name is thematically Caribbean. Consequently, the trade name CARIBBEAN CRESCENT cannot rightly be said to be a trade name that is descriptive of the product to which it has been adhered.[476]

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473. Innovation Ventures, LLC v. N.V.E., Inc., 694 F.3d 723, 730 (6th Cir. 2012) (citation omitted).

474. *Id.* .

475. *See* E. W., LLC v. Rahman, 896 F. Supp. 2d 488 (E.D. Va. 2012).

476. *Id.* at 499.

A final consideration underlying this finding as a matter of law was that the USPTO had granted the defendants a registration of the mark without requiring a showing of secondary meaning.[477]

A finding of suggestiveness as a matter of law also held in litigation between competitors in the boiled seafood restaurant business.[478] The unregistered marks sought to be protected by the plaintiff were BUBBA'S "THE" BOILING SPOT and "THE" BOILING SPOT. The court employed three separate tests to find that the marks were inherently distinctive, the first of which was to take judicial notice that the marks were absent from the dictionaries it had consulted.[479] The second was the "imagination" test, under which the court accepted the plaintiff's argument that "the name *Bubba's 'The' Boiling Spot* does not specifically describe a seafood restaurant, but suggests one, then further requires consumers to imagine that the food served there has been boiled, and finally invites the consumer to imagine that the food served is boiled seafood, namely, boiled shellfish."[480] Finally, the court held in an application of the competitive necessity test that "Defendants have failed to present evidence that there is even one other restaurant in this region, let alone a number of restaurants, using the term "Boiling Spot" in its name—no printouts of Google searches, no phone book listings, no business registrations with the Secretary of State, etc."[481] That the proper placement of the plaintiff's marks on the spectrum of distinctiveness was a factual inquiry did not preclude resolution of the issue as a matter of law if no factual dispute was reflected in the summary judgment record.[482]

A similar finding of suggestiveness as a matter of law attached to the HEART ATTACK GRILL mark, also used in connection with restaurant services.[483] The nature of those services was a cardiologist's nightmare: They entailed the provision of "massive, highly caloric hamburgers, fries cooked in lard, and milkshakes";[484] in addition, and lest there be any doubt on the issue, "customers weighing in at more than 350 pounds" dined on a gratis basis.[485] Not surprisingly, the court found that "[a] person using 'imagination, thought and perception,' . . . can easily infer that the food offered at the 'grill' is unhealthful, and unusually so, because

477. *Id.*

478. *See* SA Bay LLC v. Hall, 849 F. Supp. 2d 761 (S.D. Tex. 2012).

479. *Id.* at 767-68.

480. *Id.* at 768.

481. *Id.*

482. *Id.*

483. *See* Lebewohl v. Heart Attack Grill LLC, 890 F. Supp. 2d 278 (S.D.N.Y. 2012).

484. *Id.* at 286.

485. *Id.*

the dramatic phrase 'heart attack' clearly connotes extremely unhealthful eating habits. The Heart Attack Grill mark is thus suggestive and inherently distinctive."[486]

The federally registered BROTHERS OF THE WHEEL mark for motorcycle club services also fell within the category of suggestive marks on a motion for summary judgment.[487] Responding to the plaintiff's motion, the defendant launched the feeble argument that its "bare allegations" of other clubs using the same name, "a screen shot of an unidentifiable website bearing [the mark]," and "two photos of men that appear to be bikers" established the mark's genericness.[488] This contention not surprisingly failed to gain any traction: Without considering the evidentiary effect of the plaintiff's registration, the court concluded instead that the mark was suggestive because it required at least some imagination to associate the mark with the plaintiff's services.[489]

A different action, brought to protect a family of marks based in part on the word "giggle" and used in connection with consumer children's goods such as strollers and toys, also produced a finding of suggestiveness.[490] According to the court, "[a] suggestive mark . . . has an indirect connection to a good because 'it requires imagination, thought and perception to reach a conclusion as to the nature of [the] good[].'"[491] It then found that "[e]ach member of the GIGGLE family of marks is suggestive. They do not directly describe a quality of the goods sold by Plaintiff and several steps of the imagination are needed to conjure the idea of children's goods. As such, Plaintiff's GIGGLE family of marks is protectable."[492] The court reached much the same finding on the defendant's counterclaim, which was grounded in its use of THE GIGGLE GUIDE for a collection of trade information related to the children's goods industry:

> [T]he THE GIGGLE GUIDE mark has descriptive traits but is, nonetheless, slightly suggestive. The mark reveals the type of Defendant's product—a guide—but the imagination is needed to arrive at the content of Defendant's product since

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486. *Id.* at 294 (citation omitted) (quoting Star Indus. v. Bacardi & Co., 412 F.3d 373, 385 (2d Cir. 2005)).

487. *See* Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506 (S.D. W. Va. 2012).

488. *Id.* at 520.

489. *Id.* at 523; *see also id.* at 544, 547.

490. *See* Giggle, Inc. v. netFocal, Inc., 856 F. Supp. 2d 625 (S.D.N.Y. 2012). The marks claimed by the plaintiff were GIGGLE, GIGGLE HEALTHY. HAPPY. BABY., and GIGGLE BETTER BASICS. *Id.* at 628.

491. *Id.* at 630 (quoting Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 10 (2d Cir. 1976)).

492. *Id.*

> the mark does not immediately reveal that Defendant is selling information about the children's goods industry.[493]

Other courts reached findings of suggestiveness with less extended analyses. These included one that found the TWO MEN AND A TRUCK mark to be suggestive of the plaintiffs' moving services because the mark "'requires some measure of imagination to reach a conclusion regarding the nature of the' services offered."[494] They also included a court that sustained a jury finding that the SEACRETS mark for restaurant, bar, and hotel services was distinctive with the observation that "[t]he combination of 'sea' and 'secrets' was sufficient for the jury to conclude that the mark is suggestive . . . ."[495] SWERVE, too, fell within the category of suggestive marks when it was used in connection with chewing gum that changed from a tangy to a sweet flavor when chewed.[496] Likewise, the ADVOCARE SPARK mark qualified as suggestive for energy drinks on the ground that "it suggests that one who consumes [the] product will get a spark or boost of energy."[497] Finally, the STEAK-UMM mark was found to be suggestive of frozen sliced steaks on the ground that "[t]he word 'Steak' suggests a food product and the word 'Umm' sounds like 'mmm.' a suggestion that the product tastes good. The consumer is left with only this impression and must draw his own conclusions about the identity of the product."[498]

(d) Arbitrary Marks

"Arbitrary [marks] are 'actual words with no connection to the product.'"[499] One of the more notable, if dubious, findings of arbitrariness over the past year involved the TRUMP mark for various goods and services provided or licensed by Donald J. Trump.[500] Seeking to invalidate Trump's rights, his pro se opponent advanced the argument that, as captured by the court, "the word 'trump' is not entitled to protection because it is a

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493. *Id.* at 637.

494. Two Men & A Truck/Int'l, Inc. v. Thomas, 908 F. Supp. 2d 1029, 1037 (quoting Duluth News-Tribune, a Div. of Nw. Publ'ns, Inc. v. Mesabi Publ'g Co., 84 F.3d 1093, 1096 (8th Cir. 1996)).

495. Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468, 485 (D. Md. 2012).

496. Wm. Wrigley Jr. Co. v. Swerve IP, LLC, 900 F. Supp. 2d 794, 796 (N.D. Ill. 2012).

497. Limitless Worldwide, LLC v. Advocare Int'l, LP, 926 F. Supp. 2d 1248, 1254 (D. Utah 2013).

498. Steak Umm Co. v. Steak 'Em Up, Inc., 868 F. Supp. 2d 415, 422 (E.D. Pa. 2012).

499. Warner Bros. Entm't v. Global Asylum, Inc., 107 U.S.P.Q.2d 1910, 1915 (C.D. Cal. 2012) (quoting Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Mgmt., Inc., 618 F.3d 1025, 1033 (9th Cir. 2010)), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013).

500. *See* Web-Adviso v. Trump, 927 F. Supp. 2d 32 (E.D.N.Y. 2013).

generic 'dictionary word' that means 'any playing card of a suit that the time outranks other suits, such a card being able to take any card of another suit.'"[501] The court quite properly rejected the defendant's genericness argument on the ground that "the generic dictionary definition of trump is unrelated to any good or service for which the TRUMP mark is used by Defendant."[502] Nevertheless, its ultimate placement of the mark on the spectrum of distinctiveness was more of a subject of debate, because, rather than applying the usual rule that surnames are considered descriptive marks, it concluded that "[t]he TRUMP mark is arbitrary in these contexts because it is derived from [Trump's] last name, not from any colloquial use relating to card games or getting the better of somebody."[503]

Other findings of arbitrariness were more doctrinally defensible. Three marks for automotive wheels—namely, MIROR, BIGG, and MEZANNO—qualified as arbitrary based on the finding of the court placing them into that category that "MIROR and BIGG do not relate to wheels nor does MEZANNO, which is a province in Italy."[504] Additional marks found to be arbitrary, albeit without extended analysis, included ORIENTAL for financial services,[505] ICEBERG for upscale clothing,[506] SWERVE for an "'all-natural' erythritol-based non-sugar sweetener,"[507] ACID for tobacco products,[508] and a stylized pair of puckered lips for vodka.[509]

(e) Coined or Fanciful Marks

"Fanciful marks are 'made-up with no discernible meaning—such as Kodak film and Sony electronics [and] are inherently distinctive.'"[510] One mark found to fall within this category was HOBBIT for a variety of goods associated with fantasy films,

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501. *Id.* at 39.

502. *Id.* at 40.

503. *Id.*

504. Wheel Specialties, Ltd. v. Starr Wheel Grp., 918 F. Supp. 2d 688, 694 (N.D. Ohio 2013).

505. *See* Oriental Fin. Grp. v. Cooperativa de Ahorro y Crédito Oriental, 698 F.3d 9, 18 n.7 (1st Cir. 2012) (citing unchallenged finding by district court).

506. *See* Icebreaker Ltd. v. Gilmar S.P.A., 911 F. Supp. 2d 1099, 1113 (D. Or. 2012).

507. *See* Wm. Wrigley Jr. Co. v. Swerve IP, LLC, 900 F. Supp. 2d 794, 798 (N.D. Ill. 2012).

508. *See* Drew Estate Holding Co. v. Fantasia Distrib., Inc., 875 F. Supp. 2d 1360, 1369 (S.D. Fla. 2012).

509. *See* JL Beverage Co. v. Beam, Inc., 899 F. Supp. 2d 991, 1000 (D. Nev. 2012).

510. Warner Bros. Entm't v. Global Asylum, Inc., 107 U.S.P.Q.2d 1910, 1915 (C.D. Cal. 2012) (quoting Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Mgmt., Inc., 618 F.3d 1025, 1033 (9th Cir. 2010)), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013).

fantasy games, and cartoons.[511] Likewise, he RADD and ROX marks were found to be "fabricated words" invented by the plaintiff seeking to protect them for automotive wheels.[512]

(2) Distinctiveness of Nontraditional Marks

Courts confronted with the issue of whether a particular nontraditional mark is distinctive have taken one of two approaches, the first of which is to place the mark on the same spectrum of distinctiveness as that applicable to word marks.[513] One court taking this approach did so in the context of a defense motion for summary judgment based on the alleged genericness of the plaintiff's claimed trade dress.[514] The goods sold by the plaintiff were handbags and accessories incorporating the following elements:

> a sculpted, silver heart, used in conjunction with any two or more of the following: (i) leather embossed to resemble exotic materials such as crocodile, alligator, snake and lizard; (ii) filigreed, silver ornamentation; (iii) a silver heart dangling from a leather strap; (iv) cowhide or brocaded fabrics; and/or (v) additional sculpted silver hearts.[515]

The gravamen of the defendants' motion was that the plaintiff's "pick-and-choose" definition of its rights meant that the definition covered any design featuring a silver heart design, a problem that was exacerbated by the alleged fact that "silver heart ornaments and the [other] named materials have been the most rudimentary and essential building blocks of women's fashion accessories for centuries."[516] Precisely how these showings were relevant to any doctrinal measure of genericness went unexplained in the opinion, as the court made short shrift of the defendants' contention that they were entitled to summary judgment. Specifically, it noted that "there are factual issues as to whether [the plaintiff's] trade dress is generic because [the plaintiff] offers testimony from two independent sales representatives that the [plaintiff's] 'look' is

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511. *Id.*

512. *See* Wheel Specialties, Ltd. v. Starr Wheel Grp., 918 F. Supp. 2d 688, 694 (N.D. Ohio 2013).

513. *See, e.g.*, Djarum v. Dhanraj Imps., Inc., 876 F. Supp. 2d 664, 668 (W.D.N.C. 2012) (concluding that packaging for cigars was protectable in the absence of a showing of secondary meaning because it consisted of "an arbitrary combination of colors and graphic elements").

514. *See* Brighton Collectibles, Inc. v. RK Tex. Leather Mfg., 923 F. Supp. 2d 1245 (S.D. Cal. 2013).

515. *Id.* at 1249-50 (internal quotation marks omitted).

516. *Id.* at 1252.

distinctive and that customers associate the overall look with [the plaintiff]."[517]

Because of the arguable lack of fit between the verbal-mark spectrum of distinctiveness and marks that do not have verbal components, a second line of authority evaluates the inherent distinctiveness of nontraditional marks under the so-called *Seabrook* test, which examines (1) whether the design in question is a common or basic one, (2) whether it is unique or unusual in the field, (3) whether it is a refinement of a common form of ornamentation, and (4) whether it is capable of creating a commercial impression distinct from the accompanying words.[518] A threshold issue associated with the *Seabrook* test, however, is whether it remains viable after the Supreme Court's unkind words about it in *Wal-Mart Stores, Inc. v. Samara Bros.*[519] Specifically, in commenting on the difficulty of the test's application, the *Wal-Mart* Court observed that "[s]uch a test would rarely provide the basis for summary disposition of an anticompetitive strike suit."[520]

This commentary might mean that *Seabrook*'s viability is at risk in all contexts, not just in cases involving product designs.[521] Nevertheless, and apparently missing the point that the claimed trade dress in *Wal-Mart* consisted of a product design, the Eleventh Circuit improbably concluded that, whatever the *Wal-Mart* Court may have said about *Seabrook*'s applicability to product designs, that Court had "said nothing . . . about the ongoing utility of the test to determine whether or not *trade dress* might be 'inherently distinctive.'"[522] Having thus distinguished between trade dress and product design, the court applied *Seabrook* to affirm a finding as a matter of law that a claimed trade dress consisting of the appearance of a restaurant and the

517. *Id.*

518. *See* Seabrook Foods, Inc. v. Bar-Well Foods Ltd., 568 F.2d 1342, 1344 (C.C.P.A. 1977)).

519. 529 U.S. 205 (2000).

520. *Id.* at 214.

521. *See, e.g.*, William D. Coston, *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.: The Triumph Of Consumer Protection in Lanham Act Litigation*, 90 TMR 572, 579 (2000) ("[W]hile recognizing that a product's packaging may be inherently distinctive trade dress, Justice Scalia's sharp criticism of the Seabrook test should make one pause and consider whether the Seabrook test will stand in product packaging cases.").

522. Miller's Ale House, Inc. v. Boynton Carolina Ale House, LLC, 702 F.3d 1312, 1323 (11th Cir. 2012). The Eleventh Circuit is not alone in making this distinction. *See In re* Chippendales USA Inc., 622 F.3d 1346, 1357-58 (Fed. Cir. 2010) ("Nothing in the *Wal-Mart* decision questioned or undermined the reasoning in *Seabrook*. Indeed, the Court cited *Seabrook* but did not express any disagreement with its use to determine the inherent distinctiveness of trade dress . . . .").

uniforms worn by the restaurant's staff was not inherently distinctive.[523]

Another claimed restaurant trade dress met the same fate, also as a matter of law.[524] According to its owner, that trade dress consisted of certain "unique décor protocols," namely: (1) granite countertops and tabletops; (2) ceramic-tiled walls and faux-Venetian plaster finished walls; (3) extensive neon lighting; (4) ceramic floors; (5) a large back-lit menu featuring faux-Venetian plaster walls; (6) large, black industrial-style walls; (7) back-lit pictures of menu items; (8) stainless steel shelving units behind the service counter; and (9) stacks of pre-folded pizza boxes and large coin-operated candy and bubble gum dispensers.[525] Eschewing proof that its combination of these elements had acquired secondary meaning, the plaintiff relied instead solely on a claim of inherent distinctiveness. This strategy backfired when the defendant moved for summary judgment, in part because of the unusual consideration that the defendant was not itself using some of the claimed elements:

> [The plaintiff] failed to provide evidence that each [of its] restaurant uses this specific uniform theme, that other fast food restaurants do not use these elements, that customers exclusively associate these elements and menu items with [the plaintiff], that other restaurants do not offer similar food combinations, and that all of [the defendant's] restaurants use these elements. [The defendant] claims only one of its restaurants uses similar elements to [those of the plaintiff]. [The defendant] is also correct in its assertion that many other

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523. The apparently pedestrian nature of the claimed trade dress at issue can be inferred from the following discussion in the court's opinion:

> We find nothing particularly unique in a restaurant fixing its name in red letters on the outside of its building and on its menu, branding items it sells with that name, dressing its staff in khakis and a polo shirt, featuring a center bar with a soffit, offering seating at "high-top" tables, and paneling its walls with wood. These are the prototypical features—what we might call the "common . . . design"—of a standard sports bar or brew pub. The particular name affixed on the wall and to menu items, the specific color of the polo shirts, the type of wood on the walls, the placement of the "high-top" tables, and the openness of the kitchen, even if they in combination could be deemed unique," are all "mere refinement[s]" of this "commonly-adopted and well-known form of ornamentation."
>
> In short, we cannot here find that the design, shape or combination of elements is so unique, unusual or unexpected in this market that we can assume without proof that it will automatically be perceived by customers as an indicator of origin—a trademark.

Miller's Ale House, 702 F.3d at 1324 (alteration omitted) (footnote omitted) (citations omitted) (quoting Brooks Shoe Mfg. Co. v. Suave Shoe Corp., 716 F.2d 854, 858 (11th Cir. 1983)) (internal quotation marks omitted).

524. *See* Happy's Pizza Franchise, LLC v. Papa's Pizza, Inc., 108 U.S.P.Q.2d 1239 (E.D. Mich. 2013).

525. *Id.* at 1241.

> fast food chains use similar elements in the design of their restaurants. There is no evidence [the plaintiff's] combination of these elements, including their menu, is original . . . . Moreover, although the menu items offered by each restaurant are substantially similar, there are no trademarked names of menu items used. All combinations and menu items are described generically, i.e., "Perch and Shrimp Combo." [The plaintiff] is certainly not the first fast food restaurant to offer such menu items.[526]

Although a plaintiff's extension of permission to third parties to use the plaintiff's alleged trade dress historically has weighed against a finding that the trade dress has *acquired* distinctiveness,[527] one court concluded that such a practice precluded a finding of *inherent* distinctiveness for the packaging of a digital thermometer:

> [The plaintiff's] packaging does not identify [the plaintiff] as the source of the digital thermometer—indeed, [the plaintiff] is not mentioned anywhere on the package. Although in some instances a mark identifying goods as emanating from a particular anonymous source may be entitled to protection, [the plaintiff's] packaging *does* identify a brand: CVS, Rite Aid, or another retailer. [The plaintiff] has provided no evidence that consumers are aware of or care about the identity of those who *manufacture* products carrying CVS or Rite Aid labels. Nor has [the plaintiff] cited any cases in which a manufacturer's trade dress was held to be entitled to Lanham Act protection notwithstanding that the trade dress identified the retailer and not the manufacturer.[528]

(3) Secondary Meaning Determinations

(a) Opinions Reaching or Affirming Findings of Secondary Meaning

One court accepted a claim of secondary meaning as a matter of law without extended analysis.[529] The mark at issue was WALTER MERCADO, which the lead counterclaim defendant had used for years in connection with psychic and astrological services

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526. *Id.* at 1243.

527. *See, e.g.*, I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 42-43 (1st Cir. 1998) ("When a product . . . design is sold by the authority of plaintiff under several different word marks . . . , it is more difficult for plaintiff to prove acquisition of secondary meaning—that is, that the shape or design identifies a single source." (alterations in original) (internal quotation marks omitted)).

528. Medisim Ltd. v. BestMed LLC, 910 F. Supp. 2d 591, 613-14 (S.D.N.Y. 2012) (footnotes omitted).

529. *See* Mercado-Salinas v. Bart Enters. Int'l, Ltd., 852 F. Supp. 2d 208 (D.P.R. 2012).

before selling the mark to the lead counterclaim plaintiff and then continuing to use the mark under a license. Granting the counterclaim plaintiffs' motion for summary judgment, the court noted of the record evidence of acquired distinctiveness that:

> Walter Mercado has worked as a psychic and astrologer for nearly forty years and is well-known in those roles in Puerto Rico, the United States, and Latin America. Mercado's reputation as a psychic and astrologer has only grown since the [assignment and license] Agreement was signed. . . . The record in this case is saturated with the psychic and astrological work produced and sold under the name Walter Mercado. Accordingly, the court finds the Mark has acquired secondary meaning and is thus distinctive and entitled to trademark protection.[530]

(b) Opinions Reaching or Affirming Findings of No Secondary Meaning

Some claims of acquired distinctiveness were so deficient that they failed as a matter of law. The most dramatic example of this phenomenon came in a case in the plaintiff's averments that the appearance of its exercise trampoline had secondary meaning were deficient as a matter of law.[531] Evaluating the merits of a defense motion to dismiss for failure to state a claim, the court applied the six factors making up the relevant test under Second Circuit law, namely: (1) the plaintiff's advertising expenditures; (2) consumer surveys linking the trade dress to a particular source; (3) sales success; (4) unsolicited media coverage; (5) attempts to plagiarize the trade dress; and (6) the length and exclusivity of the use of the trade dress.[532] On one level, the plaintiff's amended complaint might have made the grade, because that document "alleged facts describing the amount of time Plaintiff has used the alleged trade dress, asserting that all [of its trampolines] sold to customers between 2008 and the present day had the [claimed trade dress]"; moreover, it also recited the plaintiff's sales volume and averred that the trampoline had been featured on such television programming as *The Today Show*, *The View*, CNN, Lifetime, and Headline News.[533] On another level, however, the court found that "the Amended Complaint makes no allegations concerning Plaintiff's advertising expenditures, consumer surveys, prior attempts to plagiarize the trade dress or that Plaintiff exclusively

530. *Id.* at 223.

531. *See* Urban Grp. Exercise Consultants Ltd. v. Dick's Sporting Goods Inc., 106 U.S.P.Q.2d 1756 (S.D.N.Y. 2012).

532. *Id.* at 1762.

533. *Id.*

uses the [trade dress] alleged."[534] Based on these deficiencies, the court concluded that "Plaintiff has failed to adequately allege its trade dress to have acquired a secondary meaning. Accordingly, the Amended Complaint fails to present sufficient facts to plead a claim for trade dress infringement."[535]

A court hearing a dispute over conventional word marks reached the same outcome under an application of the same six factors, albeit on a motion for summary judgment.[536] The plaintiff's showing as to each of the relevant factors failed to make the grade. Specifically: (1) the plaintiff's "conclusory assertion" of significant promotional expenditures was unsupported by specific numbers, and the advertisements in the record bearing the mark featured the lead defendant's name, rather than that of the plaintiff;[537] (2) there was no survey evidence of distinctiveness;[538] (3) the plaintiff's claimed revenues were not apportioned between services it had provided under the mark and those it had provided under other marks;[539] (4) there was no record evidence of unsolicited media coverage of the plaintiff's services;[540] (5) the plaintiff's allegations of intentional plagiarism were unfounded and would not have been dispositive even if supported by record evidence;[541] and (6) the plaintiff enjoyed only a two-year head start over the defendants' first use, and its use was not exclusive even during that modest period.[542] The court therefore concluded that "[b]ecause [the plaintiff] cannot demonstrate secondary meaning, its trademark infringement claim fails as a matter of law, and there is no need for the Court to examine whether [the defendants'] use of the mark is likely to cause confusion."[543]

Yet another application of the same six-factor test similarly led to the grant of a defense motion for summary judgment in an action to protect the configuration of a digital thermometer.[544] It might be true, the court acknowledged, that "several of the six factors relevant to whether a trade dress has acquired distinctiveness through secondary meaning weigh in [the

534. *Id.*

535. *Id.*

536. *See* Rockland Exposition, Inc. v. Alliance of Auto. Serv. Providers of N.J., 894 F. Supp. 2d 288, 315 (S.D.N.Y. 2012).

537. *Id.* at 319-20.

538. *Id.* at 320.

539. *Id.* at 320-22.

540. *Id.* at 322.

541. *Id.*

542. *Id.* at 322-24.

543. *Id.* at 324.

544. *See* Medisim Ltd. v. BestMed LLC, 910 F. Supp. 2d 591 (S.D.N.Y. 2012).

plaintiff's] favor . . . ."[545] Those, however, were outweighed by the plaintiff's practice of allowing third-party retailers to sell its thermometers under their own brand names, rather than that of the plaintiff. The court observed with respect to that practice that "[the plaintiff] has provided no support for its contention that its trade dress is entitled to protection even though it identifies the retailer rather than [the plaintiff]."[546] That consideration, coupled with the plaintiff's failure to offer survey evidence of distinctiveness, led to a finding as a matter of law that the plaintiff's claimed trade dress was unprotectable.[547]

The Tenth Circuit's test for secondary meaning—which focuses on (1) the length and manner of the claimed mark's use; (2) the nature and extent of its promotion; and (3) the efforts made to cultivate a conscious connection between it and the goods and services of its alleged owner—likewise led to the dismissal of a claim of protectable rights to the color red as a mark for air gun pellets.[548] Seeking to ward off the entry of summary judgment against it, the plaintiff pointed to record evidence that its advertisements and the business cards of its employees featured color photographs of its pellets bearing red tips, a showing that proved unconvincing because the plaintiff identified "no evidence that its advertising drew any particular attention to the color of the pellet's tip."[549] The court was equally dismissive of third-party references to the red tips of the plaintiff's goods on the ground that the references were cursory and overshadowed by the third parties' discussions of the performance of those goods.[550] Finally, the defendant's alleged copying of the plaintiff's claimed mark did not create a factual dispute as to the mark's lack of secondary meaning:

> Even assuming intentional copying, there is little support for the proposition that copying alone, regardless of the reason for such copying, would be sufficient to establish secondary meaning. . . . "To derive secondary meaning from deliberate copying, the court must forge a circular chain of inferences: (1) the plaintiff's product mark or design has acquired secondary meaning; (2) the defendant knew about this secondary meaning; (3) the defendant copied the mark or

545. Those factors were "evidence of the commercial success [of the plaintiff's product], [the plaintiff's] advertising expenditures, and [the defendant's] allegedly intentional copying of the [plaintiff's] packaging." *Id.* at 614 n.131.

546. *Id.* at 614.

547. *Id.*

548. *See* Predator Int'l, Inc. v. Gamo Outdoor USA, Inc., 863 F. Supp. 2d 1055, 1059 (D. Colo. 2012).

549. *Id.* at 1060.

550. *Id.* at 1060-61.

> design to exploit this secondary meaning and confuse consumers; and (4) thus the mark or design has secondary meaning." "The first and second assumptions require a court to assume the plaintiff's [mark] has secondary meaning," but "[b]oth assumptions collapse where, as here, the plaintiff offers no independent evidence of secondary meaning."[551]

In another case resolved through the grant of a defense motion for summary judgment, the plaintiff sought to protect THE GATE as the title of an unaired television show.[552] His showing of acquired distinctiveness relied heavily (if not exclusively) on his having uploaded a pilot episode onto YouTube and onto his personal Facebook page, as well as the occasional appearance of the mark in the credits of a third party's program. But the third-party program aired only in Central Iowa, the plaintiff's YouTube posting had been viewed less than 5,000 times, and, the court found, the plaintiff "never advertised *The Gate* on television, in newspapers, or on the Internet."[553] These circumstances were enough for the court to hold that there was no material dispute that the plaintiff's mark had not acquired secondary meaning.[554]

Even a Pennsylvania appellate court got into the picture by affirming a finding of no secondary meaning as a matter of law.[555] The mark at issue was the lead plaintiff's personal name, and the court held the issue of whether the name had acquired distinctiveness for the sale of promotional products to be governed by a multifactored test borrowed from the Third Circuit:

> [T]he Third Circuit has enumerated the following factors to guide an inquiry of whether secondary meaning exists: (1) the extent of sales and advertising leading to buyer association; (2) length of use; (3) exclusivity of use; (4) the fact of copying; (5) customer surveys; (6) customer testimony; (7) the use of the mark in trade journals; (8) the size of the company; (9) the number of sales; (10) the number of customers; and (11) actual confusion. These factors are a nonexclusive list, and therefore the absence of any particular factor does not require dismissal.[556]

Like the trial court, the appellate court faulted the plaintiffs' reliance on three "short, vague, and uncannily similar" consumer

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551. *Id.* at 1061-62 (alteration omitted) (third alteration in original) (quoting Cont'l Lab. Prods., Inc. v. Medax Int'l, Inc., 114 F. Supp. 2d 992, 1009 (S.D. Cal. 2000)).

552. *See* Scorpiniti v. Fox Television Studios, Inc., 918 F. Supp. 2d 866 (N.D. Iowa 2013).

553. *Id.* at 880.

554. *Id.* at 881.

555. *See* Majorsky v. Douglas, 58 A.3d 1250 (Pa. Super. Ct. 2012).

556. *Id.* at 1263 (alteration in original) (quoting AFL Phila. LLC v. Krause, 639 F. Supp. 2d 512, 526 (E.D. Pa. 2009)).

declarations.[557] Each declaration intoned that "[the lead plaintiff's] reputation is such that his name is synonymous with promotional products,"[558] but, as the court noted:

> Even if we decline to adopt the trial court's skepticism of the repetitive use of the word "synonymous" in these three declarations, the fact remains that to say the [lead plaintiff's] name was "synonymous with promotional products" is not equivalent to saying that one's name is so deeply associated with a given product or business that the individual sense of that name is "submerged" into its putative function as a trademark.[559]

The court then held deposition testimony proffered by the plaintiffs to be equally wanting. According to its reading of the testimony, the two witnesses had "testified to no more than knowing [the lead plaintiff], purchasing modest amounts of merchandise from him, and associating his name with the products he sold. Both witnesses also attested to their use of numerous other vendors for similar products."[560] Deeming the deposition testimony "inadequate," the court held that neither it nor the plaintiffs' declarations created "credibility determinations better reserved to a jury."[561]

Finally, averments of acquired distinctiveness by one particularly notable plaintiff made it to a bench trial but failed at that point.[562] The plaintiff was the Republic of Libya, and its claimed marks were EMBASSY OF LIBYA and LIBYAN EMBASSY, both of which it claimed had secondary meaning in connection with document legalization services. The court identified five categories of evidence and testimony it considered relevant "in ascertaining whether secondary meaning has attached to a mark: (1) survey evidence; (2) the length and manner of use of the name; (3) the nature and extent of advertising and promotion of the name; (4) the volume of sales; and (5) instances of actual confusion."[563] Possibly because the United States had not had diplomatic relations with Libya for decades, the latter's showing apparently did not address these doctrinal factors at length but instead "relied on the testimony of an employee of the Libyan

557. *Id.* at 1264.

558. *Quoted in id.* at 1262.

559. *Id.* at 1264.

560. *Id.* at 1265.

561. *Id.*

562. *See* Libya v. Miski, 103 U.S.P.Q.2d 1927 (D.D.C. 2012).

563. *Id.* at 1934 (quoting Sec. Ctr., Ltd. v. First Nat'l Sec. Ctrs., 750 F.2d 1295, 1299 (5th Cir. 1985)) (internal quotation marks omitted).

Embassy and her opinions as to the perception of the mark[s] in the marketplace."[564] Those opinions failed to carry the day:

> While it is not at all implausible that the general public may understand the term "Libyan Embassy" to be the Libyan government's provider of consular services, the Court cannot make a finding of secondary meaning on the basis of how it imagines the public might construe the term or on how an Embassy employee may believe the public to view the term. Here, then, not only is there a total absence of survey evidence, the form of evidence that courts have held constitutes the "'most direct and persuasive way of establishing secondary meaning,'" but the voice of the public is altogether absent. This evidentiary failure cannot be overlooked by the Court.[565]

(c) Opinions Deferring Resolution of the Secondary-Meaning Inquiry

The inherently factual nature of the secondary-meaning inquiry led some courts to defer resolving it as a matter of law, with defendants usually drawing the short end of the stick, but not always.[566] Accused of having infringed a trade dress consisting of a no-spill drinking cup for children, one defendant moved the court for summary judgment in part on the ground that the plaintiffs' design lacked acquired distinctiveness.[567] The plaintiffs responded with testimony that they had "spent extensive amounts promoting [their] products, including but not limited to the products-in-suit, via advertising allowances to retailers."[568] They also adduced "evidence of unsolicited retailer promotions, as well as consumer-created internet sites, comments and fan emails,"[569] and documentation that they had sold 54.5 million of their cups and that other parties had intentionally copied their design.[570] Even though the plaintiffs failed to conduct a secondary meaning survey and any period of exclusive use of their design they enjoyed was "short-lived," these considerations were not enough to mandate the entry of summary judgment in the defendants' favor.[571]

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564. *Id.* at 1934.

565. *Id.* at 1934-35 (quoting *Sec. Ctr.*, 750 F.2d at 1301 (quoting Zatarain's, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 795 (5th Cir. 1983))).

566. *See, e.g.*, Milacron LLC v. Stough Tool Sales, 104 U.S.P.Q.2d 1153, 1155 (S.D. Ohio 2012) (declining to dismiss counterclaim alleging that plaintiffs' claimed mark lacked acquired distinctiveness).

567. *See* Luv N' Care, Ltd. v. Mayborn USA, Inc., 898 F. Supp. 2d 634 (S.D.N.Y. 2012).

568. *Quoted in id.* at 646.

569. *Id.*

570. *Id.* at 646-47.

571. *Id.* at 646, 647.

A plaintiff seeking to protect the configuration of a "lip, lug, and hinge plate" used in the loading dock leveler industry similarly succeeded in defeating a defense motion for summary judgment.[572] According to the court:

> Factors such as direct consumer testimony, consumer surveys, length and manner of use, amount and manner of advertising, volume of sales, place in the market and proof of intentional copying have been utilized by courts as a guide in determining whether or not a product should be accorded a secondary meaning.[573]

Applying the factors, the court credited testimony and evidence to the effect that the defendant had invested "substantial funds" into the promotion of its device and that the strategies bankrolled by that investment had included personal visits to potential distributors, the production of online brochures, the display of the device at trade shows, and the placement of advertisements in trade journals. Although the plaintiff did not support its claim of acquired distinctiveness with survey evidence, these considerations and the plaintiff's sale of a "large quantity" of its devices before the defendant's entry into the market created a justiciable question of fact on the issue of the device's eligibility for trade dress protection.[574] This result held despite the defendant's argument that "almost all of [the plaintiff's] evidence regarding secondary meaning is based on the affidavit testimony of its own employees or distributors."[575]

A series of factual showings by a different plaintiff allowed it to defeat a defense motion for summary judgment grounded in the argument that the trade dress of the plaintiff's handbags and fashion accessories lacked secondary meaning.[576] The California federal district court entertaining the motion held that under Ninth Circuit law:

> Secondary meaning can be established in many ways, including (but not limited to) direct consumer testimony; survey evidence; exclusivity, manner and length of use . . . , amount and manner of advertising; amount of sales and number of customers; established place in the market; and proof of intentional copying by the defendant.[577]

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572. *See* Nordock Inc. v. Sys. Inc., 927 F. Supp. 2d 577, 582 (E.D. Wis. 2013).

573. *Id.* at 609.

574. *Id.* at 610.

575. *Id.* at 610.

576. *See* Brighton Collectibles, Inc. v. RK Tex. Leather Mfg., 923 F. Supp. 2d 1245 (S.D. Cal. 2013).

577. *Id.* at 1252 (alteration in original) (quoting Filipino Yellow Pages, Inc. v. Asian J. Publ'ns, Inc., 198 F.3d 1143, 1147 (9th Cir. 1999)) (internal quotation marks omitted).

Examining the summary judgment record, the court identified a number of items that raised a material dispute of fact as to the acquired distinctiveness of the plaintiff's trade dress. These included testimony by "[i]ndustry participants, including [the plaintiff's] employees and neutral sales representatives, testified [that] they recognize [the plaintiff's] bag[s] when they see one,"[578] as well as "examples of ads that marketed the image of [the plaintiff's] trade dress"[579] and "evidence that [the plaintiff] owns 160 stores, sells its handbags at 5,000 other stores, has sold its line for almost 20 years and has wholesale sales exceeding $100 million."[580] The clincher, though, was that "the similarity of the allegedly infringing designs suggests Defendants intentionally copied [the plaintiff's] trade dress."[581]

Trade dress cases were not the only ones to produce factual disputes over the issue of acquired distinctiveness. In an action alleging the infringement of a conventional word mark—SERIES 2000 for differential pressure gauges—the court applied the Seventh Circuit's six-part test for secondary meaning, taking into account: (1) direct consumer testimony and consumer surveys; (2) exclusivity, length and manner of the plaintiff's use; (3) the amount and manner of the plaintiff's advertising; (4) the volume of the plaintiff's sales and number of customers; (5) the plaintiff's established place in the market; and (6) proof of intentional copying by the defendant.[582] In the court's application of these factors, the plaintiff's use of its mark for over four decades before the defendants' date of first use, its sales of "over 4.3 million units," and "more than $175 million" were sufficient to defeat the defendants' bid for judgment as a matter of law: "Although the record regarding secondary meaning is somewhat sparse, it is adequate to create a genuine issue of material fact and stave off summary judgment."[583]

The allegation by a plaintiff that its FESTIVAL OF TREES mark had acquired secondary meaning for an annual fundraiser for a medical center also survived a defense motion for summary judgment.[584] The plaintiff benefitted from the results of a genericness survey, which purportedly showed that 80.2 percent of

578. *Id.*

579. *Id.*

580. *Id.*

581. *Id.*

582. *See* Dwyer Instruments, Inc. v. Sensocon, Inc., 873 F. Supp. 2d 1015, 1038 (N.D. Ind. 2012).

583. *Id.* at 1039.

584. *See* Primary Children's Medical Ctr. Found. v. Scentsy Inc., 104 U.S.P.Q.2d 1124 (D. Utah 2012).

respondents regarded its mark *as* a mark,[585] as well as from the plaintiff's "circumstantial evidence" of acquired distinctiveness, which included use of the mark since 1971, the fact that the plaintiff's event had been "heavily advertised," favorable media coverage of the event, the plaintiff's past policing efforts, and the plaintiff's ownership of a Utah state registration.[586] In disposing of the defendant's motion, the court concluded of the plaintiff's record evidence that "[g]iven the Utah registration and the efforts by [the plaintiff] to promote and protect a conscious connection between the 'Festival of Trees' term and the [plaintiff's] event, a reasonable jury could determine that, if the mark is merely descriptive, it has acquired sufficient secondary meaning that it is worthy of protection."[587]

(C) Nonfunctionality

(1) Utilitarian Nonfunctionality

Notwithstanding one opinion granting a motion to dismiss a complaint in light of that document's failure even to aver nonfunctionality,[588] plaintiffs were the favored parties in the few cases squarely to address the issue of utilitarian functionality over the past year. For example, the introduction into a trade dress dispute of a related utility patent usually leads to the demise of the plaintiff's claims, but that outcome does not always hold. In litigation over the protectability of the configuration of a no-spill children's drinking cup, the defendant sought summary judgment on the theory that the disclosure of a related patent demonstrated the functionality of the plaintiffs' cup.[589] Weighing the merits of the defendant's motion, the court noted both that "[i]t is appropriate to look to all parts of a utility patent when assessing functionality" and that "the functional elements disclosed by the . . . patent are individual components of the overall trade dress asserted by [the plaintiff]—for example, a description of the spout's orientation."[590] Nevertheless, at least for purposes of the motion before it, the court credited the plaintiffs' argument that the overall appearance of their cup was "not tied to the functional elements in the . . . patent."[591] Moreover, it held, "[t]here is enough

585. *See id.* at 1130 (referencing earlier discussion of plaintiff's evidence of nongenericness).

586. *Id.*

587. *Id.*

588. *See* Urban Grp. Exercise Consultants Ltd. v. Dick's Sporting Goods Inc., 106 U.S.P.Q.2d 1756, 1761 (S.D.N.Y. 2012).

589. *See* Luv N' Care, Ltd. v. Mayborn USA, Inc., 898 F. Supp. 2d 634 (S.D.N.Y. 2012).

590. *Id.* at 649.

591. *Id.*

uncertainty created by the depositions of both [the plaintiffs'] and [the defendant's] employees—each suggesting that different physical forms could be used without sacrificing functionality—to preclude summary judgment on functionality grounds."[592]

A defense motion for summary judgment also failed to establish the functionality as a matter of law of the appearance of a computer game.[593] According to the court, the plaintiffs sought protection in "a facially simple puzzle game in which the player is tasked with creating complete horizontal lines along the bottom of the playing field by fitting several types of geometric block pieces (called tetrominos) together."[594] Seeking to defeat the plaintiffs' copyright and trademark claims, the defendant moved for judgment as a matter of law on the theory that the structure of the plaintiff's game was functional. The court rejected this contention in the copyright context, largely on the basis of evidence showing that there were alternative ways in which to design the plaintiff's game.[595] It then bootstrapped that holding into one that there was a factual dispute as to the functionality of the plaintiff's game in the trade dress context as well.[596] As it explained:

> The color and style of the pieces are not functional under any one of these standards. These elements are not mandated by the use or purpose of the game because numerous other choices are available to a game designer without affecting the functionality of the game. . . . [The defendant's] own expert admitted that there are [an] "almost unlimited number" of ways to design the pieces and the board and the game would still "function perfectly well." Nor has Defendant shown that other choices would at all affect either the cost or quality of the device or that these choices are essential to effective competition.[597]

(2) Aesthetic Nonfunctionality

The most notable aspect of the treatments of aesthetic functionality in reported opinions over the past year was the reanimation of the doctrine in the long-running litigation between the owners of the BETTY BOOP verbal and design marks for dolls and clothing and a group of defendants who put out directly

592. *Id.* at 649-50 (footnotes omitted).

593. *See* Tetris Holding, LLC v. XIO Interactive, Inc., 863 F. Supp. 2d 394 (D.N.J. 2012).

594. *Id.* at 396.

595. *Id.* at 408 ("If an expressive feature is dictated by functional considerations then, there cannot be a number of ways to implement it.").

596. *Id.* at 415 ("[N]either the color and style of the pieces nor the game board being 20 units by 10 units are functional in the context of copyright law. Nor do I find that they are functional in the context of trade dress law.").

597. *Id.* at 415-16 (citation omitted).

competitive products.[598] At an earlier stage of the proceedings, the Ninth Circuit sua sponte found on appeal that the defendants' (and not the plaintiffs') uses were aesthetically functional and therefore nonactionable; the same court, however, subsequently sua sponte issued another opinion from which that language was removed.[599] On remand, the district court accorded little significance to the Ninth Circuit's apparent disavowal of its earlier opinion; rather, it held, the rationale of that opinion was "sound and applicable."[600] Reviewing the Ninth Circuit's opinion in *Au-Tomotive Gold, Inc. v. Volkswagenwerk of America, Inc.*,[601] the district court then concluded that that case established "a two-step test for aesthetic functionality":

> First, to ascertain "functionality," the court must ask whether [the salient feature of an] alleged . . . mark "[is] essential to the use or purpose of the article [or] affects [its] cost or quality. If so, then the feature is functional in the utilitarian sense and cannot trigger liability for infringement. If not, the mark is non-functional and may trigger liability. However, where the claim is one for *aesthetic* functionality, one additional question applies: the court should determine if "protection of the feature as a trademark would impose a significant non-reputation-related competitive disadvantage." If so, the mark is *aesthetically* functional and does not trigger liability for infringement.[602]

Although the traditional focus of the functionality doctrine is whether the plaintiff's mark is functional and therefore unprotectable, the court answered its "additional question" with an analysis that both focused on the nature of the defendants' use and conflated the functionality inquiry with that into whether confusion was likely:

> [T[he Court has closely examined Defendants' products, Defendants' merchandising practices insofar as they are reflected in the record, and whether there is any evidence that consumers have connected Defendants' products with Plaintiff. The Court finds, as a matter of law, that Defendants' use of

598. *See* Fleischer Studios Inc. v. A.V.E.L.A. Inc., 925 F. Supp. 2d 1067 (C.D. Cal. 2012).

599. *See* Fleischer Studios Inc. v. A.V.E.L.A. Inc., 636 F.3d 1115 (9th Cir.), *withdrawn and superseded*, 654 F.3d 958 (9th Cir. 2011). The Ninth Circuit's second opinion came after the plaintiffs moved for reconsideration, supported by a number of amici. Rather than acknowledge the possible merit of the plaintiffs' motion, the court professed to having reconsidered its earlier opinion on its own initiative and then denied the plaintiffs' motion as moot. *See* 654 F.3d at 960.

600. *Fleischer Studios*, 925 F. Supp. 2d at 1073.

601. 457 F.3d 1062 (9th Cir. 2006).

602. *Fleischer Studios*, 925 F. Supp. 2d at 1074 (third, fourth, and fifth alterations in original) (citations omitted) (quoting *Au-Tomotive Gold*, 457 F.3d at 1072).

> the Betty Boop word mark is not a trademark use. . . . Defendants use the words Betty Boop as a prominent feature on their product, including t-shirts bearing movie poster images, dolls, and packaging adapted from movie posters. In this regard, the Betty Boop mark as adapted from the restored Betty Boop posters is a decorative component: it is part and parcel of the aesthetic design of those goods. As for Defendants' merchandising practices, Defendants never designated their merchandise as "official" or otherwise indicated sponsorship by Plaintiff; rather, Defendants' products all identify one of Defendants as their source. Considering that Defendants use the words Betty Boop as an artistic design element and identify themselves as the source of the goods, their use of the words Betty Boop simply cannot be viewed as source-identifying. Indeed, Plaintiff has not presented a single instance of a consumer who was misled about the origin or sponsorship of Defendants' products.
>
> . . . Because . . . Defendants' use of the mark is a decorative feature of their merchandise and is not source-identifying, protection of the feature as a trademark would impose a significant non-reputation-related competitive disadvantage on Defendants. Were Defendants to market their goods bearing the image of Betty Boop or Betty Boop movie posters without the words Betty Boop to identify the character, that would make their products less marketable than the same product that included the BETTY BOOP name.[603]

The result was again a finding of nonliability as a matter of law.[604]

Another notable opinion addressing the aesthetic functionality doctrine arose from a post-trial motion in Apple's high-profile challenge to Samsung's alleged imitation of Apple's iPAD devices.[605] A jury found that the configuration of Apple's iPAD tablet was aesthetically functional, and Apple challenged that verdict as without support in the trial record. The court denied the motion, noting as an initial matter that "[t]he asserted iPad Trade Dress has aesthetic functionality if limiting Samsung's use of the iPad Trade Dress would impose [a] 'significant non-reputation-related competitive disadvantage' on Samsung."[606] It then reviewed the trial record and concluded that:

> The testimony of Apple's own witnesses supports a finding of aesthetic functionality. Apple industrial designer

603. *Id.* at 1074-75 (internal quotation marks omitted).

604. *Id.* at 1074.

605. *See* Apple, Inc. v. Samsung Elecs. Co., 920 F. Supp. 2d 1116 (N.D. Cal. 2013).

606. *Id.* at 1124 (quoting Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc., 457 F.3d 1062, 1072 (9th Cir. 2006)).

> Christopher Stringer testified that the iPad was designed to be beautiful, and Apple executive Philip Schiller also testified that Apple intended the iPad to be "something beautiful." Mr. Schiller further testified that a primary reason for the iPad's "success" is that the iPad is "absolutely beautiful" and that "customers value beautiful products." If the jury accepted Apple's own evidence that Apple had designed an objectively beautiful product desired by consumers for its beauty, the jury could reasonably conclude that excluding Samsung from selling products with this claimed trade dress would impose a "significant non-reputation-related competitive disadvantage." Thus, . . . substantial evidence in the record supports the jury's finding of non-protectability on a theory of functionality.[607]

A different, albeit less detailed, finding of aesthetic functionality as a matter of law arose from a dispute between the operators of two competing restaurant chains.[608] The plaintiff claimed protectable trade dress rights in a series of rather pedestrian elements, not all of which were used consistently across its chain.[609] After concluding on the defendant's motion for summary judgment that the elements lacked distinctiveness, the court held that they were unprotectable for the additional reason that they were aesthetically functional. It first advised the parties that:

> In cases of aesthetic functionality, the "comparable alternatives" test and the "effective competition" tests are used. The comparable alternatives test deems trade dress functional if there are no other alternatives to accomplish the same desired features. The effective competition test deems trade dress functional if it hinders the ability of other businesses to compete in the market.[610]

The court then concluded from the summary judgment record that the defendant was entitled to prevail on the issue because the plaintiff "failed to provide evidence that [the claimed] elements are not commonly used in the industry. It also failed to show that there are other alternatives for [the defendant] to use in

607. *Id.* at 1124 (citations omitted) (internal quotation marks omitted).

608. *See* Happy's Pizza Franchise, LLC v. Papa's Pizza, Inc., 108 U.S.P.Q.2d 1239 (E.D. Mich. 2013).

609. Those elements consisted of: (1) granite countertops and tabletops; (2) ceramic-tiled walls and faux-Venetian plaster finished walls; (3) extensive neon lighting; (4) ceramic floors; (5) a large back-lit menu featuring faux-Venetian plaster walls; (6) large, black industrial-style walls; (7) back-lit pictures of menu items; (8) stainless steel shelving units behind the service counter; and (9) stacks of pre-folded pizza boxes and large coin-operated candy and bubble gum dispensers. *Id.* at 1241.

610. *Id.* at 1243 (citation omitted).

conducting its business or provide any evidence that protecting the trade dress would not hinder competition."[611]

Not all claims of aesthetic functionality succeeded, however. One group of defendants accused of imitating the appearance of fashion accessories and handbags sought to escape liability through a motion for summary judgment grounded in the theory that the trade dress claimed by the plaintiff was functional and unprotectable.[612] As defined by the complaint, the plaintiff's trade dress did not lend itself to a finding of utilitarian functionality.[613] The defendants therefore argued that it was aesthetically functional because its eye-pleasing quality did not identify the source of the goods associated with it; they also argued that protecting it would hinder completion because of the absence of alternative designs. As to the first of these theories, the court concluded from the summary judgment record that the plaintiff's evidence of distinctiveness precluded a finding as a matter of law that the plaintiff's design did not function as a mark.[614] And, as to the other, "[the plaintiff] identified a wide-variety of designs made by other manufacturers as well as by the Defendants that do not infringe even though the handbags contain components of [the plaintiff's] trade dress."[615] Based on these considerations and on testimony by "two sales representatives" that third-party manufacturers sold handbags not featuring the "look" of the plaintiff,[616] summary judgment in the defendants' favor was inappropriate.

b. Establishing Liability for Violations of Trademark Rights

i. 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

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611. *Id.* at 1244.

612. *See* Brighton Collectibles, Inc. v. RK Tex. Leather Mfg., 923 F. Supp. 2d 1245 (S.D. Cal. 2013).

613. According to the complaint, the plaintiff's trade dress consisted of:

> a sculpted, silver heart, used in conjunction with any two or more of the following: (i) leather embossed to resemble exotic materials such as crocodile, alligator, snake and lizard; (ii) filigreed, silver ornamentation; (iii) a silver heart dangling from a leather strap; (iv) cowhide or brocaded fabrics and/or (v) additional sculpted silver hearts.

Id. at 1249-50 (internal quotation marks omitted).

614. *Id.* at 1251.

615. *Id.*

616. *Id.*

"in commerce."[617] This prerequisite has led a number of defendants in recent years to argue that their conduct does not so qualify.

(A) Opinions Reaching or Affirming Findings of Actionable Uses in Commerce by Defendants

A number of courts resisted invitations to find as a matter of law that defendants' conduct did not rise to the level of actionable uses in commerce.[618] The most notable example of that trend, at least at the pleadings stage of a dispute, came courtesy of the Second Circuit.[619] The complaint at issue was filed by the owners of the stylized OWN YOUR POWER mark, registered for various services in the fields of entrepreneurship, marketing, business networking, and self-awareness. They averred that the defendants, led by Oprah Winfrey, had created a likelihood of reverse confusion by, as the court put it, "producing a bevy of publications, events, and online content all using the phrase, 'Own Your Power.'"[620] The referenced events included one in particular that "involved a seminar and workshop offering motivational advice regarding self-awareness, self-realization, and entrepreneurship"[621] and which was featured in a cover story in Winfrey's *O* magazine under the headline "FIRST-EVER OWN YOUR POWER EVENT."[622] That was not enough to prevent the district court from granting the defendants' motion to dismiss for failure to state a claim on the theory that the defendants were not using the challenged phrase as a mark.

On appeal, the Second Circuit rejected the defendants' argument that a use in commerce must be as a mark to be actionable under the Lanham Act, and it also rejected Sixth Circuit authority adopting such a rule.[623] Reviewing its multifactored *Polaroid* likelihood-of-confusion test for infringement,[624] it concluded that:

> The Sixth Circuit's approach does not cohere with our jurisprudence on consumer confusion. . . .

617. *See* 15 U.S.C. §§ 1114, 1125(a), 1125(c) (2012).

618. *See, e.g.*, Born to Rock Design Inc. v. CafePress.com Inc., 104 U.S.P.Q.2d 1538, 1544 (S.D.N.Y. 2012) (describing defendant's claim not to be engaged in actionable use in commerce as "facetious" on ground that "it is undisputed that [defendant] imprints the designs [alleged to be infringing] on merchandise and ships that merchandise to customers").

619. *See* Kelly-Brown v. Winfrey, 717 F.3d 295 (2d Cir. 2013).

620. *Id.* at 300.

621. *Id.* at 302.

622. *Quoted in id.*

623. *See, e.g.*, Hensley Mfg., Inc. v. ProPride, Inc., 579 F.3d 603, 610 (2d Cir. 2009).

624. *See* Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961).

> The Sixth Circuit has made a judgment that no consumer will be confused unless the defendant is using the infringing content as a mark. But the *Polaroid* test, which we have long used, is a fact-sensitive inquiry that depends greatly on the particulars of each case. To elevate one particular consideration, which is not even one of the eight *Polaroid* factors, above all of the other factors would be inconsistent with this Circuit's approach to Lanham Act cases.
>
> . . . The Sixth Circuit's test would lead to the dismissal of . . . claims without addressing what is beyond doubt the central question in considering consumer confusion: whether consumers were actually confused by the allegedly infringing product.
>
> We therefore decline to adopt the rule that Lanham Act plaintiffs must show that the defendant was using the allegedly infringing content "as a mark" as a threshold in order to establish consumer confusion.[625]

One district court held, at least in the context of a motion to dismiss, that the use of a challenged mark to recruit members for a motorcycle club constituted an actionable use in commerce.[626] In declining to accept the defendant's invitation to dismiss the plaintiff's allegations of infringement for failure to state a claim, the court explained that "[t]he defendant uses on the internet a name and logo for his motorcycle club that is very similar to the mark used by the plaintiff, which is also a motorcycle club."[627] From this premise, it concluded that "[t]he defendant's internet activity is a use in commerce, and . . . the Lanham Act applies to 'non-commercial public and civic benefits,' a term that is inclusive of the defendant's motorcycle club."[628]

A finding of use in commerce also occurred in an action in which the counterclaim defendants sought a declaratory judgment that their INSTANT HEART ATTACK SANDWICH mark for a deliberately high-caloric entrée offered at their two-location New York City deli did not infringe the counterclaim plaintiffs' SINGLE BYPASS BURGER, DOUBLE BYPASS BURGER, TRIPLE BYPASS BURGER, and QUADRUPLE BYPASS BURGER marks.[629] Although the parties did not seem to contest the issue in their cross-motions for summary judgment, the court tackled the

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625. *Kelly-Brown*, 717 F.3d at 307.

626. *See* Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506 (S.D. W. Va. 2012).

627. *Id.* at 538.

628. *Id.* (quoting Lamparello v. Falwell, 420 F.3d 309, 314 (4th Cir. 2005)).

629. *See* Lebewohl v. Heart Attack Grill LLC, 890 F. Supp. 2d 278 (S.D.N.Y. 2012). The counterclaim defendants sought the same relief with respect to their TRIPLE BYPASS SANDWICH, but there was no dispute that that mark was not yet in use. *Id.* at 285.

question of whether the counterclaim defendants' mark was used in commerce. It answered that question affirmatively:

> [T]he Instant Heart Attack Sandwich mark is fairly determined to be "used in commerce." The Deli itself undisputedly is in, and affects, interstate commerce. A celebrated New York City tourist attraction, the Deli serves many interstate travelers. It is readily accessed by interstate thoroughfares; its two locations (in Midtown and on the Upper East Side) are readily accessed from, and accessible to, interstate highways (including I–495). Both are easily reached from New Jersey, only a few miles away. Further evidence that the Deli's clientele extends beyond New York State is supplied by the national media coverage that the Deli has received, including from *The New York Times*, *the Wall Street Journal*, *Zagat's*, and CBS News. There is every reason to assume that the Deli's in-state and out-of-state clientele alike partake of all of the Deli's menu offerings, including the Instant Heart Attack Sandwich. Further, . . . the Deli has listed the Instant Heart Attack Sandwich on menus available to its out-of-state customers, and the sandwich itself has been referenced in national media, including a Korean Airlines newsletter and twice in reviews on the Chowhound website.[630]

Beyond this, the court found, there was no material dispute that:

> The Deli has also spent hundreds of thousands of dollars purchasing ingredients from out-of-state vendors. These include sausages, meats, wines and groceries. It is fair to infer that the Instant Heart Attack Sandwich, which is constructed from corned beef, pastrami, turkey, or salami, contains ingredients transported from outside New York State.[631]

(B) Opinions Reaching or Affirming Findings of No Actionable Uses in Commerce by Defendants

As always, some defendants escaped liability as a matter of law by demonstrating the absence of actionable uses in commerce.[632] In a relatively easy case leading to that result, the plaintiffs and defendants were active in the insurance industry and parties to a long-standing business relationship gone wrong.[633] When the plaintiffs terminated that relationship, the lead

630. *Id.* at 291 (citations omitted).

631. *Id.* (citation omitted) (internal quotation marks omitted).

632. *See, e.g.*, RNC Sys., Inc. v. Modern Tech. Grp., 861 F. Supp. 2d 436, 450 (D.N.J. 2012) (granting counterclaim defendant's motion for summary judgment on ground that "[t]here is no evidence that [the counterclaim defendant] marketed [a] product by using [the allegedly infringing] name").

633. *See* Aviva USA Corp. v. Vazirani, 902 F. Supp. 2d 1246 (D. Ariz. 2012).

defendant responded in part by filing four lawsuits related to the termination in various venues.[634] He and his fellow defendants then upped the ante by registering numerous domains based on the plaintiffs' flagship service mark[635] and by establishing a website featuring content critical of the plaintiffs and a trade dress reminiscent of that found on the plaintiffs' own website. Lest the website go unnoticed within the industry, the defendants sent out e-mail blasts to "hundreds of thousands of life insurance and annuity sales agents and stockbrokers, providing a link to the Website."[636] These tactics rather predictably led the plaintiffs to file an ambitious complaint reciting infringement and unfair competition claims under the Lanham Act and Arizona law; for good measure, the plaintiffs asserted that the defendants' alleged misconduct constituted predicate acts for a racketeering cause of action.[637]

The defendants moved for summary judgment on the plaintiff's service mark causes of action, and the court granted their motion. It noted that:

> The distinction between commercial and noncommercial use is particularly important in the context of consumer or editorial criticism and commentary. Even though a trademark owner will almost never consent to the use of its mark in conjunction with commentary that is critical of the trademark holder or its products and services, the trademark holder also cannot seek the protections of the Lanham Act to stop such critical use when it does not occur in connection with the sale of goods or services.[638]

The court then identified three reasons why the conduct targeted by the plaintiffs' suit was noncommercial, the first of which was that "there is no evidence here that Defendants offered for sale any goods or services on the Website."[639] The second was that the website did not contain any links to other sites that offered goods or services for sale.[640] Finally, the third was that the summary judgment record was devoid of any evidence that the defendants had attempted to sell the content of the website or their domain names to the plaintiffs or to any other party for profit.[641] The

634. *Id.* at 1251.

635. As the court noted, "[s]ome of [the] domain names were registered with false names and contact information." *Id.* at 1253.

636. *Id.*

637. *Id.* at 1253-54.

638. *Id.* at 1256 (citation omitted).

639. *Id.* at 1259.

640. *Id.*

641. *Id.*

defendants might well have intended to inflict commercial harm on the plaintiffs, but that intent did not create a factual dispute as to the noncommercial nature of their conduct,[642] nor did the inclusion of the lead defendant's credentials in the defendants' recitation of their grievances.[643] Summary judgment in the defendants' favor therefore was appropriate.[644]

Likewise, Viacom International, the owner of the animated "SpongeBob SquarePants" character, successfully pursued a motion to dismiss grounded in the theory that a complaint filed against it by Gibson Guitar failed to allege an actionable use in commerce.[645] According to the complaint, Viacom had licensed the use of its character to a second defendant, which had offered for sale a ukulele that allegedly infringed federally registered word and design marks owned by Gibson. Whatever the adequacy of its allegations against the second defendant, Gibson's complaint failed to allege that Viacom had participated in the sale of the ukulele, and this led the court to conclude that the complaint failed to state a claim against Viacom. It explained that "[s]o far as the Court understands the Complaint, the only specific allegation against Viacom is that it licensed SpongeBob to [the second defendant] for certain products. All other allegations appear to be joint allegations against Viacom and [the second defendant]."[646] The problem with this blunderbuss approach, the court held, was that "it does not appear plausible to the Court that the role of each Defendant in the allegations would be identical."[647]

Other cases presented more difficult inquiries into whether defendants had made actionable uses in commerce. In a suit arising from a series of complicated financial transactions between the parties, the lead defendant was a "special servicer" responsible for protecting the financial status of a group of real estate assets.[648] Certain of those assets displayed marks owned by one of the plaintiffs. Until the lead defendant was displaced as special servicer by the appointment of a receiver over the assets, another plaintiff, a subsidiary of the mark owner, managed the properties. When the parties' relationship fell apart and the plaintiffs alleged

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642. *Id.*

643. *Id.* at 1261 ("To interpret these statements as advertising goods or services that compete with [the plaintiffs] is not reasonable. The Website does not even identify any such goods or services. Rather, at most there is only an implication that, as an apparently successful financial adviser who formerly sold [the plaintiffs'] products, the [lead defendant] might currently sell products that compete with [the plaintiffs'] products.").

644. *Id.* at 1263.

645. See Gibson Guitar Corp. v. Viacom Int'l Inc., 106 U.S.P.Q.2d 1333 (C.D. Cal. 2013).

646. *Id.* at 1336.

647. *Id.*

648. *See* Ariel Preferred Retail Grp. v. CWCapital Asset Mgmt., 883 F. Supp. 2d 797 (E.D. Mo. 2012).

that the lead defendant had infringed the marks in question by failing to bring about the "debranding" of the properties, the lead defendant successfully moved the court for summary judgment on the issue of whether it had used the marks in commerce. To begin with, the court found, "[t]he plaintiffs have set forth no evidence that [the lead defendant] took any action in managing or leasing the Properties."[649] In addition, although the lead defendant put a number of the properties up for sale, its advertisements for them did not feature the marks.[650] Under these circumstances, "[t]here is no evidence upon which any reasonable juror could find that [the lead defendant], at any time, 'used in commerce' the [plaintiffs'] marks."[651]

ii. Likelihood of Confusion

(A) The Standard Multifactored Test for Likelihood of Confusion

(1) Factors Considered

(a) The First Circuit

The First Circuit's eight-factor test for evaluating the likelihood of confusion between marks remained unchanged. It turned on: (1) the similarity of the parties' marks; (2) the similarity of the parties' goods or services; (3) the relationship between the parties' channels of trade; (4) the relationship between the advertising media used by the parties; (5) the classes of the parties' potential purchasers; (6) any evidence of actual confusion; (7) the defendant's intent in adopting its mark; and (8) the strength of the plaintiff's mark.[652] According to the court, "[a] proper analysis takes cognizance of all eight factors but assigns no single factor dispositive weight."[653]

In contrast, a panel of the Court of Appeals of Massachusetts adopted a different test for evaluating the likelihood of initial-interest confusion in a case brought under both the Lanham Act and the law of that state.[654] According to that court, the relevant factors included: (1) the relatedness of the parties' goods or

649. *Id.* at 829.

650. *Id.*

651. *Id.* at 830.

652. *See* Oriental Fin. Grp. v. Cooperativa de Ahorro y Crédito Oriental, 698 F.3d 9, 17 (1st Cir. 2012); Goya Foods, Inc. v. Orion Distribs., Inc., 916 F. Supp. 2d 177, 181 (D.P.R. 2012); Lyons v. Gillette, 882 F. Supp. 2d 217, 226 (D. Mass. 2012).

653. *Oriental Fin. Grp.*, 698 F.3d at 17 (quoting Peoples Fed. Sav. Bank v. People's United Bank, 672 F.3d 1, 10 (1st Cir. 2012) (quoting Borinquen Biscuit Corp. v. M.V. Trading Corp., 443 F.3d 112, 120 (1st Cir. 2006))) (internal quotation marks omitted).

654. *See* Jenzabar, Inc. v. Long Bow Grp., 977 N.E.2d 75 (Mass. Ct. App. 2012).

services; (2) the level of care exercised by the parties' customers; (3) the strength of the plaintiff's mark; (4) the defendant's intent in using the challenged mark; and (5) evidence of actual confusion.[655] The court added that "[i]n cases that involve Internet search results, courts have also examined the visual appearance of the particular link or advertisement in context on the screen."[656]

(b) The Second Circuit

The multifactored *Polaroid* test for likely confusion continued to hold sway in the Second Circuit over the past year.[657] It required consideration of: (1) the strength of the plaintiff's mark; (2) the similarity of the parties' marks; (3) the proximity of the parties' goods or services; (4) evidence that the senior user might "bridge the gap" by entering the defendant's market; (5) evidence of actual confusion; (6) evidence that the defendant adopted its mark in bad faith; (7) the quality of the parties' respective goods or services; and (8) the sophistication of consumers in the relevant market.[658]

(c) The Third Circuit

Adherence to the *Lapp* factors[659] remained unchanged among courts in the Third Circuit. Those factors 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

655. *Id.* at 84.

656. *Id.*

657. *See* Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961).

658. *See* Kelly-Brown v. Winfrey, 717 F.3d 295, 307 (2d Cir. 2013); Medisim Ltd. v. BestMed LLC, 910 F. Supp. 2d 591, 606 n.56 (S.D.N.Y. 2012); Technomarine SA v. Jacob Time, Inc., 905 F. Supp. 2d 482, 487 (S.D.N.Y. 2012); Luv N' Care, Ltd. v. Mayborn USA, Inc., 898 F. Supp. 2d 634, 642 (S.D.N.Y. 2012); Lebewohl v. Heart Attack Grill LLC, 890 F. Supp. 2d 278, 293 (S.D.N.Y. 2012); Ritani, LLC v. Aghjayan, 880 F. Supp. 2d 425, 446 n.3 (S.D.N.Y. 2012); Giggle, Inc. v. netFocal, Inc., 856 F. Supp. 2d 625, 630 (S.D.N.Y. 2012); Mrs. United States Nat'l Pageant, Inc. v. Miss United States of Am. Org., LLC, 875 F. Supp. 2d 211, 227 (W.D.N.Y. 2012); *see also* Coach, Inc. v. Horizon Trading USA Inc., 908 F. Supp. 2d 426, 433 (S.D.N.Y. 2012) (referring favorably to *Polaroid* factors but not listing them).

659. *See* Interpace Corp. v. Lapp, Inc., 721 F.2d 460, 463 (3d Cir. 1983).

facts suggesting that the consuming public might expect the prior owner to expand into the defendant's market.[660]

(d) The Fourth Circuit

The Fourth Circuit's *Pizzeria Uno* test for infringement continued to govern at least some likelihood-of-confusion determinations in that jurisdiction and mandated consideration of:

> (1) the distinctiveness of the senior mark; (2) the similarity of the two marks; (3) the similarity of the goods and services that the marks identify; (4) the similarity of the facilities employed by the parties to transact their business; (5) the similarity of the advertising used by the parties; (6) the defendant's intent in adopting the same or similar mark; and (7) actual confusion.[661]

One court applying this test explained that "[t]hese Pizzeria Uno factors are not always weighted equally, and not all factors are relevant in every case."[662]

As it has in recent years, however, a nine-factor test also made appearances in the case law. It turned on the following considerations:

> (1) the strength or distinctiveness of the plaintiff's mark as actually used in the marketplace; (2) the similarity of the two marks to consumers; (3) the similarity of the goods or services that the marks identify; (4) the similarity of the facilities used by the markholders; (5) the similarity of advertising used by the markholders; (6) the defendant's intent; (7) actual confusion; (8) the quality of the defendant's product; and (9) the sophistication of the consuming public.[663]

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660. *See* Int'l Mkt. Brands v. Martin Int'l Corp., 882 F. Supp. 2d 809, 815 n.1 (W.D. Pa. 2012); Steak Umm Co. v. Steak 'Em Up, Inc., 868 F. Supp. 2d 415, 425 (E.D. Pa. 2012); Kinbook, LLC v. Microsoft Corp., 866 F. Supp. 2d 453, 461-462 (E.D. Pa. 2012), *aff'd*, 490 F. App'x 491 (3d Cir. 2013).

661. E. W., LLC v. Rahman, 896 F. Supp. 2d 488, 500 (E.D. Va. 2012) (quoting Pizzeria Uno Corp. v. Temple, 747 F.2d 1522, 1527 (4th Cir. 1984)); *see also* Putt-Putt, LLC v. 416 Constant Friendship, LLC, 936 F. Supp. 2d 648, 654 (D. Md. 2013); Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506, 544 (S.D. W. Va. 2012); Diamonds Direct USA, Inc. v. BJF Holdings, Inc., 895 F. Supp. 2d 752, 761 (E.D. Va. 2012); Lorillard Tobacco Co. v. Cal. Imps., LLC, 886 F. Supp. 2d 529, 535 (E.D. Va. 2012).

662. *E.W., LLC*, 896 F. Supp. 2d at 500.

663. Pure Fishing, Inc. v. Redwing Tackle, Ltd., 888 F. Supp. 2d 726, 731 (D.S.C. 2012) (quoting George & Co. v. Imagination Entm't Ltd., 575 F.3d 383, 393 (4th Cir. 2009) (citations omitted)); *see also* Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468, 484 (D. Md. 2012); Basile Baumann Prost Cole & Assocs., 875 F. Supp. 2d 511, 527-28 (D. Md. 2012).

Just like the *Pizzeria Uno* factors, those used in this alternative test "are not of equal importance and a given factor may not 'always [be] relevant in any given case.'"[664]

(e) The Fifth Circuit

There were no changes to the Fifth Circuit's basic test for infringement, which continued to take into account: (1) the type of trademark allegedly infringed; (2) the similarity between the parties' marks; (3) the similarity of the parties' goods or services; (4) the degree of identity between the parties' retail outlets and purchasers; (5) the identity of the parties' advertising media; (6) the defendant's intent; and (7) any evidence of actual confusion.[665] In addition to these traditional seven factors, however, one opinion held that "[c]ourts also consider (8) the degree of care exercised by potential purchasers."[666]

(f) The Sixth Circuit

The Sixth Circuit chose not to alter its eight-factor test for evaluating the likelihood of confusion between particular marks. That test turned on: (1) the strength of the plaintiff's mark; (2) the relatedness of the parties' goods or services; (3) the similarity of the parties' marks; (4) any evidence of actual confusion; (5) the marketing channels used by the parties; (6) the probable degree of purchaser care and sophistication; (7) the defendant's intent in selecting its mark; and (8) the likelihood of either party expanding its product line using the marks.[667]

(g) The Seventh Circuit

The test for infringement applied in the Seventh Circuit remained dependent on six factors. According to one district court in that jurisdiction:

> A number of factors must be examined when determining if a likelihood of confusion exists . . . . "These include: 1) the similarity of the [marks]; 2) the area and manner of

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664. *Id.* (alteration in original) (quoting *George & Co.*, 575 F.3d at 393); *see also Putt-Putt*, 936 F. Supp. 2d at 654 n.2 (acknowledging existence of the two additional factors).

665. *See* SA Bay LLC v. Hall, 849 F. Supp. 2d 761, 767 (S.D. Tex. 2012).

666. *Id.*

667. *See* Innovation Ventures, LLC v. N.V.E., Inc., 694 F.3d 723, 731 (6th Cir. 2012); Ga.-Pac. Consumer Prods. LP v. Four-U-Packaging, Inc., 701 F.3d 1093, 1100-01 (8th Cir. 2012); Wheel Specialties, Ltd. v. Starr Wheel Grp., 918 F. Supp. 2d 688, 693 (N.D. Ohio 2013); Happy's Pizza Franchise, LLC v. Papa's Pizza, Inc., 108 U.S.P.Q.2d 1239, 1244 (E.D. Mich. 2013); Ford Motor Co. v. Heritage Mgmt. Grp., 911 F. Supp. 2d 616, 622 (E.D. Tenn. 2012); Dorchen/Martin Assocs. v. Brook of Cheboygan, Inc., 838 F. Supp. 2d 607, 614 (E.D. Mich. 2012); *see also* Lorillard Tobacco Co. v. Ahmad's Pizza, Inc., 866 F. Supp. 2d 872, 877 (N.D. Ohio 2012) (citing, but not listing, factors).

> concurrent use; 3) the degree of care likely to be used by consumers; 4) the strength of the plaintiff's [mark]; 5) actual confusion; and 6) intent of the defendant to pass off its product as that of the plaintiff."[668]

(h) The Eighth Circuit

The Eighth Circuit reaffirmed the six-factor test arising from its prior opinion in *SquirtCo v. Seven-Up Co.*[669] As it explained:

> *SquirtCo* lists the following factors to consider in assessing the likelihood of confusion: (1) the strength of the owner's mark; (2) the similarity of the owner's mark and the alleged infringer's mark; (3) the degree to which the [parties'] products compete with each other; (4) the alleged infringer's intent to "pass off" its goods as those of the trademark owner; (5) incidents of actual confusion; and (6) the type of product, its costs and conditions of purchase.[670]

(i) The Ninth Circuit

As has been the case since 1979, the *Sleekcraft* factors[671] remained the law of the land in the Ninth Circuit, where that jurisdiction's courts took into account the following considerations in the likelihood-of-confusion inquiry: (1) the strength of the plaintiff's mark; (2) the proximity of the parties' goods; (3) the similarity of the parties' marks; (4) evidence of actual confusion; (5) the marketing channels used by the parties; (6) the type of the parties' goods and the degree of care likely to be exercised by purchasers; (7) the defendant's intent in selecting its mark; and (8) the likelihood of expansion of the parties' product lines.[672] One

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668. Nordock Inc. v. Sys. Inc., 927 F. Supp. 2d 577, 610 (E.D. Wis. 2013) (quoting Thomas & Betts Corp. v. Panduit Corp., 138 F.3d 277, 296 (7th Cir. 1998) (citations omitted)); *see also* Deckers Outdoor Corp. v. Does 1-100, 105 U.S.P.Q.2d 1894, 1897 (N.D. Ill. 2013); Wm. Wrigley Jr. Co. v. Swerve IP, LLC, 900 F. Supp. 2d 794, 798 (N.D. Ill. 2012); Dwyer Instruments, Inc. v. Sensocon, Inc., 873 F. Supp. 2d 1015, 1031 n.4 (N.D. Ind. 2012).

669. 628 F.2d 1086, 1091 (8th Cir. 1980).

670. B & B Hardware, Inc. v. Hargis Indus., 716 F.3d 1020, 1025 (8th Cir. 2013), *petition for cert. filed*, No. 13-352 (U.S. Sept. 18, 2013), *later proceedings*, 2014 WL 102375 (U.S. Jan. 13, 2014) (mem.); *see also* Scorpiniti v. Fox Television Studios, Inc., 918 F. Supp. 2d 866, 878 (N.D. Iowa 2013); Jalin Realty Capital Advisors, LLC v. A Better Wireless, NISP, LLC, 917 F. Supp. 2d 927, 938 (D. Minn. 2013); Two Men & A Truck/Int'l, Inc. v. Thomas, 908 F. Supp. 2d 1029, 1037 (D. Neb. 2012); Lovely Skin Inc. v. Ishtar Skin Care Prods. LLC, 105 U.S.P.Q.2d 1427, 1431 (D. Neb. 2012).

671. *See* AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979).

672. *See, e.g.*, Monster, Inc. v. Dolby Labs. Licensing Corp., 920 F. Supp. 2d 1066, 1071 (N.D. Cal. 2013); Icebreaker Ltd. v. Gilmar S.P.A., 911 F. Supp. 2d 1099, 1103 (D. Or. 2012); Stark v. Diageo Chateau & Estate Wines Co., 907 F. Supp. 2d 1042, 1053 (N.D. Cal. 2012); Aviva USA Corp. v. Vazirani, 902 F. Supp. 2d 1246, 1263 n.7 (D. Ariz. 2012); JL Beverage Co. v. Beam, Inc., 899 F. Supp. 2d 991, 998 (D. Nev. 2012); Diller v. Barry Driller Inc., 104 U.S.P.Q.2d 1676, 1679 (C.D. Cal. 2012); Warner Bros. Entm't v. Global Asylum, Inc., 107

court applying these factors explained that "[a] party need not demonstrate that every factor favors it in order to prevail. . . . Some *Sleekcraft* factors bear more heavily on the analysis than others, and the relative weight may vary depending on the nature of the case."[673]

(j) The Tenth Circuit

The Tenth Circuit itself and courts answering to it applied the traditional multifactored analysis extant in that jurisdiction:

> Several factors are relevant in determining whether there is a likelihood of confusion: (i) the degree of similarity between the marks, including [each] mark's appearance, pronunciation, suggestion, and manner of display; (ii) strength or weakness of the plaintiff's mark; (iii) the intent of the alleged infringer in adopting its mark; (iv) similarities and differences of the parties' goods, services, and marketing strategies (also stated as the relation in use and the manner of marketing between the goods and services marketed by the competing parties); (v) the degree of care likely to be exercised by purchasers of the goods or services involved; and (vi) evidence of actual confusion.[674]

(k) The Eleventh Circuit

Eleventh Circuit courts continued to apply the seven-factor test for likely confusion long extant in that jurisdiction. One panel of the Eleventh Circuit itself held that:

> In determining whether two marks are likely to be confused, the district court must consider seven factors: (1) the type of [the plaintiff's] mark; (2) the similarity of the marks at issue; (3) the similarity of the [goods or] services the marks represent; (4) the similarity of the parties' service outlets and customers; (5) the nature and similarity of the parties' advertising media; (6) the defendant's intent; and (7) any

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U.S.P.Q.2d 1910, 1914-15 (C.D. Cal. 2012), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013); Jurin v. Google Inc., 104 U.S.P.Q.2d 1480, 1483 (E.D. Cal 2012); Seed Servs., Inc. v. Winsor Grain, Inc., 868 F. Supp. 2d 998, 1003 (E.D. Cal. 2012); SunEarth, Inc. v. Sun Earth Solar Power Co., 846 F. Supp. 2d 1063, 1076 (N.D. Cal. 2012); Wecosign, Inc. v. IFG Holdings, Inc., 845 F. Supp. 2d 1072, 1079 (C.D. Cal. 2012); Herb Reed Enters. v. Monroe Powell's Platters, LLC, 842 F. Supp. 2d 1282, 1289 (D. Nev. 2012); *see also* Winchester Mystery House, LLC v. Global Asylum, Inc., 148 Cal. Rptr. 3d 412, 424 (Ct. App. 2012).

673. *Monster*, 920 F. Supp. 2d at 1071.

674. HealthONE of Denver, Inc. v. UnitedHealth Grp., 872 F. Supp. 2d 1154, 1174 (D. Colo. 2012); *see also* 1-800 Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229, 1239 (10th Cir. 2013); Limitless Worldwide, LLC v. Advocare Int'l, LP, 926 F. Supp. 2d 1248, 1250 (D. Utah 2013); Primary Children's Medical Ctr. Found. v. Scentsy Inc., 104 U.S.P.Q.2d 1124, 1132 (D. Utah 2012).

> actual confusion. The extent to which two marks are confusingly similar cannot be assessed without considering all seven factors to ensure that the determination is made in light of the totality of the circumstances.[675]

Another panel of the same court explained that "[o]f these seven factors, we consider the type of [the plaintiff's] mark and the evidence of actual confusion to be the two most important factors."[676]

(l) 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.

(2) Findings and Holdings

(a) Opinions Reaching or Affirming Findings of Likelihood of Confusion on Motions for Preliminary Injunctive Relief

Courts hearing allegations of infringement granted preliminary injunctions in a number of cases crying out for that relief.[677] One such case originated in the extraordinary popularity of J.R.R. Tolkien's *The Hobbit* and the *Lord of the Rings* trilogy, which, not surprisingly, has produced federally registered marks and imitations of those marks alike.[678] These phenomena came into direct conflict when, virtually contemporaneously with the debut of the film *The Hobbit: An Unexpected Journey*, a soon-to-be

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675. Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes & of Malta v. Fla. Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, the Ecumenical Order, 702 F.3d 1279, 1293 (11th Cir. 2012) (internal quotation marks omitted); *see also* Suntree Techs., Inc. v. Ecosense Int'l, Inc., 693 F.3d 1338, 1346 (11th Cir. 2012); *see* Drew Estate Holding Co. v. Fantasia Distrib., Inc., 875 F. Supp. 2d 1360, 1369 (S.D. Fla. 2012); Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1361 (M.D. Fla. 2012).

676. *Suntree Techs.*, 693 F.3d at 1346 (first alteration in original) (quoting Lone Star Steakhouse & Saloon v. Longhorn Steaks, 122 F.3d 1379, 1382 (11th Cir. 1997)) (internal quotation marks omitted).

677. *See, e.g.*, Int'l House of Pancakes, LLC v. Parsippany Pancake House Inc., 900 F. Supp. 2d 403, 407-08 (D.N.J. 2012) (entering, without extended analysis, preliminary injunction against the continued use of plaintiffs' marks by terminated franchisees); Diamonds Direct USA, Inc. v. BJF Holdings, Inc., 895 F. Supp. 2d 752, 761-62 (E.D. Va. 2012) (entering preliminary injunction against counterclaim defendants' use of mark identical to that of counterclaim plaintiff); Mrs. United States Nat'l Pageant, Inc. v. Miss United States of Am. Org., LLC, 875 F. Supp. 2d 211, 227-31 (W.D.N.Y. 2012) (entering preliminary injunction based on finding of likely confusion between MRS. UNITED STATES and MISS UNITED STATES OF AMERICA, both for beauty pageants).

678. Warner Bros. Entm't v. Global Asylum, Inc., 107 U.S.P.Q.2d 1910 (C.D. Cal. 2012), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013).

defendant began distribution of its own film under the title *Age of Hobbits*. The plaintiffs, who were producers and distributors of the former motion picture, successfully pursued both a temporary restraining order by establishing that the defendant's title was likely to cause confusion with the HOBBIT mark, which was owned and registered by one of the plaintiffs for a variety of fantasy-related goods. The plaintiffs did so by establishing the conceptual and commercial strength of that mark,[679] and by proving that: (1) "the products at issue in this case are both feature-length films in the fantasy genre that are scheduled for release within three days of each other, though Plaintiffs' film will be released theatrically, while [Defendant's] film will be released directly to DVD, Blu-ray, and internet sources;"[680] (2) "the term 'Hobbit' in the title of [Defendant's] film may be confusingly similar to Plaintiffs' use of the trademark in [their] movie title even though the titles are not identical;"[681] (3) "approximately 30 to 40 percent of survey respondents exhibited confusion about the source of 'Age of Hobbits'";[682] (4) both parties used the Internet to promote their films;[683] (5) the parties targeted customers who did not exercise a good deal of discretion when making purchases;[684] and (6) the defendant had acted in bad faith.[685]

The entry of preliminary injunctive relief was equally predictable in an infringement action brought by the owner of the TWO MEN AND A TRUCK mark for moving services against a defendant who used the TWO MEN AND TWO TRUCKS mark for his directly competitive business.[686] In addition to the clear

679. The court found that the mark was a fanciful (or, at worst, arbitrary), *id.* at 1915 & n.3, and that "Plaintiffs have presented evidence of extensive advertising expenditures as well as actual market recognition of the Hobbit Marks." *Id.* at 1916.

680. *Id.*

681. *Id.* at 1917.

682. *Id.* at 1918.

683. *Id.* at 1919.

684. *Id.*

685. On this issue, the defendant attempted to explain away the similarity of its title to the plaintiff's mark by arguing that its film was about a species of long-extinct small hominids known scientifically as *Homo Floresiensis* but more popularly as "hobbits." This argument failed in part because "[g]iven that *Homo Floresiensis* received the nickname 'Hobbit' specifically because of its resemblance to Tolkien's fictional hobbits, the Court finds [Defendant's] argument that its movie is wholly unrelated to Tolkien's work because it is about *Homo Floresiensis* to be disingenuous." *Id.* at 1920. It also proved unconvincing because "[Defendant] has come forth with no evidence of promotional materials for its movie that reference *Homo Floresiensis* in any way or that it has ever publicly described the film as one about *Homo Floresiensis*." *Id.* Other considerations leading to the court's finding of bad faith included the defendant's promotion of its film with materials that used fonts and verbiage at least reminiscent of that used by the plaintiffs, media coverage unfavorably comparing the two films, and the suspicious timing of the release of the defendants' film. *Id.* at 1921.

686. *See* Two Men & A Truck/Int'l, Inc. v. Thomas, 908 F. Supp. 2d 1029 (D. Neb. 2012).

similarity of the parties' marks, the preliminary injunction record contained evidence of affirmative passing off,[687] advertising media shared by both parties,[688] the conceptual and commercial strength of the plaintiff's mark,[689] and an abundance of consumer confusion.[690] The dubious quality of the services provided by the defendant and his business did not formally enter into the analysis, but the court's numerous references to problems encountered by the defendant's customers and his troubled relations with the Nebraska Public Service Commission and the local Better Business Bureau made clear that the defendant didn't benefit from that intangible consideration.[691]

Things got equally ugly equally quickly in a case brought by a plaintiff that had purchased the CALIFORNIA GOLD mark for alfalfa seeds from the lead defendant.[692] The plaintiff successfully pursued a temporary restraining order (TRO) against the defendants on the theory that, following the transaction, the defendants had been offering to supply their former customers with CALIFORNIA GOLD–branded seeds. In the subsequent proceeding on whether to convert the TRO to a preliminary injunction, the defendants argued that the offers had, in fact, come from an Australian company not named as a defendant in the case. In response, the plaintiff demonstrated to the court's satisfaction that the Australian company was controlled by a principal of the lead defendant, who himself was an individual defendant.[693] The outcome was not reasonably in doubt after that: Because the parties' marks were "virtually identical" and their goods were "the same," confusion was likely even if the purchasers of those goods were sophisticated and there was no evidence of actual confusion.[694]

Yet another preliminary injunction motion supported by strong record evidence and testimony came in the latest round of litigation over rights to the mark THE PLATTERS for musical entertainment services.[695] Once the plaintiffs established their superior rights to that mark, it was all over for the defendants' use

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687. One of the defendant's employees wore a hat bearing the plaintiff's mark during a job, and at least one consumer calling the defendant's number was advised that she had reached the plaintiff. *Id.* at 1034, 1035.

688. *Id.* at 1033.

689. *Id.* at 1037-38.

690. *Id.* at 1034-36.

691. *See id.* at 1033-36.

692. *See* Seed Servs., Inc. v. Winsor Grain, Inc., 868 F. Supp. 2d 998 (E.D. Cal. 2012).

693. *Id.* at 1002 (finding that the Australian company's actions "must be imputed to" the individual defendant).

694. *Id.* at 1004.

695. *See* Herb Reed Enters. v. Monroe Powell's Platters, LLC, 842 F. Supp. 2d 1282 (D. Nev. 2012).

of THE PLATTERS FEATURING MONROE POWELL. Specifically, although the plaintiffs did not make any showings regarding the degree of care exercised by consumers, the defendants' scienter when adopting their mark, or the likelihood of the defendants expanding their business to compete more directly with the plaintiffs, enough other likelihood-of-confusion factors weighed in favor of liability to warrant the entry of preliminary injunctive relief. Those included the strength of the plaintiffs' mark, the competitive proximity of the parties' services, the similarity of the parties' marks, the existence of actual confusion in the form of the higher ticket prices commanded by the defendants when using a "platters" mark, "which indicates a likelihood that consumers believe [the defendants'] group includes original members of The Platters, which it does not," and an identity of the marketing channels used by the parties.[696]

Interlocutory relief also made an appearance in an imbroglio involving competitors in the solar energy industry.[697] The plaintiffs used SUNEARTH as a trade name and as a mark in connection with thermal collectors, while the defendants sold photovoltaic products used to collect electricity under the SUN-EARTH mark. Once the plaintiffs successfully demonstrated their priority of rights, they were off to the races. The parties' goods might not be directly competitive, but they were closely related, and the designs the parties used in the marketplace did not render their marks distinguishable.[698] The mark-strength factor also weighed in favor of a finding of likely confusion, because SUNEARTH was "at least suggestive" and because "Plaintiffs' trade name and mark have been used for over thirty years to identify their business, and under that name and mark, Plaintiffs have gained national recognition as leaders in their field . . . ."[699] Moving on, the court faulted the plaintiffs for providing "little information" about ten instances of actual confusion they had proffered, but it still held that their showing was adequate in light of the early stage of the proceedings.[700] The defendants' awareness of the plaintiffs' mark before adopting their own weighed in favor of preliminary injunctive relief, as did the likelihood of the plaintiffs expanding into the defendants' line of business.[701] The defendants did manage to convince the court that the parties' customers were sophisticated and exercised a high degree of care when making

696. *Id.* at 1289-90.

697. *See* SunEarth, Inc. v. Sun Earth Solar Power Co., 846 F. Supp. 2d 1063 (N.D. Cal. 2012).

698. *Id.* at 1077.

699. *Id.* at 1078.

700. *Id.* at 1079.

701. *Id.* at 1080-81.

purchases,[702] but that limited success did not affect the ultimate outcome of the analysis.

Finally, one court's finding of likely confusion was driven as much by the Seventh Circuit's requirement that movants for preliminary injunctive relief prove merely a "non-negligible likelihood of success on the merits," as it was by the facts of the case.[703] The counterclaim plaintiff prosecuting the motion owned a federal registration of the SWERVE mark for an "all-natural" erythritol-based non-sugar sweetener, while the counterclaim defendant used the same mark as a sub-brand for a flavor of chewing gum sold under "the popular '5' brand," as well as under its counterclaim defendant's distinctive WRIGLEY mark.[704] When viewed in context, the court found, the parties' marks were "quite different," but not so much so that they were dissimilar as a matter of law.[705] Moreover, the specialized nature of the counterclaim plaintiff's product meant that consumers of it exercised a high degree of care.[706] The court otherwise did the counterclaim defendant no favors from that point forward, concluding that the parties' goods were at least marginally related, that the customers targeted by the parties might overlap, that the same was true of their channels of distribution, and that the strength of the counterclaim defendant's mark—a relevant consideration because of the counterclaim plaintiff's allegations of reverse confusion—also favored a finding of liability.[707] In the final analysis, "[a]lthough many of these factors present close questions and not all of them favor [the counterclaim plaintiff], the Court concludes that [the counterclaim plaintiff] has shown a better than negligible chance of prevailing."[708]

(b) Opinions Reaching or Affirming Findings of Likelihood of Confusion as a Matter of Law

In addition to the occasional resolution of the issue through the entry of a default judgment,[709] a number of findings of likely confusion as a matter of law occurred in opinions from trial courts entertaining motions for summary judgment and were never

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702. *Id.* at 1079-80.

703. *See* Wm. Wrigley Jr. Co. v. Swerve IP, LLC, 900 F. Supp. 2d 794, 798 (N.D. Ill. 2012).

704. *Id.* at 796.

705. *Id.* at 799.

706. *Id.* at 802.

707. *Id.* at 801-03.

708. *Id.* at 803.

709. *See, e.g.*, Wecosign, Inc. v. IFG Holdings, Inc., 845 F. Supp. 2d 1072, 1079-80 (C.D. Cal. 2012) (WE COSIGN USA and WE CO-SING [sic] for financial services likely to be confused with WECOSIGN for financial services).

seriously in doubt.[710] Thus, for example, competing uses of the same mark—BUBBA'S "THE" BOILING SPOT—in connection with competing boiled seafood restaurants in the same Texas town predictably resulted in the entry of summary judgment in the plaintiff's favor.[711] The mark was found to be suggestive, and therefore inherently strong, and the defendants did not contest that their version of the mark was similar to that of the plaintiff and that the parties' services, customers, and advertising media all overlapped. The consideration that perhaps played the greatest role in keeping the defendants in hot water, though, was that, prior to the opening of their restaurant, they had purchased advertising announcing that the plaintiff's restaurant had closed and would be reopening at the defendant's address. Even if there was no evidence of actual confusion, the court found that "the evidence of likelihood of confusion is not closely balanced, but instead overwhelmingly compels the conclusion that . . . Defendants' use . . . created a likelihood of confusion in the minds of potential consumers."[712]

Another easy finding of likely confusion on a motion for summary judgment came in a case in which the defendant had retired from the plaintiff's motorcycle club and established his own club under a closely similar name and mark.[713] Among other indicators of origin, the plaintiff owned a federally registered composite mark featuring the words BROTHERS OF THE WHEEL M.C. and a right-facing bald eagle gripping a stylized

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710. *See, e.g.*, Putt-Putt, LLC v. 416 Constant Friendship, LLC, 936 F. Supp. 2d 648, 655-59 (D. Md. 2013) (granting franchisor's motion for summary judgment against successor to former franchisee using marks identical or closely similar to those of franchisor); Ford Motor Co. v. Heritage Mgmt. Grp., 911 F. Supp. 2d 616, 623 (E.D. Tenn. 2012) (finding likelihood of confusion as a matter of law based on defendants' use of identical reproduction of plaintiff's mark in connection with directly competitive goods); Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1361- 65 (M.D. Fla. 2012) (finding likelihood of confusion as a matter of law as to four of five challenged marks based on defendants' use of identical or closely similar marks in connection with directly competitive goods); Lorillard Tobacco Co. v. Ahmad's Pizza, Inc., 866 F. Supp. 2d 872, 877 (N.D. Ohio 2012) (finding likelihood of confusion as a matter of law based on plaintiff's showing that defendants had sold cigarettes "appear[ing] identical to genuine" ones sold by the plaintiff); Vino 100, LLC v. Smoke on the Water, LLC, 864 F. Supp. 2d 269, 288 (E.D. Pa. 2012) (finding likelihood of confusion as a matter of law based on defendants' continued use of franchise system's marks after their termination as franchisees); Innovative Legal Mktg., LLC v. Mkt. Masters-Legal, 852 F. Supp. 2d 688, 697 (E.D. Va. 2012) (finding likelihood of confusion as a matter of law between substantively identical marks used in connection with competitive services following resolution of dispute over priority of rights); Mercado-Salinas v. Bart Enters. Int'l, Ltd., 852 F. Supp. 2d 208, 223-34 (D.P.R. 2012) (finding likelihood of confusion as a matter of law based on counterclaim defendants' continued use of licensed mark following termination of license).

711. *See* SA Bay LLC v. Hall, 849 F. Supp. 2d 761 (S.D. Tex. 2012).

712. *Id.* at 772.

713. *See* Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506 (S.D. W. Va. 2012).

American flag and an axe. By way of comparison, the defendant's uses included a composite mark incorporating the words BROTHERS OF THE WHEEL and a right-facing bald eagle gripping a stylized American flag and an axe, as well as the BROTHERS OF THE WHEEL NOMADS word mark. The court had "no trouble" determining that the parties' designations were similar enough to support a finding of infringement as a matter of law, even though the plaintiff's composite mark was registered without a claim to the colors used by both parties in the marketplace.[714] The remaining likelihood-of-confusion factors of record weighed no less strongly in the plaintiff's favor and turned on showings that the parties provided similar services under their marks, that the defendant "intentionally used the plaintiff's mark as an inspiration," and that at least one member of the public had been confused by the similarity of the parties' marks, which, the court concluded, was entitled to "great weight."[715]

In a case representing a closer—if only marginally so—question, the plaintiff owned the incontestably registered SPIDERWIRE mark for fishing line products against a defendant using the SPIDER THREAD mark for competitive goods.[716] A number of considerations not contested by the defendant got the plaintiff halfway home—namely, "that the goods are similar, that the goods are distributed similarly, that they are marketed to similar consumers, that the quality of the goods is not an issue, and that the sophistication of the parties[' consumers] does not overcome the likelihood of confusion."[717] Although not conceded by the defendant, the remaining likelihood-of-confusion factors of record weighed in the plaintiff's favor, including that the plaintiff's mark "is properly considered an arbitrary mark that has attained

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714. *Id.* at 521. On this issue, the court explained that:

> First, Plaintiff's trademark registration may not include and lay claim to *colors*, but the mark may well feature the *coloration* [in question]. For purposes of [the plaintiff's Section 43(a) claim], which does not require trademark registration at all, the Court is fully able to consider the mark *as Plaintiff uses it*, not simply as it is registered. Second, even as to [the plaintiff's Section 32] cause of action, in considering the similarity of the marks without color, the outcome is much the same. Both marks feature concentric circles separated by motorcycle chains; both marks contain an eagle, wings spread, at their center; the eagle in both marks clutches an American flag in one talon and a battle axe in the other talon; and both marks feature the words "Brothers of the Wheel" in their outermost circle, with the words appearing in the same locations.

Id.

715. *Id.* at 545.

716. *See* Pure Fishing, Inc. v. Redwing Tackle, Ltd., 888 F. Supp. 2d 726, 731 (D.S.C. 2012).

717. *Id.* at 731.

conceptual strength,"[718] that actual confusion had occurred among Canadian (but not United States) consumers,[719] and that, based on survey evidence and the court's own comparison of the parties' marks, the marks were similar in appearance.[720] Although the plaintiff's moving papers failed to establish the defendant's bad faith as a matter of law, that failure was insufficient to ward off the entry of summary judgment in the plaintiff's favor.[721]

Still another successful movant for summary judgment of infringement owned a federal registration of the EL JIBARITO mark for canned vegetables, which it alleged was infringed by the defendants' use of DEL JIBARITO in connection with bread and pastry products.[722] Entertaining the parties' cross-motions for summary judgment, the court concluded when disposing of each that the marks in question were similar. In particular, it found, "[t]he only difference between the El Jibarito and Del Jibarito names themselves is a preposition: while 'el' means 'the,' 'del' means 'from the' or 'of the,' depending on context."[723] That both parties sold packaged consumer-market goods also favored a finding of likely confusion,[724] as did the distribution of those goods through supermarkets[725] and the plaintiff's unrebutted showing of mark strength.[726] The defendants may have adopted their mark in good faith,[727] but neither that nor the absence of evidence of actual confusion from the summary judgment record[728] created a factual

718. *Id.* at 733. As to the commercial strength of its mark, the plaintiff adduced evidence of sales and advertising related to a family of marks based on the word "spider." Not surprisingly, the defendant objected to the plaintiff's failure to apportion its numbers to the particular mark in question, but the court was unmoved: "[W]hile all the success is not directly attributable to the individual SPIDERWIRE mark, the evidence demonstrates that mark possess[es] considerable commercial strength on its own." *Id.*

719. The court considered the plaintiff's showing of actual confusion to be significant for two reasons. First, "[t]hough the events in question occurred in Canada, they are nonetheless relevant because there is no evidence Canadian consumers behave differently than American consumers." *Id.* Second, "[t]he evidence is particularly relevant because the two products have only recently coexisted, and [the defendant] has not marketed [its] SPIDER THREAD fishing line extensively in the United States." *Id.*

720. *Id.*

721. *Id.* at 733-34.

722. *See* Goya Foods, Inc. v. Orion Distribs., Inc., 916 F. Supp. 2d 177 (D.P.R. 2012).

723. *Id.* at 182; *see also id.* at 185 (Defendants argue that 'the countryman' and '*from* the country man distinguish the products' sources, but offer no analysis or authority to support the conclusion. To whatever extent this minimal distinction in meaning could be given weight, the 'D' in 'Del' makes precisely one letter's difference in sight and sound.").

724. *Id.* at 183, 186.

725. *Id.* at 183-84, 186.

726. *Id.* at 184-85, 186.

727. *Id.* at 184, 186.

728. *Id.* at 184, 186.

dispute as to the likelihood of confusion between the parties' marks.[729]

Finally, one plaintiff's summary judgment papers relied on both the factual record and certain representations by the defendant earlier in the case, which, if not rising to the level of judicial estoppel, nevertheless were devastating to the defendant's ultimate position.[730] The parties' dispute was grounded in the plaintiff's use of the registered ACID and ACID CIGARS marks for cigars and the defendant's concurrent use of the SURFER ON ACID mark in connection with hookah tobacco. While under the mistaken impression that it enjoyed priority of rights, the defendant served the plaintiff with counterclaims arguing that confusion was likely between the marks. When the defendant responded to the court's finding that the plaintiff enjoyed priority of rights by denying the existence of likely confusion, the court concluded that "[f]or [the defendant] now to insist that its mark is not similar to the ACID mark is to make a farce of [the defendant's] numerous previous representations to the Court."[731] The court did not need to give the defendant's past representations dispositive effect, however, because the summary judgment record otherwise reflected a number of undisputed facts that entitled the plaintiff to relief. Those included the overall similarity of the marks themselves, the arbitrary nature of the plaintiff's marks, the closely related nature of the parties' goods, the identity between the parties' promotional media and distribution channels, and the defendant's knowledge of the plaintiff's marks before launching its own.[732]

(c) Opinions Reaching or Affirming Findings of Likelihood of Confusion After Trial

The facts underlying one finding of likely confusion after trial were so slanted in the plaintiffs' favor that the issue of the defendants' liability might well have been resolved before that point.[733] The plaintiffs were the owners of the federally registered NEWPORT mark for cigarettes, and they also claimed protectable rights in a trade dress associated with that mark, certain elements of which also were registered. The defendants, operators of stores specializing in smoking-related items, were purveyors of "spice," defined by the court as "a mix of dried herbs, flowers, tobacco

729. *Id.* at 186-87.

730. *See* Drew Estate Holding Co. v. Fantasia Distrib., Inc., 875 F. Supp. 2d 1360 (S.D. Fla. 2012).

731. *Id.* at 1370.

732. *Id.* at 1367-68, 1369, 1371.

733. *See* Lorillard Tobacco Co. v. Cal. Imps., LLC, 886 F. Supp. 2d 529 (E.D. Va. 2012).

leaves, and other substances, all of which are sprayed with a synthetic chemical similar to THC, the active ingredient in marijuana."[734] Despite their familiarity with the plaintiffs' goods, mark, and trade dress, the defendants began selling their spice goods under the NEWPROT mark and in boxes closely resembling those of the plaintiffs. The trial record did not contain any evidence of actual confusion, but the likelihood-of-confusion factors otherwise lined up convincingly in the plaintiffs' favor: (1) "[t]he marks associated with NEWPORT are strong and distinct; they are unique, well-known, and widely recognized as signifying [the plaintiffs'] brand of cigarettes";[735] (2) "[o]nly minor, trivial differences exist between the instant marks such that they are virtually indistinguishable";[736] (3) "the parties' marks are . . . used in connection with smoking products and sold in similar channels of commerce";[737] (4) "[the plaintiffs] and the defendants . . . used point-of-sale advertising posters at . . . retail and convenience stores to attract prospective customers";[738] and (5) the defendants' bad-faith intent was established by their decision "to trade upon the goodwill and prestige [the plaintiffs] had established in NEWPORT by advertising, distributing, and selling their product under a virtually identical guise."[739]

The concurrent use of the SEACRETS and SECRETS mark in the hospitality industry drove a finding of infringement following a jury trial in the District of Maryland.[740] The counterclaim plaintiff owned the former mark, which was registered for restaurant and bar services and which the counterclaim plaintiff also used on an unregistered basis for motel services, while the counterclaim defendant used the latter mark in connection with resort services. In declining to overturn the jury's verdict in the counterclaim plaintiff's favor, the court noted that the trial record contained evidence and testimony that the counterclaim plaintiff's mark was "a coined mark that has been extensively used for over 20 years and extensively advertised and promoted across the nation";[741] although the court itself clearly regarded the mark as suggestive, the counterclaim plaintiff's overall showing was sufficient to warrant a finding of mark strength.[742] The counterclaim plaintiff also benefitted from

734. *Id.* at 533 n.4.

735. *Id.* at 535.

736. *Id.*

737. *Id.*

738. *Id.*

739. *Id.* at 535-36.

740. *See* Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468 (D. Md. 2012).

741. *Id.* at 485.

742. *Id.* at 486.

the court's conclusion that the jury reasonably could have found that: (1) "because of their auditory and apparent similarity, [the parties' marks] were confusingly similar"[743]; (2) "there is some overlap between [the] 'restaurant and bar' services and 'hotel services industries'";[744] (3) the parties' facilities were similar, despite "differences in quality";[745] (4) the parties used similar media to advertise both nationally and on the counterclaim plaintiff's home turf;[746] (5) the counterclaim defendant adopted its mark recklessly by failing to conduct an availability search until after a week after applying to register the mark and proceeding with its use after the counterclaim plaintiff's registration was disclosed by that search;[747] and (6) the counterclaim plaintiff's customers were not necessarily sophisticated.[748] Finally, as to the "paramount" consideration of actual confusion, the jury heard testimony "that each year, at least two to three customers have asked [the counterclaim plaintiff's principal] whether [the counterclaim defendant] is affiliated with SECRETS";[749] the jury also had before it the results of a confusion survey commissioned by the counterclaim plaintiff, which documented a "30% to 34%" rate of positive responses by participants.[750] Under the circumstances, the court concluded, "the infringement verdict is not against the clear weight of the evidence or based on false evidence, and will not result in a miscarriage of justice."[751]

(d) Opinions Deferring Resolution of the Likelihood-of-Confusion Inquiry

As always, the past year brought the usual round of opinions declining to grant motions to dismiss allegations of likely confusion at the pleadings stage for failure to state a claim.[752] Perhaps the

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743. *Id.*

744. *Id.* at 487.

745. *Id.*

746. *Id.* at 488.

747. *Id.*

748. *Id.* at 489.

749. *Id.* at 488-89.

750. *Id.* at 489.

751. *Id.*

752. *See, e.g.*, Agave Loco LLC v. Sazerac Co., 107 U.S.P.Q.2d 1270, 1271-72 (N.D. Ill. 2013) (declining to dismiss allegations of likely confusion between RUMCHATA and CHATA marks for rum-based beverage with cinnamon and cream flavorings, on the one hand, and ORCHATA mark for directly competitive goods, on the other); Cybersitter, LLC v. Google Inc., 905 F. Supp. 2d 1080, 1087 (C.D. Cal. 2012) (declining to dismiss allegations of likely confusion arising from lead defendant's sale of plaintiff's mark as trigger for paid online advertising); Advanced Skin & Hair, Inc. v. Bancroft, 858 F. Supp. 2d 1084, 1092-93 (C.D. Cal. 2012) (denying motion to dismiss on ground that "the Complaint contains a factual description of Defendant's role in directing the infringing activities of [her company],

most notable such unsuccessful motion was filed by the American Veterinary Medical Association in a dispute over the mark THE AMERICAN COLLEGE OF VETERINARY SPORTS MEDICINE AND REHABILITATION for veterinary education services.[753] The plaintiffs' primary concern was the mark's use by another group of defendants, but their complaint also targeted the Association because the Association had approved those defendants' application for accreditation of a veterinary specialty under the mark. Although the Association argued that its limited involvement in its co-defendants' use of the mark prevented it as a matter of law from being held liable from infringement, the court disagreed. To the contrary, it noted, "[n]ow the Association is endorsing one organization over the other, providing the contact information of the College over [that of the plaintiffs' institution]."[754] The Association's motion to dismiss therefore was without merit.[755]

An equally unsuccessful motion to dismiss in a different case raised the perennial question of whether an allegation of likely confusion under Section 43(a) must meet only the lenient pleading requirements of Rule 8 of the Federal Rules of Civil Procedure,[756] or, alternatively, whether the heightened standard mandated for allegations of fraud by Rule 9 apply.[757] Reviewing the statutory text, the court noted that:

> [A] plain reading of the statute indicates that section 43(a) was intended to prohibit false or misleading representations regardless of the perpetrator's intent. . . . Given that section 43(a) does not contain a scienter element, the court finds that section 43(a) is not concerned with fraud and therefore claims brought pursuant to this provision do not fall within the ambit of Rule 9.[758]

With the specter of Rule 9 thus removed, the court held that the plaintiff's allegations—which identified the marks to which the plaintiff claimed rights and averred that the defendants had

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the sale of skin care products bearing the infringing . . . mark, the similarity of Defendant's infringing marks to Plaintiff's registered . . . marks, and the use by Defendant of fonts and packaging features that are similar to those found on Plaintiff's products").

753. *See* Lyons v. Gillette, 882 F. Supp. 2d 217 (D. Mass. 2012). That mark is abbreviated to ACVSMR in the court's opinion.

754. *Id.* at 227.

755. *Id.* at 228.

756. Pursuant to that rule, an opening pleading must contain "a short and plain statement of the claim showing that the pleader is entitled to relief." Fed. R. Civ. P. 8(a)(2).

757. In contrast to Rule 8, Rule 9 provides that "[i]n alleging fraud or mistake, a party must state with particularity the circumstances constituting fraud or mistake." Fed. R. Civ. P. 9(b).

758. Tempur-Pedic Int'l, Inc. v. Angel Beds LLC, 902 F. Supp. 2d 958, 965-66 (S.D. Tex. 2012).

registered a domain name incorporating the plaintiffs' primary mark, had used the plaintiffs' marks on a website accessible at that domain name on which the defendants promoted their directly competitive products, and had used the plaintiff's "product nomenclature in bad faith"[759]—passed muster under Rule 8.[760]

In a case crying out for the same result, the plaintiff's complaint was replete with allegations that, if true, weighed in favor of a finding of likely confusion.[761] Those included averments that the defendants were using a confusingly similar mark in violation of a contractual agreement between the parties, that the defendants had marketed directly competitive products to the plaintiff's customer base, that the lead defendant had held himself out as the "real" plaintiff, and that the lead defendant's wife had introduced the lead defendant to potential customers using the plaintiff's mark as her husband's surname.[762] Noting that "courts have refused to dismiss infringement claims where a likelihood of confusion analysis would be necessary on the pleadings,"[763] the court determined that the plaintiff had adequately pleaded a cause of action under Section 43(a).[764]

Motions to dismiss were not the only procedural vehicles that led courts to defer resolutions of the likelihood-of-confusion inquiries before them, as appellate courts' vacaturs of factual findings of either infringement or noninfringement produced the same result. For example, although the Eleventh Circuit's commitment to applications of each of the relevant likelihood-of-confusion factors has arguably waned in recent years, the court reaffirmed that commitment in conspicuous fashion in an opinion vacating a bench finding of noninfringement.[765] In at least two of its past treatments of the issue, the court had suggested that, if sufficiently pronounced, differences between the parties' marks could support findings of no likelihood of confusion, even as a matter of law.[766] With the same approach placed before it for review in a suit by one charitable Hospitaller order against another, however, the court took a different tact:

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759. *Id.* at 962.

760. *Id.* at 972-73.

761. *See* Ritani, LLC v. Aghjayan, 880 F. Supp. 2d 425 (S.D.N.Y. 2012).

762. *Id.* at 446-47.

763. *Id.* at 446.

764. *Id.*; *see also id.* at 447.

765. *See* Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes & of Malta v. Fla. Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, the Ecumenical Order, 702 F.3d 1279, 1293-94 (11th Cir. 2012).

766. *See* Welding Servs., Inc. v. Forman, 509 F.3d 1351, 1361 (11th Cir. 2007); Dippin' Dots, Inc. v. Frosty Bites Distrib., LLC, 369 F.3d 1197, 1208 (11th Cir. 2004).

> [I]t appears as though the district court's entire analysis of the likelihood of confusion [between the parties' design marks] was based on the visual dissimilarity of the marks—namely that [the defendant's] symbol contained a cross and crown that [the plaintiff's] mark did not. The district court did not make any additional factual findings related to the infringement claim or address the applicability (or inapplicability) of any other factor germane to the infringement analysis.
>
> It is beyond any real dispute that the district court erred in focusing "solely on the degree of visual similarity between the two marks." The other factors bearing on the likelihood of confusion are equally as significant as the general appearance of the trademarks. As such when a district court completely disregards the proper analysis when making its determination of confusion, we may vacate its ruling and remand for consideration of the claim using the proper framework. Here, because the district court did not make any additional factual findings to aid us in evaluating whether it committed clear error, we have an insufficient basis to evaluate its ultimate conclusion. As a result, we remand the infringement claim so that the district court may conduct the proper, multi-factor infringement analysis . . . .[767]

The First Circuit also vacated and remanded a district court's factual findings on the issue of likely confusion.[768] The plaintiffs used the ORIENTAL mark in connection with financial services, while the defendant originally used COOPERATIVA DE CRÉDITO ORIENTALE as the mark for its nonprofit credit union services; after operating under that mark for forty years, however, the defendant began in 1995 to transition to COOP ORIENTAL and, in 2009, took the additional step of adopting an orange trade dress allegedly similar to that used by the plaintiffs. Based in significant part on the absence of pre-2009 actual confusion, the district court found after a bench trial that the defendant's color scheme had created a likelihood of confusion, but that its use of the COOP ORIENTAL mark had not.[769]

The appellate court vacated the second of these findings and remanded the action for a determination of whether the plaintiffs were entitled to injunctive relief against the defendant's use of the COOP ORIENTAL mark standing alone. The appellate court noted that there was record evidence and testimony inconsistent with

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767. *Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes & of Malta*, 702 F.3d at 1293-94 (alterations omitted) (footnotes omitted) (citations omitted) (internal quotation marks omitted).

768. *See* Oriental Fin. Grp. v. Cooperativa de Ahorroa y Crédito Oriental, 698 F.3d 9 (1st Cir. 2012).

769. *Id.* at 12-13.

the district court's finding that the plaintiffs had failed to demonstrate actual confusion not linked to the defendant's transition to its new color scheme; more importantly, however, such a showing was unnecessary to a finding that confusion was likely.[770] The First Circuit also faulted the district court for not fully taking into account its own findings that a number of the other relevant likelihood-of-confusion factors favored the plaintiffs' position, including the arguable similarity between the ORIENTAL and COOP ORIENTAL marks, the competitive proximity of the parties' services, the parties' use of the same channels of trade and advertising media, the potentially overlapping customer bases served by the parties, the strength of the plaintiffs' mark, and the defendant's knowledge of, and intent to benefit from, the plaintiffs' market presence.[771] The district court therefore was instructed to reconsider the issue of whether the plaintiff was entitled to broader relief than that originally entered.[772]

Motions for summary judgment also resulted in appellate courts putting off final dispositions of allegations of infringement.[773] Although the multifactored test for infringement generally is not applied in a mechanical fashion that awards victory to the party carrying the most factors, the Sixth Circuit held in an appeal from the grant of a summary judgment motion that "when the factors, as found by the district court, were so evenly balanced—a 4 to 3 split, with [an] eighth factor not at issue in this case—precedent counsels in favor of not granting summary judgment."[774] According to the district court, factors favoring the defendant's position included the weakness of the plaintiff's 5-HOUR ENERGY mark, the dissimilarity of the defendants' 6 HOUR POWER mark to that of the plaintiff, the absence of actual confusion, and the defendants' good faith in adopting their mark; those favoring the plaintiff included the directly competitive nature of the parties' energy shot products, the identity of the parties' advertising media, and the relatively unsophisticated nature of the parties' targeted consumers.[775] The Sixth Circuit was unwilling to disturb the district court's finding that there was no material dispute as to the defendants' good faith,[776] but it was

770. *Id.* at 18-19.

771. *Id.* at 17-18, 19.

772. *Id.* at 20.

773. *See, e.g.*, KG2, LLC v. Weller, 966 N.Y.S.2d 298, 299-300 (App. Div. 2013) (holding that single consumer declaration describing alleged passing off by defendant was insufficient basis for entry of summary judgment in plaintiff's favor).

774. Innovation Ventures, LLC v. N.V.E., Inc., 694 F.3d 723, 733 (6th Cir. 2012).

775. *Id.* at 731. The factor deemed by the court of appeals to be "not applicable" was that of the likelihood of either party expanding into the other's market area. *Id.*

776. *See id.* at 731-33.

critical of the lack of weight given to the results of the plaintiff's likelihood-of-confusion survey and to "forty alleged instances of consumer confusion";[777] the wholesale dismissal of these showings, it held, was "the wrong posture to take on summary judgment."[778] As a consequence, the district court had inappropriately entered summary judgment of nonliability.[779]

Opinions deferring resolution of the likelihood-of-confusion inquiry also came from trial courts, including two presenting cross-motions for summary judgment. The first came in a dispute between parties in the economics and real estate consulting business.[780] The plaintiff's marks were BBPC and BBPC ASSOCIATES, while the defendants, some of whom once had been affiliated with the plaintiff, operated under the BBP and BBP ASSOCIATES LLC marks. The plaintiff responded to the defendants' motion by pointing out record evidence and testimony that, inter alia: (1) the salient elements of the parties' marks were "identical but for one letter";[781] (2) the parties performed "arguably similar work";[782] (3) the parties used similar advertising;[783] (4) at least initially, "the [defendants'] letterhead and business cards used a logo with font, colors, and layout nearly identical to the [plaintiff's] logo";[784] (5) "[o]n its website, the [lead defendant] has listed endorsements that are nearly verbatim to those in [the plaintiff's] marketing materials";[785] (6) "[t]he [lead defendant's] website has also presented the same list of awards—in the same order and format, and accompanied by the same photos—as those used in the [plaintiff's] advertisements";[786] (7) because the lead defendants' principals had names beginning with "B" and "P," there was an unexplained additional "B" in the lead defendant's name;[787] and (8) "[t]he Defendants . . . also have made several representations that could reasonably be construed as attempts to present [the lead defendant] as the [plaintiff]."[788] These showings, together with the plaintiff's additional demonstrations that it had received misdirected communications and payments and that the

777. *Id.* at 733.

778. *Id.*

779. *Id.*

780. *See* Basile Baumann Prost Cole & Assocs. v. BBP & Assocs., 875 F. Supp. 2d 511 (D. Md. 2012).

781. *Id.* at 528.

782. *Id.*

783. *Id.*

784. *Id.*

785. *Id.*

786. *Id.*

787. *Id.*

788. *Id.*

Aquidneck Island (Rhode Island) Reuse Planning Authority had confused the parties, rendered summary judgment in the defendants' favor inappropriate.[789]

Unfortunately for the plaintiff, its showings on these points were not enough for the court to grant the plaintiff's own motion for summary judgment, because, "[a]lthough a reasonable jury could find a likelihood of consumer confusion, the jury could also reasonably find that no such confusion is likely."[790] The record evidence and testimony making those findings possible suggested that despite the generally overlapping nature of their work, "the [Defendants'] business focuses mainly on state and local government, while the [Plaintiff's] business [is] primarily focused on the United States Navy";[791] moreover, "[b]ecause neither company targets the public at large, a reasonable jury could find that the typical consumer in the relevant market is sophisticated enough to distinguish the [Defendants] from [the Plaintiff]."[792] At least for purposes of summary judgment, the court also was willing to credit the defendants' argument that the misdirected communications at issue were less proof of actual confusion caused by the defendants' mark than they were the natural result of the parties' earlier parting of the ways and division of clients, and, in any case, that the number of those instances was de minimis.[793] Finally, that the defendants had sent out a mass mailing distinguishing the parties' businesses and that they had initially responded to the plaintiff's concerns by changing their logo created a factual issue as to their intent.[794]

The second opinion disposing of cross-motions for summary judgment arose from a case in which the counterclaim plaintiff successfully pursued a motion for summary judgment of noninfringement on the counterclaim defendant's claims against it, but the same record and evidence producing that result helped scuttle the counterclaim plaintiff's own motion for summary judgment on its counterclaim for infringement.[795] The parties' dispute centered around a series of marks based on the word "giggle." As its prima facie case, the counterclaim defendant claimed that the counterclaim plaintiff's use of THE GIGGLE GUIDE for the collection and dissemination to the trade of information related to the children's goods industry infringed several marks used by the counterclaim defendant for consumer

789. *Id.* at 528-29.

790. *Id.* at 534 (citation omitted).

791. *Id.* at 534.

792. *Id.*

793. *Id.*

794. *Id.*

795. *See* Giggle, Inc. v. netFocal, Inc., 856 F. Supp. 2d 625 (S.D.N.Y. 2012).

children's goods such as strollers and toys, namely GIGGLE, GIGGLE HEALTHY, HAPPY. BABY., and GIGGLE BETTER BASICS; for its part, the counterclaim plaintiff claimed that the counterclaim defendant's use of THE GIGGLE CRITERIA for consumer information on recommendations on children's products infringed its THE GIGGLE GUIDE mark. To dispose of the counterclaim defendant's case, the counterclaim plaintiff introduced evidence of numerous third-party uses of "giggle" marks in the industry. Although classifying the counterclaim plaintiff's mark as suggestive for purposes of the strength-of-mark likelihood-of-confusion factor, the court concluded that:

> [The counterclaim plaintiff] has not submitted any evidence to prove that its mark has acquired additional distinctiveness and strength through secondary meaning. In any case, the evidence of third-party use that [the counterclaim plaintiff] submitted to rebut the strength of [the counterclaim defendant's]' marks also works to expose the weakness of its own mark. With the profuse amount of third-party commercial use, [the counterclaim plaintiff's]' mark blends into the crowded field of GIGGLE marks, right alongside [the counterclaim defendant's]' family of marks.[796]

With the counterclaim plaintiff additionally unable to demonstrate that the industry insiders to whom it provided its services and the retailer consumers targeted by the counterclaim defendant overlapped or that the parties' respective marks had similar appearances as they were actually used in the marketplace, the "moderate" competitive proximity of the parties' businesses alone did not mandate a finding of infringement as a matter of law.[797]

Courts also denied motions for summary judgment filed by litigants on only one side of disputes, including a number of those motions unsuccessfully prosecuted by plaintiffs.[798] In one such case, the parties used the identical mark—CARIBBEAN CRESCENT—in connection with Jamaican- and South Asia-themed food products.[799] The court gamely gave the defendants the benefit of the doubt, noting that "[w]hile Defendants allege that they advertise extensively, Plaintiff has previously admitted it does little-to-no advertising and did not do any advertising at all before 2009,"[800] that the evidence concerning the extent to which

796. *Id.* at 638.

797. *Id.*

798. *See, e.g.,* Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1365 (M.D. Fla. 2012) (concluding that defendants' labeling practices and claims of good faith precluded entry of summary judgment in plaintiff's favor).

799. *See* E. W., LLC v. Rahman, 896 F. Supp. 2d 488 (E.D. Va. 2012).

800. *Id.* at 501.

the parties used similar facilities was undeveloped,[801] and that "there has been scant record evidence offered as to actual confusion among customers, and what little allegation exists is merely anecdotal."[802] Coupled with a long-standing business relationship between the parties, of which the court noted that "much of the potentiality for likelihood of confusion was facilitated by Plaintiff themselves [sic],"[803] these considerations rendered a finding of infringement as a matter of law inappropriate.[804]

Defendants also struck out when pursuing motions for summary judgment,[805] including a health insurance provider whose UNITEDHEALTHONE mark was accused of infringing several HEALTHONE marks used in connection with healthcare services.[806] The court credited the defendant's argument that the parties' marks differed in pronunciation and as they appeared in the marketplace, but it ultimately found for purposes of the defendant's motion that the similarities between the marks outweighed the differences.[807] Similarly, although it agreed that the plaintiff's marks were descriptive and therefore conceptually weak,[808] as well as that "the [defendant's] evidence of extensive use of the term 'healthone' in the health industry weighs against a finding of commercial strength,"[809] those considerations were neutralized by the plaintiff's evidence of commercial strength.[810] Continuing through the likelihood-of-confusion factors, the court held that the parties' services were related[811] and that the plaintiff had introduced cognizable evidence of actual confusion in the form

801. *Id.* ("Defendants assert that while Plaintiff has a physical store, Defendants do not have any such facility. The undisputed evidence shows that Plaintiff does, in fact, have a store in the Washington Metropolitan Area, though the Court's ability to surmise similarity or dissimilarity essentially ends there.").

802. *Id.*

803. *Id.*

804. *Id.*

805. *See, e.g.*, Medisim Ltd. v. BestMed LLC, 910 F. Supp. 2d 591, 615-16 (S.D.N.Y. 2012) (concluding, following cursory discussion of summary judgment record, that "[the plaintiff] has offered sufficient evidence from which a jury could conclude that there is a likelihood of confusion between its trade dress and [the defendant's]"); Lovely Skin Inc. v. Ishtar Skin Care Prods LLC, 105 U.S.P.Q.2d 1427, 1432 (D. Neb. 2012) (declining to excuse defendant's purchase of plaintiff's marks as triggers for sponsored advertising based on "numerous unresolved material issues of fact that are not amenable to summary judgment").

806. *See* HealthOne of Denver, Inc. v. UnitedHealth Grp., 872 F. Supp. 2d 1154 (D. Colo. 2012).

807. *Id.* at 1174-77.

808. *Id.* at 1178.

809. *Id.* at 1179.

810. *Id.* at 1180.

811. *Id.* at 1182.

of survey results.[812] The defendant might have adopted its mark in good faith,[813] and purchasers of the parties' services might have exercised a high degree of care,[814] but that was not enough to establish the absence of a factual dispute as to the defendant's liability.[815]

In another action to protect a conventional word mark, the defendant, a producer of candles and other scented goods, unsuccessfully sought a finding as a matter of law that its FESTIVAL OF TREES mark was unlikely to be confused with the plaintiff's use of the identical mark in connection with an annual winter holiday fundraiser for a hospital.[816] The identity of the parties' marks obviously counseled against the grant of the defendant's motion,[817] as did the plaintiff's "not strong" showing of actual confusion,[818] the fact that the parties targeted much the same consumers at the same time of the year,[819] and the commercial strength of the plaintiff's mark in at least its geographic area of operation.[820] Although the court found that "[t]here is no direct evidence that [the defendant] intended to trade on the goodwill created by the [plaintiff's] event,"[821] and although "[t]he . . . factor [of] degree of care exercised by purchasers[] is

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812. *Id.* at 1186-89. The plaintiff also introduced anecdotal evidence of six instances of alleged actual confusion, but the court declined to consider that showing on the ground that it reflected only de minimis confusion. *See id.* at 1185-86 ("[The plaintiff's] six isolated examples must be placed in the context of the thousands of known instances in which consumers of [the defendant's] individual insurance policies encounter [the plaintiff's] marks in the marketplace.").

813. *Id.* at 1180-81.

814. *Id.* at 1184-85.

815. *Id.* at 1189-90.

816. *See* Primary Children's Hosp. Med. Ctr. Found. v. Scentsy Inc., 104 U.S.P.Q.2d 1124 (D. Utah 2012).

817. Significantly, however, the court also found with respect to this factor that "[w]hile the sound of [the defendant's] mark is exactly similar to that of [the plaintiff's] mark, there is no evidence that the script and style of the visual depiction of the mark are similar. As a result, this factor provides only weak support [for the plaintiff]." *Id.* at 1131.

818. The plaintiff's showing on this point was limited to testimony by one of its board members that she had purchased one of the defendant's products while under the impression that the mark associated with the product referred to the plaintiff's event. The court weighed this testimony in the following manner:

> While [the defendant] complains that such evidence should be viewed with skepticism as it does not necessarily reflect the confusion of an ordinary consumer who is unaffiliated with the charity, [the plaintiff] does not need to present incontestable evidence of actual confusion. [The defendant's] product has only been on the market for a short period of time, and courts have held that plaintiffs should be able to protect their trademark rights before they are diluted or otherwise harmed.

Id.

819. *Id.*

820. *Id.* at 1132.

821. *Id.* at 1131.

neutral,"[822] it ultimately determined that "[the plaintiff] has amassed enough evidence to survive [the defendant's] motion for summary judgment."[823]

Defendants in suits to protect nontraditional marks fared no better. For example, a finding that factual disputes precluded the grant of a defense motion for summary judgment came in a declaratory judgment action brought against the owner of the registered mark shown below on the left by the owner of the mark shown below on the right:[824]

The counterclaim defendant's moving papers conceded the competitive proximity of the parties' goods (both sold various audio- and video-related electronic goods), the similarity of the parties' marketing channels, and the likelihood that it would continue to expand toward the counterclaim plaintiff's line of business; for its part, the counterclaim plaintiff conceded that it had no evidence of actual confusion between the parties' marks.

Nevertheless, the parties disputed the remaining likelihood-of-confusion factors, and, as the nonmovant, the counterclaim plaintiff benefitted from the conflicting record evidence and testimony. One such conflict was created by admissions by the counterclaim defendant's witnesses that the parties' marks had similar elements; independent of those admissions, the court found that "both marks consist of an icon of a pair of over-the-ear headphones surrounding an abstract geometrical shape" and that "[b]oth of the center geometric shapes have a similar dark, right-angle side nearest the headphones icon, with mirror-image, inward-facing, semi-circular arcs opposite the right angle side."[825] Based on the proposition that "[a] composite mark may be strong and distinctive, even if its individual elements would not be,"[826] and, additionally, on the counterclaim plaintiff's long-standing use of its mark, the court then rejected the counterclaim defendant's argument that the headphone design element necessarily rendered the counterclaim plaintiff's mark weak.[827] The counterclaim

822. *Id.*

823. *Id.* at 1132.

824. *See* Monster, Inc. v. Dolby Labs. Licensing Corp., 920 F. Supp. 2d 1066 (N.D. Cal. 2013).

825. *Id.* at 1072-73.

826. *Id.* at 1073.

827. *Id.*

defendant's showing that its goods were expensive and purchased only after careful consideration was similarly neutralized by the counterclaim plaintiff's responsive showing that "the target markets for these goods are average consumers, not experts."[828] Finally, that the counterclaim defendant had adopted its mark with full knowledge of the counterclaim plaintiff's mark–indeed, the counterclaim defendant had once been the counterclaim plaintiff's licensee–and that the counterclaim defendant previously had used another of the counterclaim plaintiff's marks without authorization supported a finding of bad faith.[829] Summary judgment of nonliability was therefore inappropriate because "[a] rational trier of fact could find that confusion between the source of the products with these marks is probable, not merely possible."[830]

A dispute over an alleged trade dress consisting of the appearance of a no-spill children's drinking cup also led to an unsuccessful motion for summary judgment of noninfringement.[831] Based on the court's description of the summary judgment record, the strongest considerations weighing in the defendant's favor were the parties' labeling practices and the absence of actual confusion.[832] Weighing in the plaintiffs' favor, however, were the strength of the plaintiffs' trade dress, the similarity of the parties' designs, the competitive proximity between the parties' goods, the defendant's possible bad faith, and the lack of sophistication of purchasers of the parties' goods.[833] Because the balance of the factors of record "slightly" favored the plaintiffs, summary judgment in the defendant's favor was inappropriate.[834]

Litigation concerning a claimed trade dress consisting of the configuration of a "lip, lug, and hinge plate" used in the loading dock leveler industry also produced a stalemate on a defense motion for summary judgment.[835] A significant factor underlying the denial of that motion was the court's conclusion that "[the plaintiff] has presented evidence that the overall appearance of the front end design of a dock leveler plays a major role in customer purchasing decisions, and there is a high degree of similarity between the marks (i.e. product configuration trade dress . . . ."[836] The defendant's case wasn't helped by evidence in the summary

828. *Id.* at 1075.

829. *Id.*

830. *Id.* at 1076.

831. *See* Luv N' Care, Ltd. v. Mayborn USA, Inc., 898 F. Supp. 2d 634 (S.D.N.Y. 2012).

832. *Id.* at 648.

833. *Id.* at 647-49.

834. *Id.* at 649.

835. *See* Nordock Inc. v. Sys. Inc., 927 F. Supp. 2d 577 (E.D. Wis. 2013).

836. *Id.* at 610.

judgment record that "[the parties] sell [an] identical type of goods to identical types of customers in identical channels of trade at similar prices"[837] and that "[c]onsumers are not likely to use sufficient care to avoid being confused."[838] With the court required to give the nonmovant the benefit of all reasonable inferences, "[the plaintiff] has presented sufficient facts from which a reasonable jury could find that there is a likelihood of confusion."[839]

(e) Opinions Reaching or Affirming Findings of No Likelihood of Confusion on Motions for Preliminary Injunctive Relief

As always, the extraordinary nature of interlocutory relief led to a number of reported opinions denying it.[840] For example, in one case in which reverse confusion was found to be unlikely on a motion for a preliminary injunction, the plaintiffs sold wine under the federally registered STARK mark and the unregistered STARK THIRST mark, while the defendant sold the same beverage under the STARK RAVING mark.[841] As the first step in its evaluation of the plaintiff's motion, the court found that:

> An analysis of the components of the similarity of the marks, in their entirety and as they appear in the marketplace, and weighing the similarities more heavily than the differences, strongly suggests a finding of no confusion between "STARK RAVING™" and "STARK WINE®," but in favor of finding confusion between "STARK RAVING™" and "STARK THIRST™."[842]

The court otherwise did not split the evidentiary baby, concluding in the plaintiffs' favor that the parties' goods were related,[843] that the defendant's mark was conceptually strong (an inquiry

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837. *Id.*

838. *Id.*

839. *Id.*

840. *See, e.g.*, Limitless Worldwide, LLC v. Advocare Int'l, LP, 926 F. Supp. 2d 1248, 1250-54 (D. Utah 2012) (denying plaintiff's motion for preliminary injunction after noting extraordinary nature of relief sought and finding no likelihood of confusion between counterclaim defendant's ADVOCARE SPARK mark for energy drinks in powder form and counterclaim defendant's SPARK, LIMITLESS SPARK, and SPARK LIQUID SHOT marks for energy drinks in liquid form); Primary Children's Med. Ctr. Found. v. Scentsy Inc., 104 U.S.P.Q.2d 1124, 1133 (D. Utah 2012) (denying plaintiff's motion for preliminary injunction after noting extraordinary nature of relief sought and finding no likelihood of confusion between plaintiff's use of FESTIVAL OF TREES for a hospital fundraising event and defendant's use of identical mark in connection with scented candles and related products).

841. *See* Stark v. Diageo Chateau & Estate Wines Co., 907 F. Supp. 2d 1042 (N.D. Cal. 2012).

842. *Id.* at 1057.

843. *Id.* at 1057.

necessitated by the reverse confusion theory underlying the plaintiff's complaint),[844] and that "[w]ine is considered a good with which the average consumer does not exercise care when purchasing."[845] Nevertheless, the remaining likelihood-of-confusion factors of record favored the defendant, and they tilted the playing field against the issuance of preliminary injunctive relief. Specifically, the court found that there was no overlap in the parties' channels of distribution except to the extent that visitors to the lead plaintiff's Sonoma County tasting room also shopped "at the mass merchandise chains and boutique wine shops" selling the defendant's wine,[846] that the defendant's mark was commercially weak and the plaintiffs' marks were both conceptually and commercially weak,[847] that the defendant had not adopted its mark in bad faith despite its awareness of the plaintiffs' registered mark,[848] and that the geographic scope of the plaintiffs' business was limited.[849]

Just as competition in the wine market and arguably similar marks were insufficient to warrant preliminary injunctive relief in that case, so too did competition in the flavored vodka market and an arguably similar mark fail to get the job done in an unrelated dispute.[850] The plaintiff owned two federally registered marks, both of which appeared on bottles of its vodka:

For their part, the defendants used the following mark, which they had applied to register but which was refused registration based on the plaintiff's prior claims in the USPTO:

844. *Id.* at 1060.

845. *Id.* at 1065.

846. *Id.* at 1058.

847. *Id.* at 1060-62.

848. *Id.* at 1062-64.

849. *Id.* at 1065.

850. *See* JL Beverage Co. v. Beam, Inc., 899 F. Supp. 2d 991 (D. Nev. 2012).

That use occurred in conjunction with the defendants' PUCKER word mark, the presentation of which also featured a stylized pair of ruby reds as the letter "e":

En route to a finding that the plaintiff had failed to demonstrate a likelihood of success on the merits of its forward and reverse confusion claims, the court concluded that the plaintiff's composite mark was descriptive[851] and that, although the plaintiff's design mark was arbitrary,[852] both marks were commercially weak because of the plaintiff's limited marketplace presence and because of the defendants' proof of "numerous examples of alcoholic beverages that use lips as trademarks or as part of their trademarks."[853] Other factors favoring the defendants were the "distinct" shapes of the parties' respective bottles,[854] the bottles' "not similar" labels,[855] the presence of the parties' house marks on those labels (at least for purposes of the plaintiff's forward confusion claim),[856] the distinguishable appearances of the parties' respective pairs of lips,[857] and "several potential problems with the reliability and admissibility of [the plaintiff's] proffered

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851. *Id.* at 999.

852. *Id.* at 1000.

853. *Id.* On the issue of third-party use, the court explained that:

> Plaintiff argues that none of these lips images are associated with vodka bottles or flavored vodka bottles. However, [the plaintiff] defines the relevant market for similar goods too narrowly. When considering whether the senior mark is weakened by its presence in a "crowded field" of similar marks, the relevant field is "a field which least broadly would include or be related to [the] plaintiff's business." The fact that lips symbols are a prominent feature of several other alcohol products reduces the [plaintiff's] mark's strength.

Id. at 1000-01 (quoting Halo Mgmt., LLC v. Interland, Inc., 308 F. Supp. 2d 1019, 1034 (N.D. Cal. 2003)).

854. *Id.* at 1003.

855. *Id.*

856. *Id.*

857. According to the court:

> [T]he lips images are distinct. They are used in a different fashion on their respective vodka bottles. The [plaintiff's] lips image is used as the "o" in the word "love" on the vodka label. On Defendants' bottle, the lips stand alone, are very large, and appear to be the focal point of the label. While both marks use images of lips, that basic commonality does not make them similar for purposes of trademark infringement.

Id. at 1004 (footnote omitted); *see also id.* at 1009-10.

evidence of actual confusion"[858] Although the plaintiff was able to establish that the parties' goods were directly competitive[859] and sold at the same price point,[860] as well as that the parties' marketing channels were "identical,"[861] its argument that the defendants had acted in bad faith proved unconvincing.[862] Because, as the court concluded, "[t]his is not a case where the factors overwhelmingly favor either party,"[863] preliminary injunctive relief was inappropriate.[864]

Another motion for a preliminary injunction went by the wayside when the court found that the defendant's STEAK 'EM-UP mark for a local corner grocery store selling sandwiches was not likely to be confused with the plaintiff's STEAK UMM mark for frozen sliced steak.[865] Things did not go well for the plaintiff in the court's application of the Third Circuit's likelihood-of-confusion factors, beginning with the court's finding that "[t]he marks have different appearances and meanings and sound only nominally similar."[866] From there, the court concluded that the summary judgment record did not support the "enthusiastic but unsupported opinion" of the plaintiff's principal that his company's mark enjoyed "92% awareness in the marketplace."[867] The plaintiff's showing fell equally short where anecdotal and survey evidence of actual confusion was concerned, because it was undisputed that the former category did not exist and because the plaintiff's survey

858. *Id.* at 1005. Those problems included "that at least some of the examples of alleged consumer confusion involve multiple levels of hearsay" and that "some of the alleged evidence of actual confusion includes consumers noting that the two vodkas look alike." *Id.* Referring to the plaintiff's reliance on an incident falling within the second of these categories, the court explained that "[s]uch evidence demonstrates *lack* of confusion because it shows that [the consumer witness] understood that Johnny Love and Pucker are distinct products." *Id.*

859. *Id.* at 1002.

860. *Id.* at 1006-07.

861. *Id.* at 1006.

862. On the issue of the defendants' intent, the preliminary injunction record demonstrated to the court's satisfaction that: (1) a predecessor of the lead defendant "used lips images in commerce several years before [the plaintiff's] existence," *id.* at 1007; (2) neither the employees of the lead defendant responsible for the adoption of the defendants' mark nor the outside design firm commissioned to create a new label for the defendants' vodka was aware of the plaintiff's product, *id.* at 1007-08; and (3) "the fact that [the lead defendant] withdrew its application for a trademark on its design is of no import here." *Id.* at 1008.

863. *Id.*

864. *Id.* at 1009.

865. *See* Steak Umm Co. v. Steak 'Em Up, Inc., 868 F. Supp. 2d 415 (E.D. Pa. 2012).

866. *Id.* at 426.

867. *Quoted in id.* at 427.

results were "flawed" and otherwise unconvincing.[868] Finally, the defendant had not adopted its mark in bad faith,[869] the parties' customers and promotional media differed,[870] and there were "clear differences" between the parties' goods.[871] Although it might be true that those goods were sold at low price points, that factor weighed only "slightly" in the plaintiff's favor[872] and therefore was not enough to overcome the evidence and testimony weighing against liability.

(f) Opinions Reaching or Affirming Findings of No Likelihood of Confusion as a Matter of Law

Opinions holding confusion to be unlikely as a matter of law at the pleadings stage were rare, but they did occur,[873] especially in suits challenging the titles and content of motion pictures. One such opinion from the Seventh Circuit dispensed with the multifactored likelihood-of-confusion test in its entirety in affirming the dismissal of a complaint filed by the owner of the federally registered PHIFTY-50 mark for prerecorded records, CDs, audio and video cassettes, and DVDs; the registrant also claimed common-law rights to its mark in connection with T-shirts.[874] The target of that complaint was the title of a motion picture, *50/50*, in which the protagonist was given even odds of surviving a cancer diagnosis. The Seventh Circuit eschewed any intent to address the "difficult question" of whether, because it was referred to in the plaintiff's opening pleading, the motion picture was properly a matter of record for purposes of the defendants' motion to dismiss, as well as whether it was protected under the First Amendment.[875] Rather, it held, "this complaint fails at the threshold: it does not allege that the use of '50/50' as a title has caused any confusion about the film's source."[876] This conclusion may have been grounded in part in the express allegations of the complaint, but the court also relied on the plaintiff's concession at

868. *Id.* As to the survey results, the court concluded that "even if this Court accepted [the plaintiff's expert's] flawed survey analysis of 12.9% likelihood of confusion, this factor would still weigh substantially in favor of the Defendant." *Id.* at 429.

869. *Id.*

870. *Id.* at 429-30.

871. *Id.* at 431.

872. *Id.* at 428.

873. *See, e.g.*, Potter v. Toei Animation Inc., 839 F. Supp. 2d 49, 51, 53 (D.D.C. 2012) (dismissing plaintiff's "largely incomprehensible" complaint based on failure to aver distinctiveness of claimed mark or likelihood of confusion).

874. *See* Eastland Music Grp., LLC v. Lionsgate Entm't, Inc., 707 F.3d 869 (7th Cir. 2013), *cert. denied*, 134 S. Ct. 204 (2013).

875. *Id.* at 871.

876. *Id.*

oral argument that "not a single person has ever contacted [the plaintiff] or its website to seek a copy of the film or complain about the film's source,"[877] as well as Wikipedia entries identifying eight films, many of them predating the plaintiff's claim of rights, with the same title.[878] As to the latter consideration, the court concluded that "[the plaintiff] is a *very* junior user and in no position to complain about the [defendants'] film. [The plaintiff] entered a very crowded field, and its rights are correspondingly weak and narrow."[879]

Without reference to this prior holding by its reviewing court, an Indiana federal district court disposed of another suit arising from the content of a different motion picture.[880] The film was the Batman epic *The Dark Knight Rises*, a subplot of which revolved around a fictitious computer software program referred to as "clean slate"; external promotional material generated for the film suggested that those words could be a trademark for the software.[881] The plaintiff claimed to be a victim of reverse confusion caused by the defendant's saturation of the market, but the court held the plaintiff's allegations to be fatally defective. To begin with, it held, the distinction between the defendant's "real product (a movie)," on the one hand, and the defendant's "fictional product (software)," on the other, "makes a world of difference because so much of the consumer confusion analysis depends on a comparison of the products at issue. In analyzing the potential for consumer confusion in this case, one must compare [the plaintiff's] 'Clean Slate' software to [the defendant's] real product—*The Dark Knight Rises*."[882]

That "world of difference" meant that:

> To state a claim for reverse confusion in this instance, [the plaintiff] would have to plausibly allege one of two things: 1) consumers have been deceived into believing that the *fictional* "clean slate" software in the movie emanates from, is connected to, or is sponsored by [the plaintiff] or 2) consumers have been deceived into believing that the film *The Dark Knight Rises* emanates from, is connected to, or is sponsored by [the plaintiff].[883]

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877. *Id.*

878. *Id.*

879. *Id.*

880. *See* Fortres Grand Corp. v. Warner Bros. Entm't Inc., 947 F. Supp. 2d 922 (N.D. Ind. 2013).

881. That material recited, inter alia, that "'[c]lean slate' is the informal name for Rykin Data's primary service, in which [sic] the corporation will amass personal histories (specifically off the internet) and destroy it permanently." *Quoted in id.* at 925.

882. *Id.* at 928.

883. *Id.* at 929-30 (internal quotation marks omitted).

The court concluded that the plaintiff had failed to satisfy either of these prongs:

> First, no consumer—reasonable or otherwise—can believe the *fictional* "clean slate" software in the movie emanates from, is sponsored by or connected to [the plaintiff] because the fictional software does not exist in reality. Any consumer going online or into a store looking to buy the "clean slate" software mentioned in *The Dark Knight Rises* would quickly find that they are unable to do so because *it is not a real product*.
>
> Another way of understanding this point is to say that [the defendant] is only using "clean slate" in a "non-trademark" way. In other words, the film's use of the phrase "clean slate" is not "identifying the source" of the software product (because there is no real software product), nor is it really "identifying the source" of the film.
>
> Second, no consumer—reasonable or even unreasonable—would believe that *The Dark Knight Rises* itself is connected to [the plaintiff].[884]

With the court reaching the same conclusion with respect to the defendant's advertising materials,[885] "there is no plausible claim for consumer confusion regarding a consumer's purchasing decision between the two products that actually exist in reality—[the plaintiff's] software and [the defendant's] film."[886]

Other findings of nonliability as a matter of law came on motions for summary judgment, including one appealed to the Eleventh Circuit.[887] The averment of misconduct at issue sounded in the defendants' *contributory* infringement, but it foundered on the plaintiff's inability to create a factual dispute as to whether a third party alleged to have *directly* infringed the plaintiff's rights actually had done so. According to the plaintiff, the third party had created a likelihood of confusion by representing in a bid proposal that it would use a product manufactured by the plaintiff unless the purchaser approved a substitute product. Following the acceptance of its bid, the third party sought and received the purchaser's permission to make just such a substitution, and the Eleventh Circuit was unwilling to conclude that the purchaser was the victim of a bait-and-switch scheme made possible by the use of the plaintiff's mark. Rather, because there was no likelihood of

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884. *Id.* at 930 (citations omitted) (internal quotation marks omitted).

885. *See id.* at 930 ("The same analysis applies to the use of 'clean slate' on the promotional websites. To the extent it can be said that the term 'clean slate' on these sites is even being used as a trademark, it can only be to indicate the source or origin for the film *The Dark Knight Rises*.").

886. *Id.*

887. *See* Suntree Techs., Inc. v. Ecosense Int'l, Inc., 693 F.3d 1338 (11th Cir. 2012).

either direct initial-interest or point-of-sale confusion, the defendants could not be held liable for having contributed to it.[888]

A case appealed to the Tenth Circuit also resulted in a holding that the defendants properly had prevailed as a matter of law.[889] The appeal presented the familiar scenario of a plaintiff challenging the defendant's purchase through Google's ADWORDS program of the plaintiff's marks as triggers for advertising by the defendant. Because the text of the defendant's advertisements neither expressly mentioned the plaintiff by name nor used the plaintiff's marks, the Tenth Circuit affirmed the trial court's dismissal on a motion for summary judgment of the plaintiff's claim of infringement. Although the plaintiff argued on appeal that the defendant's advertisements created initial-interest confusion, which is ordinarily actionable even if consumers ultimately make their purchases knowing the identity of the parties with which they are dealing, the court declined to reach such a holding. Instead, it concluded that:

> Perhaps in the abstract, one who searches for a particular business with a strong mark and sees an entry on the results page will naturally infer that the entry is for that business. But that inference is an unnatural one when the entry is clearly labeled as an advertisement and clearly identifies the source, which has a name quite different from [that of] the business being searched for.[890]

The Massachusetts Court of Appeals also had the occasion to affirm the entry of summary judgment of nonliability in a case brought against the operator of a website, a page of which featured information on the plaintiff, a software development company, and which was accessible at an electronic address that incorporated the plaintiff's JENZABAR mark.[891] The information on the defendant's site related to a documentary on the 1989 Tiananmen Square protests, in which the plaintiff's founder participated. In addition to describing the founder's role in the protests, the site contained a link to the plaintiff's website, which was labeled with the plaintiff's service mark, as well as excerpts of the founder's criticisms of the documentary.[892] A significant basis of the plaintiff's claim of likely

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888. *Id.* at 1347.

889. *See* 1-800 Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229 (10th Cir. 2013).

890. *Id.* at 1245.

891. *See* Jenzabar, Inc. v. Long Bow Grp., 977 N.E.2d 75 (Mass. Ct. App. 2012).

892. *Id.* at 79-80. On this last point, the court noted that, upon receipt of a demand letter from the plaintiff:

> [The defendant] made several changes to its site . . . . These changes included posting certain additional information regarding [the plaintiff's] disputes with its former executives; revising the language of the pages to ensure that readers would be aware that [the plaintiff] disputed the accuracy of some of the accounts; and adding prominent disclaimers to all of the pages on which [the plaintiff] was mentioned

confusion was that the content of the defendant's website and its use of the plaintiff's mark as a metatag caused the site to appear high in the results of Google search results.[893]

The defendant prevailed on a motion for summary judgment, and that disposition withstood scrutiny on appeal. The appellate court noted that "[the plaintiff's] claim of potential consumer confusion is an exceptionally narrow one. There is no allegation that someone might buy one of [the defendant's] films under the mistaken impression that it was produced by or in affiliation with [the defendant]."[894] Instead, the plaintiff's claim sounded in initial-interest confusion, or, in other words, the theory that an Internet user searching for the plaintiff's site might mistakenly access the defendant's site instead as a result of the latter's prominent placement in the Google search results. The court was unconvinced, and it cited a number of reasons why the trial court had properly concluded that confusion was unlikely as a matter of law. One was that "there is no similarity between the parties' goods."[895] Another was that the plaintiff's software was expensive and required multi-year maintenance contracts with the plaintiff.[896] The plaintiff also fell short in its attempts to demonstrate that there were factual disputes over the defendant's intent[897] and whether consumers accessing the defendant's site necessarily did so as a result of actual confusion.[898] Finally, the undisputed facts that the plaintiff's site appeared first on the list of Google search results and that there was nothing in the appearance of the defendant's site in those results suggesting "official endorsement" by the plaintiff weighed in the defendant's favor.[899] Although the fanciful nature of the plaintiff's mark suggested that it was a strong one, that consideration alone was not enough to overturn the trial court's grant of the defendant's motion.[900]

The entry of summary judgment in defendants' favor also came in opinions that were not appealed.[901] One turned on the

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> stating that the pages were "the sole responsibility of the [defendant], and are in no way affiliated with or sponsored by [the plaintiff]."

Id. at 81.

893. *Id.* at 80.

894. *Id.* at 83.

895. *Id.* at 84.

896. *Id.* at 85.

897. *Id.* at 86-87.

898. *Id.* at 87-88.

899. *Id.* at 87-89.

900. *Id.* at 85-86.

901. *See, e.g.*, Jurin v. Google Inc., 104 U.S.P.Q.2d 1480, 1483 (E.D. Cal. 2012) (granting unopposed defense motion for summary judgment); SnoWizard, Inc. v. Robinson, 897 F.

unlikelihood of confusion created by the title and content of a television program.[902] The plaintiff's claimed mark was THE GATE, under which he was attempting to develop a television program with religious-themed music videos, while the defendant used THE GATE in connection with a crime drama featuring supernatural beings. Although the court found as a matter of law that the plaintiff had not used his mark in commerce, it additionally used the defendant's motion for summary judgment as the occasion to dispose of the plaintiff's claims of infringement. Under an application of the governing likelihood-of-confusion factors, the plaintiff's showing fell well short of the mark because: (1) he had done little more than upload a pilot episode of his program onto YouTube and his personal Facebook page, the plaintiff's descriptive mark was both conceptually and commercially weak;[903] (2) "[a]lthough the marks both use the phrase 'the gate,' the font colors and typefaces are distinct";[904] (3) the content of the parties' programs was "vastly different";[905] (4) "there is no evidence that [the defendant] intended to confuse or deceive consumers or push [the plaintiff] out of the market," and, indeed, the defendant had conducted a trademark availability search and successfully distinguished the plaintiff's mark while registering its own;[906] (5) there was no record evidence of the care consumers exercised when selecting programs to watch;[907] and (6) neither an increase in views of the plaintiff's pilot after the launch of the defendant's show nor the results of Google searches reflecting both parties' uses constituted evidence of actual confusion.[908]

A claim of actual confusion by the operator of a chain of restaurants proved to be equally unconvincing in warding off a motion for summary judgment by a competitor accused of trade dress infringement.[909] In response to that defense motion, the plaintiff introduced an affidavit from one of its managers averring that consumers had "frequently expressed confusion over the phone and in person to me" concerning the possible affiliation

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Supp. 2d 472, 485-86 (E.D. La. 2012) (finding noninfringement as a matter of law based on absence of allegations of likely confusion in complaint and absence of supporting evidence and testimony in summary judgment record).

902. *See* Scorpiniti v. Fox Television Studios, Inc., 918 F. Supp. 2d 866 (N.D. Iowa 2013).

903. *Id.* at 879-882.

904. *Id.* at 883.

905. *Id.* at 885.

906. *Id.*

907. *Id.* at 885-86.

908. *Id.* at 886-87.

909. *See* Happy's Pizza Franchise, LLC v. Papa's Pizza, Inc., 108 U.S.P.Q.2d 1239 (E.D. Mich. 2013).

between the parties' restaurants;[910] as described by the court, the same testimony "also states customers 'asked' about a new . . . restaurant [of the plaintiff] and brought in pizza advertisements from [the defendant]."[911] The court found that this showing did not create a factual dispute as to whether confusion was likely between the décor featured in the parties' respective restaurants. Rather, it observed, "[n]o customer statements are provided. No particularity regarding the confusion is provided. [The testimony] does not state that the customers were confused based on the similarity of the décor, menu, location, etc. of the two restaurants."[912] Beyond this, "the mere fact that two competing restaurants in the same geographic area utilize the same marketing channels and employ the same companies to market their product is insufficient."[913]

Similarly finding no likelihood of confusion as a matter of law, a Minnesota federal district court made short work of a plaintiff's argument that the defendant had infringed the plaintiff's mark by registering a domain name based on the mark and then establishing a website accessible at the domain name.[914] Rather than marketing any goods or services on the site, however, the defendant posted an account of a failed loan transaction between the parties, an account that not surprisingly was critical of the plaintiff's business practices. Although citing to the Eighth Circuit's likelihood-of-confusion factors, the court did not address them other than to note that the defendant had failed to adduce any evidence of actual confusion.[915] Instead, it held, "[i]t would be immediately apparent to any reasonable consumer visiting [the defendant's] website that its purpose was to criticize [the plaintiff] and warn consumers about what [the defendant] perceived to be [the plaintiff's] fraudulent business practices."[916] Under these circumstances, "[g]ranting summary judgment in [the defendant's] favor is consistent with the overwhelming weight of authority, which holds that it does not constitute trademark infringement when a consumer creates a website to express his or her own views about a company's goods or services."[917]

The concurrent use in the same industry of marks beginning with the same lead element produces findings of likely confusion

910. *Quoted in id.* at 1244.

911. *Id.*

912. *Id.*

913. *Id.*

914. *See* Jalin Realty Capital Advisors, LLC v. Better Wireless, NISP, LLC, 917 F. Supp. 2d 927 (D. Minn. 2013).

915. *Id.* at 938.

916. *Id.*

917. *Id.* at 939.

as a matter of law far more often than the contrary result, but one counterclaim defendant successfully pursued a motion for summary judgment under just those circumstances.[918] The counterclaim plaintiff's mark was ICEBREAKER for expensive designer apparel, while the counterclaim defendant used ICEBERG in connection with "performance active wear" suited for such activities as biking, hiking, fishing, mountaineering, running, and skiing.[919] The differing purposes of the parties' clothing weighed in the counterclaim defendant's favor,[920] as did the absence of evidence of actual confusion,[921] the diverging marketing channels used by the parties,[922] the relatively high price of the counterclaim plaintiff's goods,[923] the counterclaim defendant's good-faith adoption of its mark,[924] the unlikelihood of the parties' expansion resulting in direct competition in the future,[925] and the commercial weakness of the counterclaim plaintiff's mark.[926] The most the counterclaim plaintiff could accomplish was to convince the court that a factual issue existed as to whether the parties' marks sounded similar; even that success, however, did nothing more than to neutralize the counterclaim defendant's showings that the marks were presented in dissimilar formats in the marketplace and that they had differing meanings.[927]

Reliance on a shared lead element also failed to create a factual dispute as to Microsoft's liability for infringement in a suit brought by the developer of software applications designed for the online sharing of photographs.[928] The plaintiff's marks were KINBOX and MUNCHINBOX, which it alleged were infringed by Microsoft's KINECT mark for a gaming sensor. With the court finding that "the use of a similar term in two marks does not give rise to the conclusion that the marks are so similar that they are likely to confuse,"[929] the plaintiff fell back on the argument that the marks created a similar impression in the marketplace because Microsoft's sensor was designed for, and marketed in conjunction with, Microsoft's XBOX gaming system. The court was

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918. *See* Icebreaker Ltd. v. Gilmar S.P.A., 911 F. Supp. 2d 1099 (D. Or. 2012).

919. *Id.* at 1104-05.

920. *Id.* at 1105.

921. *Id.* at 1107-08.

922. *Id.* at 1108-09.

923. *Id.* at 1109-10.

924. *Id.* at 1110-11.

925. *Id.* at 1112.

926. *Id.* at 1112-14.

927. *Id.* at 1105-07.

928. *See* Kinbook, LLC v. Microsoft Corp., 866 F. Supp. 2d 453 (E.D. Pa. 2012) , *aff'd*, 490 F. App'x 491 (3d Cir. 2013).

929. *Id.* at 464.

no more sympathetic to this argument, finding that even if the challenged mark was KINECT FOR XBOX, "a reasonable jury would not find that 'Kinect for XBOX' looks, sounds, or means the same as the mark 'Kinbox'"; this was especially true because "[t]he word 'box' is not so easily spliced from the term 'XBOX'" and because "Microsoft's use of '360' with the term 'XBOX' makes Microsoft's mark even more distinctive."[930] Other considerations weighed against the plaintiff's case as well, including that its marks were both conceptually and commercially weak,[931] that the price points of the parties' goods—"[t]he Kinect gaming sensor costs $150, or $300-$500 when bundled with an XBOX 360 console"—were "patently different,"[932] that the plaintiff's proffered evidence of actual confusion either did not reflect mistaken purchasing decisions or was speculative,[933] that Microsoft's reliance on the results of a six-month-old trademark availability search did not constitute bad faith,[934] that, with the exception of their use of Facebook, the parties used different advertising media and targeted different consumers,[935] and that the parties' goods were different and unlikely to overlap in the future.[936] Summary judgment in Microsoft's favor therefore was appropriate.[937]

Likewise, shared lead elements between marks also failed to ward off summary judgment of nonliability in an action brought to protect a family of marks consisting of GIGGLE, GIGGLE HEALTHY. HAPPY. BABY., THE GIGGLE CRITERIA, and GIGGLE BETTER BASICS for goods and services ranging from strollers and toys to the provision of consumer information and recommendations on children's products.[938] The defendant also used a "giggle" mark, namely, THE GIGGLE GUIDE for the collection and dissemination of trade information related to the children's goods industry. In support of its motion for judgment as

930. *Id.*

931. *Id.* at 465-67.

932. *Id.* at 467.

933. *Id.* at 468-69.

934. Microsoft conducted an availability search in October 2009 but applied to register its mark only in April 2010; the plaintiff applied to register its own marks in the intervening six months. The court identified two reasons for rejecting the plaintiff's argument that this sequence of events reflected bad faith on Microsoft's part. *Id.* at 469-70. First, "[a]lthough it would have been prudent for [the defendant] to have conducted a trademark search closer to the date of filing its application, if anything, this indicates that Microsoft did *not* act with the intent to prey on [the plaintiff], and likely was unaware of [the plaintiff's] very existence." *Id.* at 469. Second, Microsoft 'filed its first trademark registration [application] in South Africa in October 2009, over one month before [the plaintiff] began using [its] marks in December 2009." *Id.*

935. *Id.* at 470-71.

936. *Id.* at 471-73.

937. *Id.* at 473.

938. *See* Giggle, Inc. v. netFocal, Inc., 856 F. Supp. 2d 625 (S.D.N.Y. 2012).

a matter of law, the defendant convinced the court that, although the plaintiffs' marks might be suggestive and *conceptually* strong, they were *commercially* weak because they did not "resonate with more than a limited audience":[939] In particular, the plaintiff's evidence concerning its "sales totals for various years," the "more than one million unique hits" on its website, its distribution of catalogues to "more than one million households," and scattered examples of third-party publicity could not overcome the commonplace nature of the salient element of its mark or the defendant's showing of third-party use.[940] The court also credited the defendant's argument that "[t]he dissimilarities between the parties' marks exceed whatever similarities they share," both because the defendant's mark featured a different "font, color, and design," and because the marks shared only a single common element.[941] The nails in the coffin for the plaintiff's case were the court's findings that there was only a "slight overlap" between the customers targeted by the parties,[942] and that the plaintiff's modest showing of actual confusion either did not involve retail consumers of its goods and services or in reality reflected a lack of confusion between the parties' marks.[943]

In a final case in which the arguable similarity between the parties' marks might have resulted in a justiciable dispute of fact, the counterclaim plaintiffs' federally registered mark was HEART ATTACK GRILL for a restaurant with a medical theme, while the counterclaim defendants' New York City delicatessen sold an offering with somewhat less-than-healthy ingredients under the INSTANT HEART ATTACK SANDWICH mark.[944] The

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939. *Id.* at 631.

940. *Id.* at 631-35. The court accepted as evidence of that third-party use "screenshots of websites and advertisements," "four trademark registration search reports, including three produced by Plaintiff," and "White Pages listings . . . taken from an online directory." *Id.* at 633-34. It also concluded that the third-party registrations disclosed by the search reports in question were probative evidence of the use of the marks covered by them on the ground that "the fact that a third party has registered a trademark is circumstantial evidence that it has [used] or is likely to use the mark in commerce." *Id.* at 634.

941. *Id.* at 635.

942. *Id.*

943. *Id.* at 636.

944. *See* Lebewohl v. Heart Attack Grill LLC, 890 F. Supp. 2d 278 (S.D.N.Y. 2012). Of the similarity between the parties' marks, the court found that

> Although the two phrases—Heart Attack Grill and Instant Heart Attack Sandwich—differ such that a consumer eyeing them side by side could certainly tell them apart, a consumer's "hazy[ ] impression or recollection" of the marks might result in confusion.The words that leap out in both marks are clearly "heart attack." When the dominant words in two marks are the same, courts have found that their similarity can cause consumer confusion.

Id. at 294 (alteration in original) (citation omitted) (quoting Wynn Oil Co. v. Thomas, 839 F.2d 1183, 1188 (6th Cir.1988)).

counterclaim plaintiffs were disadvantaged by their Las Vegas location, which the court deemed to be a consideration in the likelihood-of-confusion analysis—it properly should have been taken into account in an application of the *Dawn Donut* doctrine—but other factors lined up in the counterclaim defendants' favor as well. These included the lack of actual confusion, the counterclaim defendants' good-faith adoption of their mark, the absence of any evidence that the counterclaim defendants' sandwich was of inferior quality, and the ability of "even an unsophisticated customer" to distinguish between the parties' marks.[945]

(g) Opinions Reaching or Affirming Findings of Likelihood of Confusion After Trial

A trial of one plaintiff's allegations of infringement led to a reversal of fortunes between the parties.[946] In an earlier opposition before the Trademark Trial and Appeal Board, the plaintiff successfully convinced the Board that confusion was likely between the plaintiff's SEALTIGHT mark for fasteners used in the aerospace industry and the defendant's SEALTITE mark for self-drilling and self-taping screws used in the construction of metal buildings. Nevertheless, a jury rejected the plaintiff's subsequent bid for injunctive and monetary relief, and the Eighth Circuit proved unwilling to disturb the resulting verdict of noninfringement. As the appellate court explained, "the products, other than having similar names and both being fasteners, were not similarly priced, similarly marketed, or intended to be used in conjunction with or in substitution for one another."[947]

(B) The First-Sale Doctrine and Likelihood of Confusion Arising from the Diversion or Alteration of Genuine Goods

One federal district court explained the "first-sale," or exhaustion, doctrine in the following manner:

> Under the "first sale" doctrine, a trademark owner "loses its right of control over the use and distribution of the item on which the trademark is affixed once the item is released into the stream of commerce." At that point, the trademark owner relinquishes its ability to prevent the use or sale of the items upon which the trademark is affixed. The owner's "first sale" constitutes an implicit authorization for purchasers of those

945. *Id.* at 294-97.

946. *See* B & B Hardware, Inc. v. Hargis Indus., 716 F.3d 1020 (8th Cir. 2013), *petition for cert. filed*, No. 13-352 (U.S. Sept. 18, 2013), *later proceedings*, 2014 WL 102375 (U.S. Jan. 13, 2014).

947. *Id.* at 1026.

> products to use them for any legitimate purpose, including using those products as "component part[s] of a separate, distinct product."[948]

Under an application of this rule, an infringement cause of action averring nothing more than that a defendant has resold genuine goods bearing the plaintiff's mark is subject to dismissal for failure to state a claim.[949]

There are, however, exceptions to the exhaustion of trademark rights, including two recognized in a case brought by the Ford Motor Company against sellers of FORD-branded automotive products.[950]The summary judgment record in that case established that, although claiming to sell only genuine goods produced by Ford, the defendants had repackaged those goods in boxes of their own design that bore close imitations of the FORD mark. Rejecting the defendants' reliance on *Prestonnettes, Inc. v. Coty*,[951] the court noted that the Supreme Court's holding of nonliability in *Prestonnettes* had been premised on the full disclosure of the repackaging that had taken place in that case. In contrast, the court found, it was undisputed that the defendants before it had both failed to disclose their repackaging and used "packaging and labels [that] were nearly indistinguishable from Ford's genuine labels."[952] It therefore held as a matter of law that "Defendants are not entitled to rely on the first sale doctrine."[953]

There was an additional, and possibly more consequential, reason for holding the defendants ineligible for the doctrine's protection. Having purchased online the goods they sold, the defendants admitted that they were unaware of the goods' origins. This led the court to hold that "Ford need not demonstrate the goods were actually defective, but only that they created a risk of injury to its reputation because they were sold without being subject to Ford's quality control procedures."[954] The court concluded that Ford had sustained its burden: "If the parts were substandard or of otherwise reduced quality, consumers' opinion of Ford's mark would be adversely affected. Such impairment of

948. Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1369 (M.D. Fla. 2012) (alteration in original) (quoting BMW of N. Am. v. Au-tomotive Gold, Inc., No. 96–384–CIV–J–20, 1996 WL 1609124, at *6 (M.D. Fla. June 19, 1996)).

949. *See, e.g.*, Brain Pharma, LLC v. Scalini, 858 F. Supp. 2d 1349, 1353-55 (S.D. Fla. 2012).

950. Ford Motor Co. v. Heritage Mgmt. Grp., 911 F. Supp. 2d 616, 624 (E.D. Tenn. 2012).

951. 264 U.S. 359 (1924).

952. *Heritage Mgmt. Grp.*, 911 F. Supp. 2d at 625.

953. *Id.*

954. *Id.* at 626.

Ford's mark is precisely the harm the Lanham Act is designed to remedy."[955]

In another case turning on the same proposition, this one presenting a motion to dismiss, the lead defendant was a former authorized distributor of the plaintiff's MOO & OINK-branded meat products.[956] Following its termination by the plaintiff, the lead defendant and one of its employees, also a named defendant, allegedly continued to use packaging bearing the plaintiff's mark but containing spare rib tips acquired from other sources. In holding that the plaintiff's averments to this effect stated a cause of action for infringement, the court rejected the argument by those defendants that the plaintiff necessarily had to prove that the goods they had sold were inferior in quality to the goods' authorized counterparts:

> Once Moo & Oink severed its ties with [the lead defendant], it could no longer supervise, control, or oversee the quality of the spare rib tips ordered by [the lead defendant], packaged in containers bearing Moo & Oink's marks and distributed for eventual sale to retailers. Therefore, Plaintiff's allegations that Defendants engaged in the sale, purchase, and distribution of goods bearing Moo & Oink's Marks properly state a cause of action for trademark infringement.[957]

The first-sale doctrine also will not apply if otherwise genuine goods were not originally released into commerce under the authority of the owner of the marks appearing on them. One plaintiff successfully invoked this proposition after it rejected automotive wheels produced by a former manufacturer and then subsequently discovered the same wheels being sold by the defendant.[958] Granting the plaintiff's motion for summary judgment, the court held that "[the manufacturer's] sale of wheels to [the defendant] bearing [the plaintiff's] marks constituted a sale of non-genuine wheels, and [the defendant's] sale of the wheels bearing [the plaintiff's] marks was a sale of non-genuine wheels which deprived [the plaintiff] of its right to control the quality of the wheels."[959] "[S]uch a sale," it further explained, "constitutes trademark infringement."[960]

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955. *Id.* at 627.

956. *See* Desmond v. Chi. Boxed Beef Distribs., Inc., 921 F. Supp. 2d 872 (N.D. Ill. 2013).

957. *Id.* at 881.

958. *See* Wheel Specialties, Ltd. v. Starr Wheel Grp., 918 F. Supp. 2d 688 (N.D. Ohio 2013).

959. *Id.* at 694.

960. *Id.*

Finally, the resale of branded genuine goods will be actionable if they differ in some material respect from their authorized counterparts.[961]

As one opinion demonstrated, however, a plaintiff invoking exceptions to the exhaustion doctrine should be prepared to aver in its complaint specific facts to support those exceptions.[962] The case arose from the defendants' online sale, at a discount, of watches bearing the plaintiff's mark. The plaintiff's first strategy for establishing that an exception to the first-sale doctrine applied was to aver that the watches were not genuine because a watch purchased from the defendants had not undergone "a strict quality control procedure" to which the watch's authorized counterparts had been subjected.[963] The court observed that such a difference might in theory be the basis for a finding of liability, but "cases in which the quality control test has supported a non-genuineness claim routinely and more specifically allege an actual disruption in quality control procedures and how such disruption has or would be likely to damage the product itself and thus impact the value of the [plaintiff's] mark."[964] Because this aspect of the plaintiff's complaint made "no . . . allegations . . . regarding the content of the quality control procedure [the plaintiff] employs and whether such procedure is likely to be 'substantial,'" dismissal for failure to state a claim was appropriate.[965]

The court then moved on to the plaintiff's claimed second reason why the watches in question were not genuine, which was that the defendants had altered the watches' packaging. As to that allegation, the court concluded that the plaintiff had failed "to address why differences in packaging are material; for instance, unlike [as in some past cases], in the instant case there is no allegation that lack of particular packaging voids the product's warranty."[966] The complaint additionally lacked "an allegation of alteration of serial numbers or other identifying packaging that might prevent the mark holder from controlling product quality or enforcing a warranty."[967] And, the court concluded, the absence of a warranty card from the repackaged watches could not be considered material in light of the plaintiff's concession that New

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961. *See, e.g.*, Tracfone Wireless, Inc. v. Technopark Co., 281 F.R.D. 683, 687 (S.D. Fla. 2012) (holding, on motion for default judgment, that defendant's trafficking in goods used to "unlock" and "reflash" the plaintiff's mobile phones prior to their resale constituted contributory infringement).

962. *See* Technomarine SA v. Jacob Time, Inc., 905 F. Supp. 2d 482 (S.D.N.Y. 2012).

963. *Quoted in id.* at 490.

964. *Id.* at 490-91.

965. *Id.* at 491 (quoting Warner-Lambert Co. v. Northside Dev. Corp., 86 F.3d 3, 6 (2d Cir. 1996)).

966. *Id.*

967. *Id.*

York law obligated it to honor warranties on the watches nonetheless.[968]

Finally, and adopting an even harder line toward the plaintiff's allegations of likely confusion, the court rejected the plaintiff's argument that the watches were not genuine because they allegedly had been manufactured as part of a production overrun. According to the court, "[t]he mere fact of unauthorized production alone is insufficient to satisfy the consumer confusion element. Unauthorized production is not a separate category of nongenuineness, but is merely a predicate for confusion-causing activities such as interference with quality control or the application of a warranty."[969] Especially because the plaintiff's efforts to establish likelihood of confusion through more conventional means were equally deficient,[970] its trademark-based claims were dismissed at the pleadings stage.[971]

(C) Survey Evidence of Actual or Likely Confusion

Although the outright exclusion of survey evidence in infringement litigation is generally the exception, rather than the rule, one plaintiff's survey fell so short of the mark that it merited that treatment.[972] The survey had been commissioned to document confusion between the alleged trade dress of the plaintiff's high-end handbags and the defendants' lower-priced models of the same goods. The plaintiff's expert used a modified sequential array study in which respondents were first exposed to four of the plaintiff's bags, two of which were black and red, and each of which

968. *Id.* at 491-92.

969. *Id.* at 492 (citation omitted).

970. After its first amended complaint was dismissed for failure to state a claim—the salient allegation in that pleading being that some of the watches sold by the defendants "may" bear counterfeit imitations of the plaintiff's mark, *id.* at 488—the plaintiff tried again, but the allegations of infringement in its second amended complaint also were fatally defective. The plaintiff's claim that "a single watch it purchased from [the defendant] was stolen from a lot of genuine . . . watches bound for its Latin American distributor and that at least one [other] watch was not intended to be sold or distributed in the United States," *id.* at 489, was the first to fall: According to the court, "[t]hese allegations indicate that something went awry somewhere along the path between the manufacturer of the . . . watch and its ultimate intended destination in the Latin America, but these allegations do not support the elements of trademark infringement or false designation of origin claims." *Id.* at 489. The court also rejected the argument that the sale of the plaintiff's watches at a discount through the defendants' website was likely to cause confusion, noting both the defendants' prominent disclaimer of affiliation and that the plaintiff's description of the site established the absence of competition between the parties. *Id.* Particularly because the complaint failed to allege that the defendants' customers were so unsophisticated that they did not appreciate that the defendants were not authorized retailers of the plaintiff's watches, dismissal for failure to state a claim was appropriate. *Id.*

971. *Id.* at 493.

972. *See* Brighton Collectibles, Inc. v. RK Tex. Leather Mfg., 923 F. Supp. 2d 1245 (S.D. Cal. 2013).

featured large heart-shaped ornaments. Respondents then examined four similar bags made by other manufacturers, including one of the lead defendants' bags. When asked which, if any, of the bags in the second array were "made, sponsored, or endorsed" by the same company that made the first set of bags, 89 percent of respondents reputedly identified the defendants' bag.[973] The court acknowledged that was a "high number" of positive responses, but it quickly identified one reason for that result, which was that, of the bags in the second array, "only the Defendants' handbag was two-color (black and brownish-red) with heart decorations."[974] Not surprisingly, it concluded that "[a] line-up in which only one bag shares the most prominent and eye-catching features—two colors and silver hearts—improperly suggested to the participants that Defendants' bag was the 'correct' answer."[975] The survey's failure to use a control was mere icing on the cake.[976]

Another court teed up its exclusion of survey results by identifying four criteria as relevant to the results' admissibility, namely, whether:

> (1) the proper universe was examined and the representative sample was drawn from that universe; (2) the survey's methodology and execution were in accordance with generally accepted standards of objective procedure and statistics in the field of such surveys; (3) the questions were leading or suggestive; (4) the data gathered were accurately reported; and (5) persons conducting the survey were recognized experts.[977]

The survey in question had been commissioned by the plaintiff to measure the extent of confusion caused by the allegedly similar appearances of the parties' infrared thermometers, and the court found that the survey was fatally flawed because it targeted the wrong universe of respondents and because it used an improper control. As to the first of these issues, the plaintiff's expert screened for respondents likely to shop at stores selling the parties' thermometers, but he claimed the low frequency of sales precluded the identification of respondents actually "in the market."[978] The court rejected this explanation on the grounds that "a party may

973. *Quoted in id.* at 1257.

974. *Id.*

975. *Id.*

976. *Id.* at 1257-58.

977. Medisim Ltd. v. BestMed LLC, 861 F. Supp. 2d 158, 166 (S.D.N.Y. 2012) (quoting Louis Vuitton Malletier v. Dooney & Bourke, Inc., 340 F. Supp. 2d 415, 433 (S.D.N.Y. 2004), *vacated on other grounds*, 454 F.3d 108 (2d Cir. 2006) (alterations omitted) (citation omitted).

978. *Id.* at 179.

not simply excuse itself from surveying the relevant universe of respondents because it is difficult to assemble an appropriate sample of that population" and that "[i]f one credits this statement and makes the reasonable assumption that digital thermometer users own their devices, the logical conclusion is that such persons are not likely to purchase a digital thermometer within a reasonable timeframe."[979] The court's treatment of the control was no less rough: Because the control did not exist in the marketplace and because it shared only undefined "certain characteristics" with the defendant's product, its use was "deeply troubling[] and indicative of a serious flaw in the design of [the] survey."[980] Overall, the court found, "because each flaw goes to a fundamental element of the survey rather than an issue on the periphery, their combined impact is too insignificant to overlook . . . ."[981]

Although escaping exclusion, a more conventional sequential array survey—this one conducted by a plaintiff's expert over the Internet—failed to convince the court reviewing it to enter a preliminary injunction.[982] The plaintiff's mark was STEAK UMM, used in connection with frozen sliced steak, while the defendant used its STEAK 'EM-UP mark as the name of a local pizzeria and grocery store at which sandwiches, including steak sandwiches, were sold. Participants in the survey were first exposed to a box used by the plaintiff and then to the "names of three restaurants in the Philadelphia area, Larry's Steaks, Philly Steak & Gyro Co, and either Steak 'EM-Up (in the test group) or The Steak Out (in the control group)."[983] If respondents gave positive responses to questions about whether the restaurants in the second cell served or used the goods they had seen in the first cell, they were then asked "Why do you say that?" and "Are there any other reasons?"[984] If respondents gave negative answers to the first question, they were asked about a possible affiliation between the restaurants in the second cell and the plaintiff, followed by the same two follow-up questions.[985] According to the plaintiff's expert, the net rate of responses reflecting confusion was 12.9 percent.[986]

979. *Id.*

980. *Id.* at 180.

981. *Id.*

982. *See* Steak Umm Co. v. Steak 'Em Up, Inc., 868 F. Supp. 2d 415 (E.D. Pa. 2012).

983. *Id.* at 432.

984. *Quoted in id.* at 433.

985. *Id.*

986. *Id.*

The court did not find that figure convincing in and of itself,[987] but it went further to find that the survey's results were entitled to even less weight because of various flaws in the methodology that had produced them. One such flaw was that respondents were not exposed to how the restaurant names in the second cell actually appeared in the marketplace, but instead saw those names only in block letter form.[988] Another was that the control question—"Why do you say that?"—did not account for guessing because "[a]t the time the respondent was asked [the question], the only stimulus he or she had to derive the right answer was the name 'Steak 'Em-Up.'"[989] The court then faulted the plaintiff's expert for using "The Steak Out" as a control stimulus because, although it was the name of an existing restaurant, "'Steak n Shake' or 'Steak 'n Bake' are better control stimuli because they look and sound more similar."[990] Things did not improve for the plaintiff where the pattern of the survey's questions was concerned: Because respondents who answered "no" to a question about whether the restaurants in the second cell served or used the plaintiff's goods were then asked about a possible affiliation between the parties, the survey allowed the plaintiff's expert "to have 'two bites at the apple' to yield favorable results for his client."[991] The "final

987. *See id.* at 429 ("Even if this Court accepted [the plaintiff's expert's] flawed survey of 12.9% likelihood of confusion, given the lack of [anecdotal evidence of] actual confusion, this factor would weigh in favor of the Defendant.").

988. As the court explained:

> The first issue with [the plaintiff's] survey is that it was conducted online and using only the name of Steak 'Em–Up. It did not incorporate [the defendant's] logo or the packaging that accompanies its take-out products, menus, and street sign. This is not how a consumer would encounter the party's products in a real world setting and this set-up undermines the effectiveness of the survey. The block text is divergent from the conditions in which a consumer would encounter "Steak 'Em–Up" in commerce. To order an item from "Steak 'Em–Up," a consumer will inevitably have had to look at the menu. In order to shop at Steak 'Em–Up for convenience items, a consumer would view the signs of the logo and name at the store location. Perhaps, a more effectively designed survey could include screen shots of the parties' websites, product packaging or even the styled text from each company's logos.

Id. at 435-36.

989. *Id.* at 436. The court elaborated on this point with the following observation:

> When the respondent answers "the names" (or some variation suggesting that he or she based his or her answer on the similarity in names), it does not show whether the respondent was simply guessing. Rather, the significance of a respondent giving a reason connected with the actual stimulus is a non sequitur because the respondent had no other criteria on which to base his or her response. The only stimulus available to the respondents was the name of the restaurants. To give a reason akin to "I gave you my answer because of the names" is not a control, it's a mere explanation of how they saw the stimuli and does not indicate how the Respondents would see the stimuli in the real world versus the survey world.

Id.

990. *Id.*

991. *Id.* at 437.

problem," according to the court, was that, based on his first question to respondents, the plaintiff's expert "did not estimate the likelihood of confusion in the traditional sense[;] rather, he estimated whether consumers were likely to believe that [the defendant] *serves* or *uses* Steak Umm products."[992] Of this, the court concluded that:

> Whether a steak shop purchases and uses or sells Steak Umm products does not necessarily demonstrate source confusion. A hypothetical consumer may believe that [the defendant] is simply a vendor or seller of Steak Umm's frozen steaks and hamburgers but that there is no affiliation, no agency, no connection, and no relationship between the two. Because [the plaintiff's] expert failed to ask the connection/affiliation question to all consumers, his survey fails to show source confusion.[993]

The upshot of the analysis was that, "having no evidence demonstrating a reliable percentage of a likelihood of confusion, this Court gives no weight to the survey results."[994]

Not all confusion surveys met with judicial skepticism, however. For example, one court declined to disturb a jury verdict of infringement based in part on the results of surveys commissioned by the counterclaim plaintiff, the owner of the SEACRETS mark for restaurant, bar, and motel services.[995] The counterclaim defendant used the SECRETS mark as the name of a luxury beach resort, which led the counterclaim plaintiff's expert to devise a survey methodology that exposed respondents to photos of a luxury beach resort called SECRETS "[a]longside photos of several other luxury resorts with different names," followed by photos of the counterclaim plaintiff's SEACRETS hotel.[996] According to the expert, a net 29.8 percent of respondents believed the parties' businesses were affiliated, a figure surpassed by the results of the counterclaim plaintiff's second survey, which substituted a radio advertisement for the photograph of the counterclaim plaintiff's hotel as a stimulus and which yielded a net positive response rate of 33.9 percent.[997] Based on those results, the court concluded, a reasonable jury easily could have found that the actual confusion factor favored the counterclaim plaintiff.[998]

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992. *Id.*

993. *Id.*

994. *Id.*

995. *See* Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468 (D. Md. 2012).

996. *Id.* at 482 & n.9.

997. *Id.* at 482-83.

998. *Id.* at 489.

Considerably lower positive response rates were found probative of liability at the summary judgment stage in a different case.[999] There were two surveys at issue, both commissioned by the plaintiff. The first exposed respondents to the parties' marks as the marks appeared in the marketplace, while in the second "the marks were shown in a block letter format using a sans-serif typeface."[1000] According to the plaintiff's expert, the net confusion rates among respondents were 13.1 percent for the first survey and 11.7 percent for the second. Those positive responses were secured, however, only after the expert modified the stimuli used for his control groups to address "pre-existing consumer beliefs." That modification involved the addition of the language, "A company which is authorized to operate hospitals" below the plaintiff's mark and "A company which is authorized to issue health insurance policies" below the defendant's mark.[1001] This step was taken in response to what the plaintiff described as "extraordinarily high"[1002] levels of confusion among control group respondents, and it failed to result in the results being given reduced weight. Instead, construed in a light most favorable to the plaintiff, the results helped create a factual dispute as to the likelihood of confusion between the parties' marks that rendered summary judgment in the defendant's favor inappropriate.[1003]

(D) Effect of Disclaimers

One court reached mixed results when considering the significance of the defendant's disclaimers and labeling practices.[1004] The plaintiff before it was the Ford Motor Company, which objected to the use by the defendants, retailers of automobile wheels, of Ford's MUSTANG mark "in listings such as 'O.E. FORD MUSTANG WHEELS.'"[1005] In response to Ford's motion for summary judgment, the defendants argued that disclaimers in their advertising dispelled any confusion caused by that practice, but the court disagreed:

> Although such advertisements allegedly included disclaimers that [the defendants'] wheels were not affiliated with Ford, not being sufficiently prominently displayed, such

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999. *See* HealthONE of Denver, Inc. v. UnitedHealth Grp., 872 F. Supp. 2d 1154 (D. Colo. 2012).

1000. *Id.* at 1187.

1001. *Quoted in id.* at 1188.

1002. *Quoted in id.*

1003. *Id.* at 1189.

1004. *See* Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350 (M.D. Fla. 2012).

1005. *Id.* at 1364.

> disclaimers were insufficient to prevent actual customer confusion resulting from the reasonable impression created by the ad that the vendor was offering original equipment Ford wheels for sale.[1006]

In the same opinion, however, the court concluded that there was a factual dispute as to whether the defendants' use of a close imitation of a cobra design registered by Ford created a likelihood of confusion. Although not distinguishing between the parties' cobras themselves, the court noted that "[t]he [defendants'] design, with the term 'OE Racing' conspicuously superimposed upon the center cap and the term 'OE Wheel distributors' appearing three times around the perimeter, creates an impression distinct (although somewhat similar) from Ford's unadorned cobra mark."[1007] "Indeed," the court determined from the summary judgment record, "a reasonable juror could conclude that the [defendants'] design, which contains four recitations of [the lead defendant's] company names, conspicuously discloses the product's true origin and affiliation."[1008]

iii. Counterfeiting Matters

(A) Trafficking in Goods and Services Associated With Counterfeit Marks

Several opinions served up reminders of the narrowness of the definition of "counterfeit" under federal law.[1009] One came from the Second Circuit, which addressed the issue in a civil action in which the plaintiffs sought to enforce the rights to the stylized OWN YOUR POWER mark, registered for various services emphasizing motivation and self-awareness; the plaintiffs apparently also distributed written materials bearing the mark.[1010] The defendants used the same mark, albeit featuring different stylization, on the cover of a magazine, in social media, and as the title of an event focusing on motivation and self-awareness. Affirming the dismissal of the plaintiffs' counterfeiting claim for failure to state a claim, the Second Circuit concluded that the differences between the parties' respective uses precluded a successful allegation that the defendants had trafficked in goods or services under counterfeit imitations of the plaintiffs' mark: "[C]onsumers interact with a magazine and website visually, and would recognize the

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1006. *Id.*

1007. *Id.* at 1365.

1008. *Id.*

1009. *See, e.g.*, Wheel Specialties, Ltd. v. Starr Wheel Grp., 918 F. Supp. 2d 688, 696 (N.D. Ohio 2013) (denying plaintiff's motion for summary judgment based on conflicting factual record regarding defendant's intent).

1010. *See* Kelly-Brown v. Winfrey, 717 F.3d 295 (2d Cir. 2013).

differences between [the plaintiffs'] mark and the defendants' representations of the words 'Own Your Power' from a cursory visual inspection."[1011] The district court therefore had properly dismissed the action because "the font, color, and capitalization [of the plaintiffs'] mark differed from the offending uses made by defendants."[1012]

For its part, the Fourth Circuit held that federal criminal law's prohibition against knowingly trafficking in goods bearing counterfeit marks[1013] does not extend to the sale of originally genuine goods that have been altered to make them appear to be of a higher grade.[1014] The goods in question were *standard* CISCO-branded computer network switches, which the defendants altered and sold as *enhanced* computer network switches. The defendants did not, however, alter the mark affixed to the switches, and this detail led to their exoneration on appeal. According to the court:

> In order to subject a defendant to criminal liability under § 2320, the government must . . . show that the defendant knowingly trafficked in goods or labels bearing a spurious mark. The requirement of a spurious mark is problematic for the government's "material alteration" theory that [the defendants] obtained a genuine Cisco product bearing a genuine mark; modified the product, but not the mark; then sold the modified product bearing the genuine mark. The government's contention is that the modification (the material alteration) of the Cisco product to something other than the exact device Cisco originally manufactured transforms not only the genuine product into a counterfeit product but also the genuine mark into a spurious mark. We do not find that § 2320 can be properly read as the government contends without rewriting the statute: an act the Congress, but not this court, can undertake.[1015]

Of course, not all those accused of counterfeiting were able to take the easy way out.[1016] For example, one appeal before the Tenth Circuit arose from a plea bargain in which the defendant had pleaded guilty to violations of federal criminal law but was dissatisfied with the sentence imposed by the district court, which

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1011. *Id.* at 314-15.

1012. *Id.* at 315.

1013. The statute at issue was 18 U.S.C. § 2320 (2006), the current version of which appears at 18 U.S.C. § 2320 (2012).

1014. *See* United States v. Cone, 714 F.3d 197 (4th Cir. 2013).

1015. *Id.* at 207.

1016. *See* Desmond v. Chi. Boxed Beef Distribs., Inc., 921 F. Supp. 2d 872, 879-83 (N.D. Ill. 2013) (declining to grant motion to dismiss allegations of trafficking in goods bearing counterfeit mark against former distributor allegedly continuing to use plaintiff's mark).

reflected several enhancements.[1017] One objection raised by the defendant was that he had been improperly held accountable for his possession of boxes, booklets, and labels bearing the counterfeit marks in question in quantities corresponding to 10,000 units of weight-loss products containing undeclared pharmaceutical ingredients; rejecting the defendant's argument that this evidence established only an *attempt* to sell the products, the Tenth Circuit held that the district court had not erred in finding that the defendant would have completed the products' sale but for his arrest.[1018] The defendant's objection to a second enhancement based on his status as the leader of the endeavor similarly fell short of the mark in substantial part because of his admission against interest that "while he outsourced the fabrication of the various components of the drugs to associates in China, he was solely responsible for the overall manufacture and distribution of the counterfeit products."[1019] His awareness of FDA warnings about pharmaceutical products coming from China was similarly sufficient to sink his appeal of a third enhancement grounded in his conscious awareness that his conduct involved a risk of death or serious injury.[1020] Finally, the record before the district court justified an order to the defendant to pay the affected trademark owner restitution for expenses incurred in its response to the defendant's counterfeiting, which included "alerting consumers to the dangers posed by, and how to identify, the fraudulent drugs; monitoring and tracking consumer reports of the counterfeit product; and retaining the services of a public relations firm to assist with this crisis management."[1021]

The Supreme Court of Indiana proved equally unsympathetic to a pair of defendants convicted of felony counterfeiting under the laws of that state.[1022] The defendants had fallen afoul of law enforcement officials after they sold so-called "airsoft" guns, described by the court as "toy replicas that look like real guns, but shoot lightweight plastic pellets instead of metal BBs or live ammunition."[1023] Because their guns bore reproductions of the registered marks under which the originals were sold, the defendants were charged under a state statute criminalizing the counterfeiting of a "written instrument," defined as "a paper, a document, or other instrument containing written matter and

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1017. *See* United States v. Shengyang Zhou, 717 F.3d 1139 (10th Cir. 2013), *cert. denied*, 134 S. Ct. 458 (2013).

1018. *Id.* at 1148.

1019. *Id.* at 1150.

1020. *Id.* at 1152.

1021. *Id.* at 1153.

1022. *See* An-Hung Yao v. State of Indiana, 975 N.E.2d 1273 (Ind. 2012).

1023. *Id.* at 1275 n.1.

includes money, coins, tokens, stamps, seals, credit cards, badges, trademarks, medals, retail sales receipts, labels, or markings . . . , or other objects or symbols of value, right, privilege, or identification."[1024] As described by the court, the defendants' challenge to their convictions on appeal was grounded in the argument that "a written instrument must consist of a 'paper, a document, or other instrument containing written matter.'"[1025] Not surprisingly, the prosecution contended in response that "the phrase 'and includes money, coins, . . . labels or markings . . . etc.' modifies the term 'instrument containing written matter.'"[1026] The court held that "[w]e think the State has the better of the argument,"[1027]and it explained why:

> It seems clear enough to us that a handgun or rifle—just as an unsigned Monet painting, Frederick Remington sculpture, or Tiffany vase—could be subject to counterfeiting. To require actual writing or markings on a replica in order to bring it within the reach of the counterfeiting statute would defeat the purpose of the statute and eliminate a very wide range of items. We are not convinced the Legislature intended such a result.[1028]

At least some litigants accused of counterfeiting under civil causes of action also failed to escape unscathed.[1029] In one case producing a finding of liability at the summary judgment stage, the defendants' case was hobbled by their failure to respond timely to the plaintiffs' requests for admissions.[1030] They did, however, have at their disposal the argument that one of the marks appearing on their goods had been licensed to them by the owner of a federal registration covering the mark. The court was

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1024. Ind. Code § 35-43-5-1(t).

1025. *An-Hung Yao*, 975 N.E.2d at 1279.

1026. *Id.*

1027. *Id.*

1028. *Id.* at 1280.

Having gotten traction affirming the defendants' conviction for counterfeiting, the court went on to sustain their conviction for theft as well. The gravamen of that charge was that the defendants had unlawfully exercised control over the property of the mark owner at issue. Because Indiana law defined "property" as "anything of value," Ind. Code § 35-31.5-2-253(a), the court had little difficulty concluding that trademarks could fall within that definition. *An-Hung Yao*, 975 N.E.2d at 1281. The court also rejected the defendants' argument that, although their conduct may have constituted infringement, it did not amount to the exercise of unauthorized control; on the contrary, the court held, the defendants' conduct at least "encumbered" the mark in question. *Id.* at 1281-82.

1029. *See, e.g.*, Deckers Outdoor Corp. v. Does 1-100, 105 U.S.P.Q.2d 1894, 1897 (N.D. Ill. 2013) (granting motion for preliminary injunction based on plaintiff's submission of "extensive documentation showing that Defendants are selling counterfeit versions of [Plaintiff's branded] products").

1030. *See* Coach, Inc. v. Horizon Trading USA Inc., 908 F. Supp. 2d 426 (S.D.N.Y. 2012).

disinclined to hold that this circumstance excused the defendants' otherwise unlawful conduct, and it identified two reasons why. First, as used by the defendants, the mark in question was "unlike" its depiction in the certificate of registration covering it; on the contrary, the mark was either "substantially indistinguishable" from, or "identical to," the plaintiffs' mark.[1031] Second, even if the defendants had used the licensed mark as that mark was registered, "it does not follow, as defendants appear to suggest, that such use would preclude a finding of infringement of [the plaintiffs'] mark."[1032] Specifically, "[a]lthough the fact of registration with the PTO is prima facie evidence that that the mark is valid, and thereby confers a procedural advantage on the registrant, the opposing party can still 'overcome the presumption that the purchasing public perceives the mark to be inherently different.'"[1033]

(B) Wrongful Seizure

Although a plaintiff able to establish that a defendant has trafficked in goods bearing counterfeit imitations of the plaintiff's registered mark may be eligible for an ex parte seizure order under Section 34,[1034] Section 34(d)(11) provides that "[a] person who suffers damage by reason of a wrongful seizure . . . has a cause of action against the applicant for the order under which such seizure was made . . . ."[1035] Having had inventories of automotive wheels and wheel caps seized in an action by the Ford Motor Company, a group of defendants brought a counterclaim for wrongful seizure based on multiple alleged transgressions by Ford, namely that: (1) some of the goods seized were not covered by Ford's registrations; (2) the lead defendant was a reputable merchant; (3) Ford failed to disclose in its moving papers that the parties were in settlement negotiations; and (4) Ford unreasonably delayed in prosecuting its claims.[1036] Entertaining the parties' cross-motions for summary judgment, the court began its analysis by observing that "[i]n order to establish a claim for wrongful seizure, the claimant must show: (1) that the seizure was brought in bad faith; or (2) that the items seized were predominately legitimate."[1037] It then held that neither party was entitled to prevail as a matter of law under either prong

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1031. *Id.* at 434.

1032. *Id.* at 434 n.5.

1033. *Id.* at 434 n.5 (quoting Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc., 192 F.3d 337, 345 (2d Cir. 1999)).

1034. 15 U.S.C. § 1116 (2012).

1035. *Id.* § 1116(d)(11).

1036. *See* Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1372 (M.D. Fla. 2012).

1037. *Id.* at 1371.

of this test. With respect to the first, the summary judgment record demonstrated that:

> [A] reasonable juror could conclude that Ford sought to improperly seek an ex parte seizure in bad faith, i.e., knowing that it was not merited under the law and facts of this case. For example, a juror could conclude that Ford's primary interest in seeking the order was to seize wheels [bearing particular marks], that Ford knew that its federal registration did not cover such marks, that it was improper to seek a seizure of unregistered marks, and that Ford misled the Court into thinking that an ex parte seizure was nonetheless appropriate.
>
> On the other hand, viewing the evidence in a light most favorable to Plaintiff, a reasonable juror could conclude that Ford's alleged acts of misfeasance were, if not entirely proper, undertaken in a good faith effort to protect its legitimate registered marks. Accordingly, the Court concludes that there is a genuine issue of material fact with respect to whether Ford sought the ex parte seizure in bad faith.[1038]

Turning its attention to the second prong of the test, the court concluded that, because there was a factual dispute concerning whether at least some of the goods bore an unlawful mark, it could not determine as a matter of law whether the seized goods were predominately legitimate.[1039]

iv. Dilution

(A) Mark Fame and Distinctiveness

Applications of Section 43(c) in post-trial motions in Apple's highly publicized litigation against Samsung produced a split decision on the eligibility of Apple's smartphones and tablets for protection against likely dilution. In one opinion, the court declined to disturb a jury finding that the appearances of certain of Apple's phones were sufficiently famous that they qualified for protection prior to Samsung's introduction of its own models.[1040] Without describing the record evidence upon which it relied in any detail, the court concluded that "Apple's substantial press coverage prior to [the] release of Samsung's phones, together with Apple's later-collected survey evidence, provides substantial evidentiary support for the jury's finding that Apple's trade dresses were

1038. *Id.* at 1373.

1039. *Id.*

1040. *See* Apple, Inc. v. Samsung Elecs. Co., 920 F. Supp. 2d 1079 (N.D. Cal. 2013).

famous before Samsung's first sale of an accused diluting phone . . . ."[1041]

In a separate opinion, however, the court declined to address Apple's post-trial argument that it was entitled to judgment as a matter of law as to a tablet that the jury had found unprotectable in the first instance.[1042] Having found that there was sufficient evidence to support the jury's verdict, the court not surprisingly held that Apple was not entitled to claim Section 43(c)'s protection: "A nonprotectable trade dress cannot be . . . diluted. Accordingly, the Court does not reach Apple's motion for judgment as a matter of law or a new trial on . . . dilution."[1043]

As the latter of these outcomes suggests, a plaintiff unable to prove that its mark is distinctive in the first place is simply not in a position to assert a successful cause of action for actual or likely dilution.[1044] But the contrary proposition—that distinctiveness means mark fame—doesn't necessarily hold true under Section 43(c), and, indeed, several plaintiffs managed the relatively rare feat of having their federal dilution causes of action dismissed for failure to state claims.[1045] For example, a finding that one plaintiff's suggestive mark—BROTHERS OF THE WHEEL M.C. for motorcycle club services—failed to qualify for federal protection against likely dilution may have been a foregone conclusion at the proof stage of the proceedings, but that finding took place at the pleadings stage instead.[1046] Holding that the test for mark fame under Section 43(c) was "a rigorous standard, as it extends protection only to highly distinctive marks that are well-known throughout the country,"[1047] the court compared the plaintiff's averments to the statutory factors set forth in Section 43(c)(1)(A), and found them wanting:

> The plaintiff has provided the court with no information, data, or statistics demonstrating that its mark is widely recognized by the general consuming public of the United States to the

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1041. *Id.* at 1097-98.

1042. *See* Apple, Inc. v. Samsung Elecs. Co., 920 F. Supp. 2d 1116 (N.D. Cal. 2013).

1043. *Id.* at 1126.

1044. *See, e.g.*, Rockland Exposition, Inc. v. Alliance of Auto. Serv. Providers of N.J., 894 F. Supp. 2d 288, 325 (S.D.N.Y. 2012) (granting defense motion for summary judgment and dismissing plaintiff's cause of action under New York law).

1045. *See, e.g.*, Brain Pharma, LLC v. Scalini, 858 F. Supp. 2d 1349, 1357 (S.D. Fla. 2012) (dismissing motion to dismiss plaintiff's Section 43(c) claim on ground that "[t]here are no allegations [in the complaint] about the date that Defendants began using the [plaintiff's] BPI mark [for nutritional supplements] or that this use commenced after the mark became famous").

1046. *See* Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506 (S.D. W. Va. 2012).

1047. *Id.* at 539 (quoting Green v. Fonario, 486 F.3d 100, 105 (3d Cir. 2007)) (internal quotation marks omitted).

> same extent of the national [DUPONT, BUICK, and KODAK] brands [referenced in Section 43(c)'s legislative history]. The plaintiff has therefore failed to allege [the required] facts with sufficient detail and specificity.[1048]

A motion to dismiss advanced by a different defendant met with similar success.[1049] That defendant was accused of the likely dilution of a trade dress consisting of the appearance of an exercise trampoline, which, as defined by the plaintiff, included a federally registered word mark. The court found the plaintiff's allegations of mark fame deficient as a matter of law:

> In this case, Plaintiff does not plead sufficient facts to support the assertion that its trade dress is similarly famous. Although the Amended Complaint alleges that its trademark is registered, the Amended Complaint contains no facts concerning Plaintiff's advertising, the publicity of its trade dress or any facts beyond conclusory allegations suggesting its trade dress to be well recognized by the public. The Amended Complaint contends that Plaintiff's trade dress "has famously become a source identifier of the [plaintiff's trampoline] distinguishable from other trampling devices." However, the TDRA's inclusion of the phrase widely recognized by the general consuming public of the United States was intended to reject dilution claims based on niche fame, i.e. fame limited to a particular channel or trade, segment of industry or service, or geographic region. One of the major purposes of the TDRA was to restrict dilution causes of action to those few truly famous marks like Budweiser beer, Camel cigarettes, Barbie Dolls, and the like. The Amended Complaint fails to allege that the [the plaintiff's] trade dress is of comparable fame to warrant dilution protection under the TDRA, and Defendant's motion to dismiss the second cause of action is granted.[1050]

Yet another reported opinion also chose to dispose of a claim of mark fame under Section 43(c) at the pleadings stage.[1051] That mark was THE AMERICAN COLLEGE OF VETERINARY SPORTS MEDICINE AND REHABILITATION for veterinary educational services, abbreviated by the plaintiffs in their complaint (and apparently by the court in its opinion) to ACVSMR. In granting the defendants' motion to dismiss the plaintiffs' Section 43(c) cause of action, the court viewed as "inconsequential"

1048. *Id.*

1049. *See* Urban Grp. Exercise Consultants Ltd. v. Dick's Sporting Goods Inc., 106 U.S.P.Q.2d 1756 (S.D.N.Y. 2012).

1050. *Id.* at 1763-64 (alteration omitted) (citations omitted) (internal quotation marks omitted).

1051. *See* Lyons v. Gillette, 882 F. Supp. 2d 217 (D. Mass. 2012).

the failure of that cause of action to use the word "famous."[1052] Nevertheless, although the complaint *did* recite that the lead plaintiff had owned the mark for nearly two decades and that the mark was nationally and internationally renowned in the veterinary community, those allegations were fatally "insufficient."[1053] In particular, the court held, "[t]he fact that the 'ACVSMR' mark has acquired a strong secondary meaning and [is] an inherently distinctive designation 'is nowhere near sufficient to achieve the status of "famous mark."'"[1054]

Other courts proved more accepting of plaintiffs' claims of mark fame. These included a Tennessee federal district court, which found as a matter of law without an extended discussion of the record that the FORD mark was famous and distinctive for automotive parts.[1055] They also included a Virginia federal district court that found after a bench trial that the NEWPORT mark for cigarettes was sufficiently famous to qualify for protection under Section 43(c).[1056] Rather more generously, another court accepted as true, for purposes of plaintiff's motion to dismiss, the allegation that the plaintiff's MOO & OINK mark was famous and distinctive for meat products.[1057]

Of course, not all state dilution causes of action share Section 43(c)'s requirement of mark fame; instead a showing of mere distinctiveness will do the trick. Thus, for example, one court declined to grant a motion to dismiss a cause of action under the New York dilution statute[1058] on the ground that "Plaintiff has alleged exclusive ownership of [its trademarks], and that such trademarks are 'intimately associated with Plaintiff's goods and services serving to indicate source.'"[1059] Another court similarly denying a motion to dismiss concluded that the less stringent requirements of the Massachusetts dilution statute[1060] were met by the allegation that the lead plaintiff had used her mark "for more than fifteen years at conferences and research meetings at [the] national and international level[s]."[1061]

1052. *Id.* at 228.

1053. *Id.*

1054. *Id.* (quoting I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 47 (1st Cir. 1998)).

1055. *See* Ford Motor Co. v. Heritage Mgmt. Grp., 911 F. Supp. 2d 616, 629 (E.D. Tenn. 2012).

1056. *See* Lorillard Tobacco Co. v. Cal. Imps., LLC, 886 F. Supp. 2d 529, 536 (E.D. Va. 2012).

1057. *See* Desmond v. Chi. Boxed Beef Distribs., Inc., 921 F. Supp. 2d 872, 883-84 (N.D. Ill. 2013).

1058. N.Y. Gen. Bus. L. 360-l (McKinney 1996 & Supp. 2008).

1059. Ritani, LLC v. Aghjayan, 880 F. Supp. 2d 425, 450 (S.D.N.Y. 2012).

1060. Mass. Gen. Laws ch. 110H, § 13 (2011).

1061. Lyons v. Gillette, 882 F. Supp. 2d 217, 229 (D. Mass. 2012).

(B) Actual or Likely Dilution

(1) Actual or Likely Dilution by Blurring

Some plaintiffs successfully secured findings of likely dilution by blurring as a matter of law.[1062] One was the Ford Motor Company, which sought to enforce the rights to its flagship mark against a group of defendants that had purchased allegedly genuine FORD-branded automotive parts online, had repackaged those goods in boxes of the defendants' design and bearing the FORD mark, and had then resold the goods.[1063] The summary judgment record demonstrated that the defendants had failed to disclose the repackaging and, additionally, that the provenance of the goods was in serious doubt; at a minimum, the goods had not been subject to Ford's quality-control procedures. Apparently oblivious to the adoption of the likelihood-of-dilution standard of liability enacted by the Federal Dilution Revision Act,[1064] the court erroneously required Ford to prove the *actual* dilution of its mark. This error ultimately proved harmless, however, as the court concluded that the defendants' use of an identical reproduction of the FORD mark constituted dispositive circumstantial evidence of dilution.[1065]

Outside of the context of summary judgment motions, Apple secured a relatively rare finding of likely dilution by blurring of a series of product configurations in a jury trial against Samsung and then fended off a post-trial attack on that finding.[1066] The court offered the following summary of the evidence supporting the jury's verdict:

> Apple presented significant evidence that dilution by blurring was likely, including: (1) actual accused Samsung products that allegedly have iPhone-like appearances; (2) press reports discussing the similar appearances of the iPhone and the accused products; (3) testimony by [an] Apple expert . . . that Samsung's phones dilute Apple's trade dresses by blurring; (4) evidence of copying by Samsung; and (5) testimony of [another] Apple[] expert . . . that 37–38% of consumers associated Apple and Samsung smartphones. This collection of

1062. *See, e.g.*, Lorillard Tobacco Co. v. Ahmad's Pizza, Inc., 866 F. Supp. 2d 872, 879 (N.D. Ohio 2012) ("[T]he defendant offered for sale counterfeit cigarettes with mark nearly identical to [the plaintiff's] famous marks. This certainly contributed to the 'whittling away' of the trademarks' selling power.").

1063. *See* Ford Motor Co. v. Heritage Mgmt. Grp., 911 F. Supp. 2d 616 (E.D. Tenn. 2012).

1064. Pub. L. No. 109-312, 120 Stat. 1730 (codified as amended at 15 U.S.C. § 1125(c) (2012)).

1065. *Ford Motor Co.*, 911 F. Supp. 2d at 629-30.

1066. *See* Apple, Inc. v. Samsung Elecs. Co., 920 F. Supp. 2d 1079 (N.D. Cal. 2013).

> evidence constitutes substantial evidence in the record to support the jury's finding of dilution by blurring.[1067]

It was a bench trial that produced a finding of likely dilution in another case.[1068] The plaintiffs in it were the owner and licensee of the NEWPORT mark for cigarettes, while the defendants sold a smokable "spice" product under the NEWPROT mark and in packages featuring designs closely similar to those on the plaintiffs' packaging. The court found with respect to the first of the statutory factors set forth in Section 43(c)(2)(B)[1069] that "the defendants' mark is not only similar, but nearly identical to [the plaintiffs'] famous mark."[1070] The defendants were similarly disadvantaged by the court's finding that "[b]ased on the similarity of the products, it is clear that the defendants intended to trade on the goodwill and popularity of the [plaintiffs'] mark."[1071] Finally, the court accepted as proof of actual association between the parties' marks testimony by one of the defendants that he was worried about the legality of the defendants' conduct and that his customers were similarly concerned.[1072]

Still, however, some claims of likely dilution by blurring failed.[1073] Perhaps the most significant of these was the Section 43(c)-based challenge by Starbucks Corp. and its intellectual property licensing subsidiary to the use of a stylized bear design of CHARBUCKS BLEND and MR CHARBUCKS in connection with a "dark roasted blend" of coffee.[1074] Reviewing on a de novo basis the district court's determination that dilution was unlikely, the Second Circuit affirmed. As to mark similarity, the court declined to revisit its earlier affirmance of the district court's finding that the marks in question were only minimally similar,[1075] a consideration that weighed "heavily" in the defendant's favor.[1076] It then tackled the plaintiffs' showing on the issue of actual association between the parties' marks, which consisted of testimony by the defendant's principal that it had intended to create such an association and, additionally, of survey evidence. Addressing the first of these items, the court rejected the plaintiffs'

1067. *Id.* at 1097-98.

1068. *See* Lorillard Tobacco Co. v. Cal. Imps., LLC, 886 F. Supp. 2d 529 (E.D. Va. 2012).

1069. 15 U.S.C. § 1125(c)(2)(B) (2012).

1070. *Lorillard Tobacco*, 886 F. Supp. 2d at 536.

1071. *Id.*

1072. *Id.*

1073. *See, e.g.*, Brain Pharma, LLC v. Scalini, 858 F. Supp. 2d 1349, 1358-59 (S.D. Fla. 2012) (holding as matter of law, in cursory analysis, that defendants' resale of genuine goods bearing plaintiff's mark was not likely to dilute the mark's distinctiveness).

1074. *See* Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 736 F.3d 198 (2d Cir. 2013).

1075. *Id.* at 208.

1076. *Id.* at 211.

argument that the defendant's intent created a presumption of likely dilution because such a presumption "would effectively merge the intent to associate and the actual association factors, by making the former determinative of the latter, rather than treating them as distinct but related considerations";[1077] turning to the second, the court faulted the survey for failing to expose respondents to the parties' marks as they appeared in the marketplace[1078] and because only 3.1 percent of respondents answered "Starbucks" when asked "Can you name any company or store that you think might offer a product called "Charbucks?"[1079] All things considered, the court held, "[a]lthough the three factors of distinctiveness, recognition, and exclusivity favor [the plaintiffs] and bear to some degree on our assessment of the likelihood of dilution by blurring, the more important factors in the context of this case are the similarity of the marks and actual confusion."[1080]

In an application of its state's dilution statute,[1081] a panel of the Massachusetts Court of Appeals held that not all commentary bearing on a mark owner necessarily constitutes likely dilution of the mark owner's mark.[1082] The occasion of this holding was the defendant's production of a documentary that identified the principal of the plaintiff as having participated in the 1989 Tiananmen Square protests, as well as the defendant's placement on its website of links to information on the plaintiff. Although the action might have been resolved under a nominative fair use rubric, the court instead held that "[the defendant's] use of the [plaintiff's] mark does not dilute that mark's 'distinctive quality,' i.e., its link in the minds of consumers only to its owner. Instead, [the defendant's] use actually tends to reinforce that quality, since [the defendant] uses the mark only to refer to [the plaintiff] itself."[1083] As a consequence, the trial court properly had entered summary judgment in the defendant's favor.[1084]

(2) Actual or Likely Dilution by Tarnishment

"Dilution by tarnishment is an association arising from the similarity between a mark or trade name and a famous mark that

1077. *Id.* at 209.

1078. *See id.* at 209 ("Nor did the District Court err when it discounted the . . . survey evidence because the survey measured only how respondents reacted to the isolated word 'Charbucks,' rather than to the Charbucks Marks in context . . . .").

1079. *Id.* at 210-11.

1080. *Id.* at 212.

1081. Mass. Gen. Laws ch. 110H, § 13 (2011).

1082. *See* Jenzabar, Inc. v. Long Bow Grp., 977 N.E.2d 75 (Mass. Ct. App. 2012).

1083. *Id.* at 90.

1084. *Id.* at 91.

harms the reputation of the famous mark."[1085] In one of the few cases to address this theory of liability over the past year, the plaintiff successfully demonstrated that the defendants had trafficked in cigarettes bearing counterfeit imitations of the plaintiff's registered NEWPORT mark.[1086] The court's disposition of the plaintiff's motion for summary judgment of likely dilution was brief and one-sided:

> In the present case, it is undisputed that [the plaintiff's] genuine product tastes "better" than the counterfeit in question. [The plaintiff] has received reports from consumers and retailers alike of consumers returning NEWPORT® complaining of bad taste, only to find out that the cigarettes in question were counterfeit. In other words, [the plaintiff's] cigarettes taste like cigarettes should and non-genuine products do not. Therefore, the defendant is liable for dilution by tarnishment.[1087]

In a second case brought by the same plaintiff (and one of its affiliates) to protect the same mark, as well as the registered trade dress used in conjunction with the mark, the defendants used the NEWPROT mark and packaging closely similar to that of the plaintiffs in connection with a "spice" product comprising "a mix of dried herbs, flowers, tobacco leaves, and other substances, all of which are sprayed with a synthetic chemical similar to THC, the active ingredient in marijuana."[1088] The court noted both that the defendants had advertised their goods "to customers interested in 'legal highs'" and that "[a]t the same time, similar products were sparking controversy: media reports documented injuries and illnesses caused by synthetic marijuana, and lawmakers moved to ban the products."[1089] Based on these showings by the plaintiffs, the court found the defendants liable for violating Section 43(c) after a bench trial, explaining that "[w]hile the actual contents of NEWPROT may not be clear, its marketing as 'spice' created a likely association among NEWPROT, NEWPORT, and controversial synthetic marijuana."[1090]

In contrast, another allegation of likely dilution by tarnishment failed at the pleadings stage.[1091] The plaintiff asserting it was a manufacturer and seller of dietary and

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1085. Lorillard Tobacco Co. v. Ahmad's Pizza, Inc., 866 F. Supp. 2d 872, 879 (N.D. Ohio 2012).

1086. *Id.* at 876-77.

1087. *Id.* at 879 (citation omitted) (internal quotation marks omitted).

1088. Lorillard Tobacco Co. v. Cal. Imps., LLC, 886 F. Supp. 2d 529, 533 n.4 (E.D. Va. 2012).

1089. *Id.* at 537.

1090. *Id.*

1091. *See* Brain Pharma, LLC v. Scalini, 858 F. Supp. 2d 1349 (S.D. Fla. 2012).

nutritional supplements that objected to the defendants' resale of goods bearing its BPI mark. According to the theory of tarnishment advanced by the plaintiff's complaint, "Defendants' unauthorized sale of thirteen or more BPI products at deeply discounted prices has diluted the value of the BPI mark and diminished [the plaintiff's] reputation as a provider of reliable, high quality, cutting edge products."[1092] The court was unconvinced, and it held that "[m]erely reselling Plaintiff's genuine products at a discounted price does not constitute dilution by tarnishment. Indeed, if Plaintiff's dilution claim is premised solely on Defendants' resale of [the plaintiff's] products at discounted prices, the court doubts whether Plaintiff can ever state a trademark dilution claim."[1093]

v. Cybersquatting

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.[1094] 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.[1095]

(A) In Rem Actions

Perhaps in part because of the ready availability of the UDRP 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 two readily apparent examples of cases producing such opinions.[1096] The plaintiff in the first case manufactured high-end writing pens, which it sold under various registered MONTBLANC marks, while the defendants were 271 domain names incorporating that mark, many of which were associated with websites on which pens bearing counterfeit imitations of the mark. As a threshold matter, the court found on the plaintiff's motion for a default judgment that "plaintiff cannot obtain *in personam* jurisdiction over the

1092. *Quoted in id.* at 1358.

1093. *Id.* (citations omitted).

1094. *See* 15 U.S.C. § 1125(d) (2012).

1095. *See id.* § 1114(2)(D)(v).

1096. *See* Montblanc-Simplo GmbH v. Cheapmontblancpens.com, 104 U.S.P.Q.2d 1161 (E.D. Va. 2012).

registrants of the Infringing Domain Names. The registrants . . . are primarily located in or around China. These entities are outside the scope of *in personam* jurisdiction within the United States and there appears to be no alternative basis for jurisdiction in the United States."[1097] It also found that the plaintiff had adequately provided notice of the suit by advertising in the *Washington Times*.[1098] After then concluding that the plaintiff's marks were valid and that the defendant domain names were confusingly similar to those marks, the court turned to an examination of the factors set out in Section 43(d)(1)(B)(i)[1099] for evaluating whether the domain names were registered in bad faith:

> Based on these factors, the undersigned finds that the defendants have acted with a bad faith intent to profit from plaintiff's mark in violation of the ACPA. They have no intellectual property rights in the Infringing Domain Names. The websites at those domain names generally offer and sell counterfeit products to the consuming public under the MONTBLANC marks. The goods offered at the Infringing Domain Names' sites are confusingly similar to that available at plaintiff's www.montblanc.com site. This evidences an intent to divert consumers from plaintiff's site in a way that could tarnish the goodwill represented by plaintiff's MONTBLANC mark. Finally, defendants supplied false contact information when registering the Infringing Domain Names, thus demonstrating a bad faith intent to profit from plaintiff's MONTBLANC mark.[1100]

The plaintiff's motion for a default judgment therefore was well-taken.[1101]

In contrast, a District of Columbia federal district court weighing a different motion for a default judgment was wholly unreceptive to the plaintiff's claim that an exercise of in rem jurisdiction over the domain name at issue was appropriate.[1102] Under Section 43(d)(2)(A), "[t]he owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name."[1103] The plaintiff's choice of forum was based on the

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1097. *Id.* at 1162.

1098. *Id.*

1099. 15 U.S.C. § 1125(d)(1)(B)(i)(I)–(IX) (2012).

1100. *Montblanc-Simplo*, 104 U.S.P.Q.2d at 1164 (citations omitted).

1101. *Id.* at 1165.

1102. *See* Vizer v. Vizernews.com, 869 F. Supp. 2d 75 (D.D.C. 2012).

1103. 15 U.S.C. § 1125(d)(2)(A).

presence within the District of Columbia of an office of the Internet Corporation for Assigned Names and Numbers (ICANN), which the plaintiff argued qualified as one of the three categories of entities making in rem jurisdiction in that forum proper. The court disagreed, identifying several reasons why ICANN could not be considered to have registered or assigned the domain at issue. To begin with, "[w]hile ICANN has contractual relationships with entities, it does not 'make a record' itself of any domain name registered by a registrant."[1104] Likewise, "[i]n the domain name context, a domain name is "assigned," and the registry places the name into its database. . . . ICANN does not itself assign specific domain names to numeric internet protocol addresses or to registrants."[1105] In addition, "the plain language of the statute suggests that the term 'domain name authority' refers to the 'domain name registrar,' the 'domain name registry,' and other entities that have some authority over the domain name,"[1106] a consideration the court found significant because "[w]hile the statute is silent as to the specific definition of domain name authority, the statute itself makes clear that the phrase 'other domain name authority that registered or assigned the domain name,' covers only entities that perform the functions of the registrar and registry by registering or assigning domain names."[1107] Drawing further support from the ACPA's legislative history and case law "suggest[ing] that the location of a domain name registrar or registry fulfills the [relevant] requirement for *in rem* jurisdiction under [Section 43(d)(2)(A)],"[1108] the court dismissed the action altogether rather than entering the requested default judgment.[1109]

(B) In Personam Actions

Where in personam actions brought by mark owners are concerned, the ACPA generally provides for civil liability if a plaintiff can prove that (1) the defendant registered, trafficked in, or used a domain name; (2) the domain name is identical or confusingly similar to a protected mark owned by the plaintiff; and (3) the defendant acted with a bad faith intent to profit from that mark.[1110] The last of these requirements is governed by nine

1104. *Vizer*, 869 F. Supp. at 82 (quoting Black's Law Dictionary 1396 (9th ed. 2009)).

1105. *Id.*

1106. *Id.*

1107. *Id.*

1108. *Id.* at 83.

1109. *Id.*

1110. For an example of a court dismissing an *in personam* claim under the ACPA based on the plaintiff's failure to aver that the defendant actually had registered a domain name

factors found in Section 43(d)(1)(B)(i)[1111] 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."[1112]

That Section 43(d)(1)(B)(ii)'s carve-out matters was apparent in a district court opinion granting a defense motion for summary judgment of nonliability under the ACPA.[1113] The defendants were independent insurance agents who formerly had been authorized to sell the plaintiffs' products. Following their termination by the plaintiffs, the defendants registered a number of domains that incorporated the plaintiffs' marks; they then set up a website that promised to tell "the sad truth" about the plaintiffs' business practices.[1114] The defendants did not offer the domains for sale, whether to the plaintiffs or to third parties, nor did the website associated with the domains do anything more than criticize the plaintiffs; the summary judgment record also demonstrated that the defendants were not generally in the business of warehousing domains. Although it was undisputed that the defendants had provided false contact information in connection with at least some of the domains, that consideration was not enough to place the defendants' entitlement to summary judgment in dispute:

> After analyzing the relevant factors, the Court finds that [Plaintiffs] [have] failed to establish that Defendants acted with the required bad-faith intent to profit when they registered the domain names. Importantly, because the Website was not commercial, it was used only to criticize [Plaintiffs], and the Defendants never made any attempt to sell the domain names for profit, Defendants' actions do not fall within the scope of the ACPA. In other words, Defendants' "conduct is not the kind of harm that [the] ACPA was designed to prevent."[1115]

The same result—the grant of a defense motion for summary judgment—held in a dispute arising from another business relationship gone wrong.[1116] When negotiations between the parties for a loan agreement collapsed, the defendant registered a

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corresponding to the plaintiff's mark, see *Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan,* 909 F. Supp. 2d 506, 540 (S.D. W. Va. 2012).

1111. 15 U.S.C. § 1125(d)(1)(B)(i) (2012).

1112. *Id.* § 1125(d)(1)(B)(ii).

1113. *See* Aviva USA Corp. v. Vazirani, 902 F. Supp. 2d 1246 (D. Ariz. 2012).

1114. *Quoted in id.* at 1252.

1115. *Id.* at 1268 (quoting TMI, Inc. v. Maxwell, 368 F.3d 433, 440 (5th Cir. 2004)).

1116. *See* Jalin Realty Capital Advisors, LLC v. A Better Wireless, NISP, LLC, 917 F. Supp. 2d 927 (D. Minn. 2013).

single domain based on the plaintiff's service mark and then established a website accessible at that domain. According to the court, the defendant "used the website to warn others about what it perceived to be [the plaintiff's] nefarious business practices,"[1117] and this undisputed fact led to a holding that "[the plaintiff's] claim fails because [the plaintiff] has presented no evidence that would allow a reasonable jury to conclude that [the defendant] acted with a 'bad faith intent to profit.'"[1118] Indeed, the court observed, "[b]ecause the record is devoid of evidence that [the defendant] intended to profit from its website, the Court does not need to address each of the nine factors in the non-exhaustive list that courts may consider, even though some of them arguably cut in favor of finding bad faith."[1119]

Despite these outcomes, some plaintiffs did successfully prosecute in personam causes of action under the ACPA.[1120] On their side of the ledger, one court granted a temporary restraining order against defendants that had incorporated the plaintiff's ISANYONEUP mark for a computer-based social networking service into such domain names as *isanyoneup.net*, *isanyoneupnudes.com*, and *isanyoneupvideo.com*, all of which redirected to a website featuring what court characterized as "involuntary pornography."[1121] The first stops for the court en route to a finding that the plaintiff was likely to prove a violation of the ACPA were its conclusions that the plaintiff's mark was inherently distinctive and that the defendants' domain names were identical or closely similar to that mark.[1122] The court then dispensed with a factor-by-factor analysis of the defendant's intent in registering the challenged domain names, finding in rather conclusory fashion that:

> Defendants use the alleging infringing domain names to direct consumers to [their] website. Thus, Defendants have the apparent intent to divert consumers from Plaintiff's website with the result of creating confusion among consumers as to the source, sponsorship, affiliation, or endorsement of Defendants' website. Additionally, the entire mark is incorporated in each of the Defendants' allegedly infringing

1117. *Id.* at 933.

1118. *Id.* at 936 (citation omitted).

1119. *Id.*

1120. *See, e.g.*, Deckers Outdoor Corp. v. Does 1-100, 105 U.S.P.Q.2d 1894, 1898 (N.D. Ill. 2013) (entering preliminary injunction based on showing that "many of Defendants' Accused Domain Names directly incorporate [Plaintiff's mark] and Defendants use copyrighted photographs of [Plaintiff's] products and logos in order to sell counterfeit versions of them").

1121. *See* ViaView Inc. v. Blue Mist Media, 105 U.S.P.Q.2d 1304 (D. Nev. 2012). The court otherwise did not elaborate on the defendants' business model.

1122. *Id.* at 1307.

> domain names. These factors in particular weigh heavily in favor of finding a high likelihood that Plaintiff will establish the requisite bad faith.[1123]

If those defendants chose to live dangerously, a self-styled "domainer," whose business model was based on the acquisition of "high value" domain names, did them one better.[1124] Not only did he register *trumpabudhabi.com*, *trumpbeijing.com*, *trumindia.com*, and *trumpmembai.com* as domain names, he filed a declaratory judgment action against the real estate developer and hotelier Donald J. Trump seeking findings that he had neither infringed Trump's federally registered TRUMP mark for various goods and services nor violated the ACPA. The wheels of justice did not grind slowly: The court found that it was Trump who was entitled to relief, and it therefore granted Trump's motion for summary judgment. This outcome was not seriously in doubt, as the domainer's only remotely credible argument was that visitors to the websites accessible at his domain names were exposed to disclaimers of affiliation with Trump. Even that argument, however, founded on the well-established principle that, in an in rem action under the ACPA, the relevant inquiry is whether the challenged domain name is confusingly similar to the mark it incorporates, not whether the content of any website associated with the domain name is likely to cause (or dispel) confusion.[1125]

Another plaintiff's victory took the form of a default judgment entered after the court determined that the plaintiff's complaint contained all the recitations necessary to establish liability under the ACPA.[1126] First and foremost, those recitations included the allegations that the defendants had registered the *wecosignusa.com* domain name and that that domain name was confusingly similar to the plaintiff's WECOSIGN mark. Beyond that, according to the court's reading of the plaintiff's complaint, "Plaintiff alleges that Defendants' registration of the . . . domain was done in bad faith with the intention to profit from Plaintiff's Mark. Moreover, Plaintiff specifically alleges that Defendants knowingly provided false contact information to the domain name registrar, which is a statutory factor for bad-faith intent."[1127] Because the plaintiff had adequately pleaded a prima facie case of liability, it was entitled to prevail as a matter of law.[1128]

These holdings notwithstanding, a defendant's scienter obviously is a question of fact that does not always lend itself to

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1123. *Id.* at 1308.

1124. *See* Web-Adviso v. Trump, 927 F. Supp. 2d 32, 36 (E.D.N.Y. 2013).

1125. *Id.* at 41.

1126. *See* Wecosign, Inc. v. IFG Holdings, Inc., 845 F. Supp. 2d 1072 (C.D. Cal. 2012).

1127. *Id.* at 1080.

1128. *Id.*

disposition without the benefit of a fully developed trial record. One court making that point did so by denying a motion for summary judgment of liability under the ACPA.[1129] The domain name at issue was *bbpallc.com*, which was owned by an economics and real estate consulting firm operating under the BBP, BBP LLC, and BBP & ASSOCIATES LLC marks. The last names of the defendants' two principals were Basile and Prost, both of whom previously had worked for the plaintiff, a competitor with prior use of the BBPC and BBPC ASSOCIATES marks. According to the defendants, their domain name was based on the surnames of their principals and was not identical to the plaintiff's mark, and they had not registered multiple domain names, had not provided false information during the registration process, and not offered their domain name for sale. That wasn't enough for the court, which observed that the defendants' domain name was closely similar to the plaintiff's mark and that the domain name contained an unexplained extra "b," which a jury might reasonably find was intended to invoke the name of one of the plaintiff's principals. Moreover, the court noted:

> The evidence also shows that Basile and Prost left the [plaintiff] to form [their business], [that business] provides substantially similar services, both [parties] are located in Annapolis, and the [defendants'] website has posted lists of awards and client testimonials that were verbatim or nearly identical to lists in the [plaintiff's] marketing materials. From this, a jury could reasonably infer that the Defendants intended to divert customers from the [Plaintiff] by creating a likelihood of confusion about the source of [the Defendants'] site.[1130]

In addition to the provisions of the ACPA applicable to mark owners, federal law also recognizes a cause of action available to individuals whose personal names have been misappropriated and registered as domains.[1131] Two defendants with a penchant for living dangerously placed themselves well within the statute's scope when the lead defendant registered thirty-two domains based on either the personal name of the lead plaintiff, or those of his immediate family members.[1132] She then contacted the lead plaintiff, a media consultant, advising him of her actions and offering to him her "reputation management services." When the lead plaintiff understandably declined to accept her proposal, she advertised one of the domains for sale for a modest $5 million. Although acknowledging the "extraordinary" nature of the relief

1129. *See* Basile Baumann Prost Cole & Assocs. v. BBP & Assocs., 875 F. Supp. 2d 511 (D. Md. 2012).

1130. *Id.* at 533 (citations omitted).

1131. *See* 15 U.S.C. § 8131 (2012).

1132. *See* Randazza v. Cox, 920 F. Supp. 2d 1151 (D. Nev. 2013).

sought by the plaintiffs' motion for a preliminary injunction, the court did not hesitate to grant the motion. The preliminary injunction record may not have included direct evidence of a bad-faith intent to profit, but, as the court found:

> Here, Defendants' actions leading up to the filing of the Complaint, as well as Defendants' past behavior, . . . clearly seems to indicate cyber-extortion. Specifically, [the lead] Defendant['s] request for $5 million in exchange for [the domain offered for sale] and her offering of "reputation management services" indicate her intent to profit from the registration of Plaintiffs' personal names as Domain Names. Defendant's post hoc attempt to explain this as a "joke" is not credible. Given the fact that the Defendant has been shown to have engaged in a pattern of cybersquatting and cyber-extortion, this Court finds that she was more likely than not[] attempting to sell this domain name to the plaintiff, or to solicit a price for the domain name in excess of her out of pocket expenses related to the domain name. Thus, for these reasons, the Court finds that Plaintiffs are likely to succeed in establishing that Defendants had the intent to profit from the registration of the Domain Names.[1133]

2. Passing Off and Reverse Passing Off

Channeling the Supreme Court's opinion in *Dastar Corp. v. Twentieth Century Fox Film Corp.*,[1134] the Eleventh Circuit distinguished between passing off and reverse passing off in the following manner: "Passing off (or palming off, as it is sometimes called) occurs when a producer misrepresents his own goods or services as someone else's . . . . Reverse passing off, as its name implies, is the opposite: The producer misrepresents someone else's goods or services as his own."[1135] Addressing the requirements for liability under the latter tort, another court clarified that the referenced misrepresentation must take place in commerce to be actionable.[1136]

Dastar loomed large over claims for reverse passing off during the past year, usually to the detriment of their proponents.[1137] For

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1133. *Id.* at 1157-58 (citation omitted).

1134. 539 U.S. 23 (2003).

1135. Suntree Tech., Inc. v. Ecosense Int'l, Inc., 693 F.3d 1338, 1347 (11th Cir. 2012) (quoting *Dastar*, 539 U.S. at 27 n.1).

1136. In particular, an allegation that a defendant has placed its own label on a product manufactured by the plaintiff will not constitute reverse passing off if there is no evidence that the defendant subsequently resold the product. CheckPoint Fluidic Sys. Int'l, Ltd. v. Guiccione, 888 F. Supp. 2d 780, 793 (E.D. La. 2012).

1137. *See, e.g.*, Shelton v. MRIGlobal, 104 U.S.P.Q.2d 1344, 1346 (D. Colo. 2012) (invoking *Dastar* and dismissing for failure to state a claim cause of action for reverse passing off after determining that "plaintiffs' Lanham Act claim appears to turn largely on the allegation

example, *Dastar* underlay the dismissal for failure to state a claim of one plaintiff's cause of action, apparently brought under Section 43(a)(1)(A), that the defendants had falsely represented themselves as the origin of a coin-grading system allegedly created by the plaintiff: According to the court, "[t]he Defendants are not required under trademark law to credit the creative source behind a mark or good—such an obligation is imposed only in the realms of copyright and patent law."[1138] The court then turned its attention to the plaintiff's fallback argument that the defendants had violated Section 43(a)(1)(B) by misrepresenting the nature, characteristics, or qualities of the disputed grading system. The court acknowledged that *Dastar* had left open the possibility of a Section 43(a)(1)(B) claim against the copier of a communicative product that "used advertising or promotion to give consumers the impression that its product was 'quite different,'"[1139] but it wasn't inclined to recognize the one advanced by the plaintiff. Instead, the court held, the plaintiff's claim was "nothing more than a repackaging of the false designation of origin claim" under Section 43(a)(1)(A);[1140] what's more, because the plaintiff had never marketed his own grading system, the public could not have been misled into believing that the defendants' system was different from that of the plaintiff.[1141]

A claim of reverse passing off placed before the Eleventh Circuit similarly failed as a matter of law.[1142] The gravamen of the plaintiff's cause of action was that the lead defendant had featured photographs of the plaintiff's product in a promotional brochure and in a maintenance manual for its own product. Affirming the district court's entry of summary judgment in the defendants' favor, the appellate court adopted a doctrinal test for reverse passing off for the first time. Citing approvingly to Sixth Circuit case law to similar effect,[1143] the court held the relevant inquiry to turn on an application of the two of its standard likelihood-of-confusion factors, namely, the defendant's intent and the existence of actual confusion.[1144] Because the plaintiff had been unable to adduce any evidence or testimony in its favor under those factors

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that defendants used a 'derivative work' of their copyrighted material without proper attribution"); Dorchen/Martin Assocs. v. Brook of Cheboygan, Inc., 838 F. Supp. 2d 607, 615-16 (E.D. Mich. 2012) (dismissing for failure to state a claim allegation of reverse passing off grounded in defendants' copying of architectural plans).

1138. Blake v. Prof'l Coin Grading Serv., 898 F. Supp. 2d 365, 383-83 (D. Mass. 2012).

1139. *Id.* at 384 (quoting *Dastar*, 539 U.S. at 38).

1140. *Id.*

1141. *Id.*

1142. *See* Suntree Techs., Inc. v. Ecosense Int'l, Inc., 693 F.3d 1338 (11th Cir. 2012).

1143. *See* Johnson v. Jones, 149 F.3d 494, 503 (6th Cir. 1998).

1144. *See Suntree*, 693 F.3d at 1348.

in response to the defendants' motion for summary judgment, the district court had properly found no liability as a matter of law.[1145]

Nevertheless, not all invocations of *Dastar* rebounded to the benefit of defendants. In one case, the plaintiffs were publishers of textbooks and accused the defendant not only of copyright infringement but also of falsely representing to the trade that the defendant's texts were equivalent to those of the plaintiffs and had been authorized by the plaintiffs.[1146] Distinguishing the Supreme Court's earlier decision while rejecting a defense motion to dismiss for failure to state a claim, the court explained "[t]he [*Dastar*] Court's holding . . . addressed only the applicability of section 43(a)(1)(A) to reverse passing off claims, which occurs when a producer misrepresents someone else's goods as his or her goods. [The plaintiff in that case] did not assert a claim under section 43(a)(1)(B), the false advertising prong of the Lanham Act."[1147] It then concluded that:

> Plaintiffs' complaint goes beyond a simple allegation of copying. Contrary to Defendant's argument, Plaintiffs' Lanham Act claims are not clearly duplicative because they are not based solely on alleged copying [of Plaintiffs' texts]. Here, Plaintiffs have pleaded that Defendant falsely represented that it offers a digital version of Plaintiffs' textbooks or something equivalent. As such, Plaintiffs have alleged a misrepresentation and therefore have stated a claim under section 43(a)(1)(B).[1148]

In another case recognizing the limits of *Dastar*'s holding, the plaintiffs were the producers of a highly successful video game, which they alleged the defendants had copied.[1149] The defendant unsuccessfully moved for summary judgment on the plaintiff's copyright and trade dress claims against it by arguing that the appearance and operation of the plaintiffs' game were functional and therefore unprotectable under either body of law. It also, however, attacked the plaintiffs' trade dress cause of action as "preempted" by *Dastar*. The court rejected that theory as well. As it explained, "[p]laintiffs are not merely restating their copyright claim under the Lanham Act, but their trade dress claims are meant to address the consumer confusion that developed because [the defendant] packaged and advertised its game in the same manner as [the plaintiffs' game]."[1150]

1145. *See id.*

1146. *See* Pearson Educ., Inc. v. Boundless Learning, Inc., 919 F. Supp. 2d 434 (S.D.N.Y. 2013).

1147. *Id.* at 438.

1148. *Id.* at 438-39.

1149. *See* Tetris Holding, LLC v. XIO Interactive, Inc., 863 F. Supp. 2d 394 (D.N.J. 2012).

1150. *Id.* at 416.

3. False Advertising

Outside the Second Circuit, most courts continued to apply a doctrinal test for false advertising that required plaintiffs to make five showings to prevail, namely, that:

> (1) the defendant made a false or misleading description of fact or representation of fact in a commercial advertisement about his own or another's product; (2) the misrepresentation is material, in that it is likely to influence the purchasing decision; (3) the misrepresentation actually deceives or has the tendency to deceive a substantial segment of its audience; (4) the defendant placed the false or misleading statement in interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the misrepresentation, either by direct diversion of sales or by a lessening of goodwill associated with its products.[1151]

Although one panel of the Eleventh Circuit applied this test,[1152] another adopted an expanded, but substantively identical, version of it:

> To establish a prima facie case of false advertising . . . , a plaintiff must establish that the defendant:
>
> 1. Uses a false or misleading
> A. Description of fact or
> B. Representation of fact;
> 2. In interstate commerce;
> 3. And in connection with goods or services;
> 4. In commercial advertising or promotion;

1151. E. W., LLC v. Rahman, 896 F. Supp. 2d 488, 506 (E.D. Va. 2012) (quoting Scotts Co. v. United Indus., 315 F.3d 264, 272 (4th Cir. 2002) (citations omitted)); *see also* Millennium Labs. v. Ameritox, Ltd., 924 F. Supp. 2d 594, 603 n.20 (D. Md. 2013); Apple, Inc. v. Amazon.com Inc., 915 F. Supp. 2d 1084, 1087 (N.D. Cal. 2013); Genzyme Corp. v. Shire Human Genetic Therapies, Inc., 906 F. Supp. 2d 9, 14-15 (D. Mass. 2012); H&R Block E. Enters. Inc. v. Intuit Inc., 105 U.S.P.Q.2d 1899, 1900 (W.D. Mo. 2013); Jurin v. Google Inc., 104 U.S.P.Q.2d 1480, 1483-84 (E.D. Cal 2012); Cascade Yarns, Inc. v. Knitting Fever, Inc., 905 F. Supp. 2d 1235, 1246 (W.D. Wash. 2012); Tempur-Pedic Int'l Inc. v. Angel Beds LLC, 902 F. Supp. 2d 958, 968 (S.D. Tex. 2012); Marvelous Day Elec. (S.Z.) Co. v. Ace Hardware Corp., 900 F. Supp. 2d 835, 841 (N.D. Ill. 2012); Design Res., Inc. v. Leather Indus. of Am., 900 F. Supp. 2d 612, 616 (M.D.N.C. 2012); Shell v. Am. Family Rights Ass'n, 899 F. Supp. 2d 1035, 1060 (D. Colo. 2012); Basile Baumann Prost Cole & Assocs. v. BBP & Assocs., 875 F. Supp. 2d 511, 529 (D. Md. 2012); L-3 Commc'ns Corp. v. Jaxon Eng'g & Maintenance, Inc., 863 F. Supp. 2d 1066, 1082 (D. Colo. 2012); Greenspan v. Random House, Inc., 859 F. Supp. 2d 206, 219 (D. Mass.), *aff'd*, No. 12-1594, 2012 WL 5188792 (1st Cir. Oct. 16, 2012), *cert. denied*, 133 S. Ct. 2013); Coleman & Coleman Enters. v. Waller Funeral Home, 106 So. 3d 309, 317 (Miss. 2012).

1152. *See* Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes & of Malta v. Fla. Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, the Ecumenical Order, 702 F.3d 1279, 1294 (11th Cir. 2012).

5. When the description or representation misrepresents the nature, qualities [or] geographic origin of
   A. The defendant's foods [sic], services or commercial activities or
   B. The goods, services or commercial activities of another person;
6. And plaintiff has been or is likely to be damaged by these acts.[1153]

Similarly, at least one application of Second Circuit law relied on the traditional five-part test,[1154] but others turned on a less complicated standard: "Lanham Act § 43(a)(1) may be violated by advertising that is either 'literally false,' or when 'the advertisement, while not literally false, is nevertheless likely to mislead or confuse consumers.'"[1155] Whatever the standard might be, one California federal district court held that a claim of false advertising under the Lanham Act sounded in fraud and therefore was subject to the heightened pleading requirements of Rule 9 of the Federal Rules of Civil Procedure.[1156]

a. False Statements of Fact in Commercial Advertising and Promotion

i. Actionable False Statements of Fact

It is possible to base a finding of false advertising on an allegedly misleading mark,[1157] but a summary judgment opinion in Apple's dispute with Amazon.com over the latter's use of "Appstore" demonstrated why such findings are the exceptions to

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1153. Suntree Techs., Inc. v. Ecosense Int'l, Inc., 693 F.3d 1338, 1348-49 (11th Cir. 2012) (quoting 5 J. Thomas McCarthy § 27:24 (4th ed. 2007) (footnotes omitted)).

1154. *See* Merck Eprova AG v. Brookstone Pharmaceuticals, LLC, 920 F. Supp. 2d 404 (S.D.N.Y. 2013).

1155. Hall v. Bed Bath & Beyond, Inc., 705 F.3d 1357, 1366 (Fed. Cir. 2013) (quoting Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 112 (2d Cir. 2010)); *see also* Pearson Educ., Inc. v. Boundless Learning, Inc., 919 F. Supp. 2d 434, 437-38 (S.D.N.Y. 2013) ("A claim under the Lanham Act for false advertising requires allegations that: (1) the advertisement is literally false, or (2) although the advertisement is literally true, it is likely to deceive or confuse consumers."); Pamlab, L.L.C. v. Macoven Pharms., L.L.C., 881 F. Supp. 2d 470, 473 (S.D.N.Y. 2012) ("A plaintiff bringing a false advertising claim under the Lanham Act can advance two alternative theories. The first is that the challenged advertisement is literally false. . . . [The second is that] [a] statement in advertising may be literally true but may nevertheless violate the Lanham Act because it is likely to deceive or confuse customers; this is an impliedly false claim.").

1156. *See* Transfresh Corp. v. Ganzerla & Assoc., 862 F. Supp. 2d 1009, 1017-18 (N.D. Cal. 2012).

1157. *See, e.g.*, Tempur-Pedic Int'l Inc. v. Angel Beds LLC, 902 F. Supp. 2d 958, 968-69 (S.D. Tex. 2012) (declining to dismiss for failure to state a claim a false advertising cause of action based on defendants' use of plaintiff's marks on website).

the rule.[1158] Apple's complaint asserted that that use "constitutes a false advertisement that misrepresents the nature, characteristics and qualities of Amazon's mobile download service and/or deceives or has a tendency to deceive a substantial segment of consumers into believing that Amazon's service has the nature, characteristics, and/or qualities of Apple's APP STORE service."[1159] The court disagreed, and it held instead that "[t]he mere use of 'Appstore' by Amazon to designate a site for viewing and downloading/purchasing apps cannot be construed as a representation that the nature, characteristics, or quality of the Amazon Appstore is the same as that of the Apple APP STORE."[1160] A finding of nonliability as a matter of law followed.[1161]

ii. Actionable Commercial Advertising and Promotion

(A) Opinions Reaching or Affirming Findings of Actionable Commercial Advertising and Promotion

The requirement that a defendant accused of false advertising have engaged in actual "commercial advertising and promotion" did not prove to be much of a hurdle for some plaintiffs. Chief among them was a manufacturer of high-speed turbo fans used by water-treatment plants.[1162] That plaintiff objected to a competitor's use of a deck of slides and accompanying tables accusing the plaintiff of having made inaccurate representations about the efficiency of the plaintiff's blowers during a previous sales pitch. The plaintiff's federal false advertising claim was dismissed following a bench trial, because, in the estimation of the Illinois federal district court hearing the case, the defendant's conduct did not fall within the scope of Section 43(a). That disposition did not survive the scrutiny of the Seventh Circuit, however, which noted that "[a] classic advertising campaign is not the only form of marketing embraced by the statutory term 'commercial advertising or promotion.'"[1163] Specifically, "[i]f 'advertising or promotion' just means advertising,' then 'promotion' would do no work in the statute."[1164] Because the parties competed in an industry "in which promotion—a systematic communicative endeavor to persuade possible customers to buy the seller's product—takes a form other

1158. *See* Apple, Inc. v. Amazon.com Inc., 915 F. Supp. 2d 1084 (N.D. Cal. 2013).

1159. *Quoted in id.* at 1087 (internal quotation marks omitted).

1160. *Id.* at 1090.

1161. *Id.* at 1090-91.

1162. *See* Neuros Co. v. KTurbo, Inc., 698 F.3d 514 (7th Cir. 2012).

1163. *Id.* at 522.

1164. *Id.*

than publishing or broadcasting,"[1165] and because the defendant had in any case posted the offending materials on its website,[1166] the fact that the offending materials were not available to the general public was of limited significance.[1167] Accordingly, the court reversed and remanded the district court's finding of nonliability.[1168]

Although the Seventh Circuit's treatment of the issue did not turn on the application of a doctrinal test, the same was not true of opinions from other courts.[1169] Those included a Massachusetts federal district court, which applied the First Circuit's four-factor test for distinguishing between actionable commercial advertising and promotion, on the one hand, and the nonactionable dissemination of information, on the other:

> To qualify as a commercial advertisement, "a 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.'"[1170]

The representations at issue were contained in a press release by two related pharmaceutical companies favorably comparing the effectiveness in a clinical trial of a preparation they offered to that of a competing preparation offered by the plaintiff. Although conceding that scientific research was protected by the First Amendment, the plaintiff successfully convinced the court in response to a motion to dismiss that the defendants' secondary dissemination of data generated by the defendants' research did not qualify as protected speech. This outcome was driven by the plaintiff's averments that the press release in question "was not a scientific publication," that it identified the parties' competing

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1165. *Id.*

1166. *Id.*

1167. *Id.* at 523 ("There is no basis for limiting the Lanham Act to advertising or promotion directed to the *general* public, and the case law does not do that.").

1168. *Id.*

1169. *See, e.g.*, Merck Eprova AG v. Brookstone Pharmaceuticals, LLC, 920 F. Supp. 2d 404, 416-17 (S.D.N.Y. 2013) ("[T]he touchstone of whether a defendant's actions may be considered 'commercial advertising or promotion' under the Lanham Act is that the contested representations are part of an organized campaign to penetrate the relevant market. Proof of widespread dissemination within the relevant industry is a normal concomitant of meeting this requirement." (alteration in original) (quoting Fashion Boutique of Short Hills, Inc. v. Fendi USA, Inc., 314 F.3d 48, 57 (2d Cir. 2002) (internal quotation marks omitted)).

1170. Genzyme Corp. v. Shire Human Genetic Therapies, Inc., 906 F. Supp. 2d 9, 15 (D. Mass. 2012) (quoting Podiatrist Ass'n, Inc. v. La Cruz Azul de Puerto Rico, Inc., 332 F.3d 6, 19 (1st Cir. 2003)).

products by name, and that it listed the stock symbol of one of the defendants on its first page.[1171]

An application of the same four-part test allowed allegations of false advertising by a seller of imitation leather products to survive the pleadings stage.[1172] The allegedly false statements, which appeared in a *Furniture Today* article, were made by a researcher for the lead defendant, a trade association, at the instigation of one of the defendants, a competitor of the plaintiff. The researcher's comments did not expressly identify the plaintiff by name, but they cast doubt on whether certain products were properly described as made of "bonded leather" and the plaintiff's claim to be the market leader in those products. Although the fact that the challenged statements appeared in a third-party article, rather than in traditional advertisements, might have made the plaintiff's false advertising cause of action a good candidate for dismissal, the court gave the plaintiff the benefit of the doubt: "Whether Plaintiff can establish sufficient facts to support a finding that all of the elements of the . . . test [for commercial advertising or promotion] are met is more appropriately addressed at summary judgment or at trial. Plaintiff's allegations are sufficient to plausibly state a claim at this stage of the proceedings."[1173]

(B) Opinions Reaching or Affirming Findings of No Actionable Commercial Advertising and Promotion

Not all allegations that a defendant had engaged in actionable "commercial advertising and promotion" brought home the bacon.[1174] For example, the Eleventh Circuit took a skeptical view of a claim that a defendant's incorporation of photographs of a plaintiff's product into two documents constituted independent acts of commercial advertising and promotion.[1175] The first document was a sales brochure, but, in response to the defendants' motion for summary judgment, the plaintiff failed to adduce any evidence or testimony that the brochure had ever been distributed to actual or potential customers of the parties. The second document was a maintenance brochure prepared at the request of one of the lead defendant's customers, which, the court noted, "was

1171. *Id.* at 16-17.

1172. *See* Design Res., Inc. v. Leather Indus. of Am., 900 F. Supp. 2d 612 (M.D.N.C. 2012).

1173. *Id.* at 620.

1174. *See, e.g.*, Millennium Labs. v. Ameritox, Ltd., 924 F. Supp. 2d 594, 602 n.19 (D. Md. 2013) (referring to past finding that a written "elevator speech" by the defendant did not fall within the scope of Section 43(a) because "[t]his internal marketing piece was insufficiently disseminated to the target audience to qualify as 'commercial advertising or promotion' under the Lanham Act").

1175. *See* Suntree Techs. v. Ecosense Int'l, Inc., 693 F.3d 1338 (11th Cir. 2012).

not created to promote or advertise [the lead defendant's] products, but for training customers who had already purchased the product."[1176] Because neither document qualified as commercial advertising and promotion, the district court had properly found no liability as a matter of law.[1177]

At the trial-court level, a false advertising claim grounded in the defendants' deliberately inaccurate online announcement that the plaintiffs had withdrawn from sale a book authored by the lead plaintiff foundered on a motion to dismiss for failure to state a claim.[1178] The court's conclusion to this effect was heavily influenced by the political nature of the parties' dispute: The book in question was a "birther" manifesto attacking President Obama's qualifications to hold the post, while the defendants' posting attributed to the lead defendant a belated recognition that the book's allegations were "bullshit."[1179] The court noted that "[e]very circuit that has addressed the issue has found that the Lanham Act restricts only commercial speech, as commercial speech is entitled to reduced protection under the First Amendment."[1180] Although the plaintiff contended that the parties were commercial competitors because they were in the same business of published commentary, the court was unmoved by that argument, holding instead that the defendants' post "was satirical speech on a matter of public interest and not commercial speech. . . . Because the expression cannot be characterized as commercial speech, the Lanham Act does not apply . . . ."[1181]

A different claim of commercial advertising and promotion similarly struck out as a matter of law in an Eighth Circuit district court.[1182] Its subject was a sign posted by the defendant, an operator of grain warehouses and milling facilities, that the defendant would not accept seeds for a transgenic variety of corn that the plaintiff produced. Weighing the defendant's motion for summary judgment, the court held that "[t]hree factors govern whether the 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."[1183] For purposes of its motion, the defendant

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1176. *Id.* at 1349.

1177. *Id.*

1178. *See* Farah v. Esquire Magazine, Inc., 863 F. Supp. 2d 29 (D.D.C. 2012), *aff'd*, 736 F.3d 528 (D.C. Cir. 2013).

1179. *Quoted in id.* at 33.

1180. *Id.* at 40.

1181. *Id.* at 41.

1182. *See* Syngenta Seeds, Inc. v. Bunge N. Am., Inc., 906 F. Supp. 2d 827 (N.D. Iowa. 2012).

1183. *Id.* at 836 (quoting Porous Media Corp. v. Pall Corp., 173 F.3d 1109, 1120 (8th Cir. 1999) (internal quotation marks omitted).

contested only the first of these factors, arguing that notices of its refusal to purchase transgenic corn of the sort offered by the plaintiff did not implicitly propose another transaction. This proved to be the court's view as well, and it disposed of the plaintiff's false advertising claim with the holding that "as a matter of law, a statement of refusal to enter into a certain transaction, standing alone, is not a *proposal* of any transaction, and, hence, is not commercial speech."[1184]

Finally, it was the Tenth Circuit's test for commercial advertising and promotion that led to the dismissal at the pleadings stage of allegations of false advertising grounded in the defendants' online posting of unpleasant comments about the plaintiff and her written work.[1185] To be actionable under that test, the court held:

> [T]he [accused] representation [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; and (4) the representations need not be made in a "classic advertising campaign" but must be disseminated sufficiently to the relevant purchasing public to constitute "advertising" or "promotion" within that industry.[1186]

Because the plaintiff's averments failed to establish that the defendants were in commercial competition with the plaintiff or that the defendants' comments had been made to promote the sale of any goods or services, it was not enough, as the plaintiff's complaint did in conclusory form, to characterize those comments as "advertisements." Instead, the court concluded, her false advertising cause of action failed to state a claim upon which relief could be granted.[1187]

iii. Falsity

(A) Literally False Statements of Fact

The Sixth Circuit had the opportunity to opine on the nature of literally false statements of fact and did so in the following manner:

> A literally false message may be either explicit or conveyed by necessary implication when, considering the advertisement in its entirety, the audience would recognize the claim as readily

1184. *Id.* at 838 (internal quotation marks omitted).

1185. *See* Shell v. Am. Family Rights Ass'n, 899 F. Supp. 2d 1035, 1060 (D. Colo. 2012).

1186. *Id.* at 1060-61 (quoting Procter & Gamble Co. v. Haugen, 222 F.3d 1262, 1273-74 (10th Cir. 2000)).

1187. *Id.* at 1061-62.

> as if it had been explicitly stated. The greater the degree to which a message relies upon the viewer or consumer to integrate its components and draw the apparent conclusion, however, the less likely it is that a finding of literal falsity will be supported.[1188]

Another court adopted a similarly restrictive definition of literal falsity:

> For an advertisement to be literally false, the falsity must be evident from the face of the ad itself. An advertisement cannot be said to be literally false if the advertising message is ambiguous, meaning that it is susceptible to two reasonable readings, one of which is literally true. Moreover, an advertisement is not literally false if the advertising message is literally true but misleading.[1189]

The court articulating the second of these restatements did so in the context of a suit between competitors in the urine drug-testing industry. The defendant had represented that its product could "tell," "verify," or "determine" whether patients were taking their pain medications in the prescribed doses.[1190] Based in part on a verdict from an advisory jury,[1191] the court found that these statements were literally false "because they unequivocally" claimed success for the product,[1192] when, in fact, even the defendant admitted that the product would incorrectly identify five percent of patients tested as failing to take their medications.[1193] A second representation by the defendant, namely, that a cohort of test patients had been "known adherent," also was literally false because it incorrectly "suggested that the patients had been rigorously monitored in a controlled clinical setting"[1194] and because, once again, the defendant admitted that "the . . . cohort probably includes some non-compliant individuals."[1195]

In an opinion applying Second Circuit law, the Federal Circuit rather generously accepted a claim of literal falsity, albeit in an opinion reversing the dismissal of that claim at the pleadings stage.[1196] The allegedly literally false representation at issue was

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1188. Innovation Ventures, LLC v. N.V.E., Inc., 694 F.3d 723, 735-36 (6th Cir. 2012) (citations omitted) (internal quotation marks omitted).

1189. Millennium Labs. v. Ameritox, Ltd., 924 F. Supp. 2d 594, 600 (D. Md. 2013) (footnote omitted).

1190. *Quoted in id.* at 605.

1191. The jury's findings were merely advisory because "[l]iteral falsity . . . is a matter of law to be decided by the Court." *Id.* at 602 n.18.

1192. *Id.*

1193. *Id.* at 599.

1194. *Id.* at 605.

1195. *Id.* at 599 n.9.

1196. *See* Hall v. Bed Bath & Beyond, Inc., 705 F.3d 1357 (Fed. Cir. 2013).

the defendants' assertion that a particular "tote towel" they sold would give users "performance that lasts the useful lifetime of the towel."[1197] The district court credited the plaintiffs' allegation that one of the defendants' towels the plaintiffs had purchased was damaged after a single washing, but it nevertheless concluded at the pleadings stage that the defendants had engaged in mere puffery. The Federal Circuit disagreed, holding that:

> We conclude [the plaintiffs] [have] pleaded a plausible claim of falsity, whether literal or by necessary implication. Defendants' advertising of 'performance that lasts the useful lifetime of the towel" implies that the towel will not fall apart after a single wash or a few washes. . . .
>
> . . . .
>
> . . . [The defendants'] claim of lasting performance is stated as a fact; it is not "blustering" or "boasting," and does not sound like "puffery."[1198]

In contrast, another plaintiff's allegations of literally false advertising failed at the summary judgment stage.[1199] The gravamen of those allegations was that the defendants had misrepresented the cashmere and milk fiber content of their yarn products. The court held that the laboratory test results underlying the plaintiff's claims were inadmissible, however, which left the plaintiff very much in the lurch. Although it pointed to other record evidence purportedly establishing the falsity of the defendants' representations, its explanations of the significance of much of that evidence were fatally deficient as far as the court was concerned.[1200] The court was similarly unwilling to accord weight to various references by the defendants to possible problems regarding the content of their yarn in light of the defendants' ultimate conclusion that no such problems existed.[1201] With no admissible evidence of falsity in the summary judgment record, the defendants were entitled to a finding of infringement as a matter of law.[1202]

The rejection of claims of literal falsity also occurred in the denial of a motion for a preliminary injunction in a suit between manufacturers of competing dietary supplements.[1203] One

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1197. *Quoted in id.* at 1366.

1198. *Id.* at 1367, 1368.

1199. *See* Cascade Yarns, Inc. v. Knitting Fever, Inc., 905 F. Supp. 2d 1235 (W.D. Wash. 2012).

1200. *See, e.g.*, *id.* at 1241 ("The Court cannot speculate what [the plaintiff] seeks to demonstrate by this exhibit.").

1201. *Id.* at 1243-46.

1202. *Id.* at 1246-48.

1203. *See* Pamlab, L.L.C. v. Macoven Pharms., L.L.C., 881 F. Supp. 2d 470 (S.D.N.Y. 2012).

allegation advanced by the plaintiffs was that the defendants had placed their goods on the market without first substantiating the active ingredient information on their labels; that failed to make the grade after later tests confirmed that the information was accurate.[1204] The court then dismissed the plaintiffs' challenge to the methodology used to calculate the expiration dates on the defendants' labels based on a lack of scientific consensus concerning the methodology that should be used.[1205] With the plaintiffs failing to offer any factual support for their final theory of liability, namely, that the defendants had improperly described their goods as prescription dietary supplements, the court found that they were unlikely to prevail on the merits and denied their bid for preliminary injunctive relief.[1206]

(B) Literally True but Misleading Statements of Fact

Even under the forgiving de novo standard of review applicable to appeals from entry of summary judgment, the Sixth Circuit declined to disturb a finding that as a matter of law a counterclaim defendant's advertising was not literally false but instead only misleading in context.[1207] The representation in question arose from the counterclaim defendant's success in securing a product recall in an action against a third party to protect the trade dress of the counterclaim defendant's 5-HOUR ENERGY energy shot product. The third party used the brand names 6 HOUR ENERGY SHOT and 6 HOUR ENERGY! for its directly competitive products, and this led the counterclaim defendant to announce its victory to the trade in a press release with the banner headline "RECALL OF '6 HOUR' SHOT ORDERED."[1208]

Entertaining an appeal by the counterclaim plaintiff, which sold a 6 HOUR POWER energy shot and averred it had been damaged by the counterclaim defendant's press release, the appellate court acknowledged that "[r]ead narrowly, this could be literally false—only a product specifically called '6 Hour Energy Shot' was recalled, not any energy shot whose name contained the words '6 Hour.'"[1209] Moreover, by instructing readers that "[i]f you have any of the '6 Hour' energy shots in your store(s) or warehouse(s) contact the product's manufacturer or your distributor to return the product immediately,"[1210] the press

1204. *Id.* at 478.

1205. *Id.* at 478-79.

1206. *Id.* at 479.

1207. *See* Innovation Ventures, LLC v. N.V.E., Inc., 694 F.3d 723 (6th Cir. 2012).

1208. *Quoted in id.* at 734.

1209. *Id.* at 736.

1210. *Quoted in id.* at 734.

release suggested "that *any* shot bearing the name '6 Hour' was subject to recall."[1211] Because of its view that only an unambiguous message could be literally false, however, the court was unwilling to fault the district court for refusing to place the counterclaim defendant' press release into that category; rather, "[w]hile it is a close question whether the notice is literally false, we cannot say that it is unambiguously so."[1212]

The same outcome held after a bench trial in the Southern District of New York on the false advertising claim of a manufacturer of a folate product known as methyl-tetrahydrofolate.[1213] Methyltetrahydrofolate occurs in two stereochemical forms, "L-methylfolate" and "D-methylfolate," but only L-methylfolate is known to have beneficial effects. When the plaintiff developed a process for producing methyltetrahydrofolate consisting of 99 percent L-methylfolate and only 1 pecent D-methylfolate—both stereoisomers normally occur with equal frequency in synthesized methyltetrahydrofolate—the resulting product not surprisingly came to dominate the market for methyltetrahydrofolate sales to manufacturers of finished nutritional supplements incorporating methyltetrahydrofolate. That dominance began to slip, however, once the defendants, themselves manufacturers of finished nutritional supplements based on ordinary synthesized methyltetrahydrofolate, began to label their goods as containing L-methylfolate without disclosing that the goods contained D-methylfolate in equal amounts. According to the plaintiff, the defendants compounded the misleading nature of this information by referring on their labels to the brand names of goods manufactured by third parties with the plaintiff's "pure" L-methylfolate. The result of these actions, the plaintiff averred, was that pharmaceutical databases "linked" the parties' goods, leading pharmacists to substitute the defendants' goods for those made by the plaintiff's customers.[1214]

1211. *Id.*

1212. *Id.* at 737.

1213. *See* Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404 (S.D.N.Y. 2013).

1214. According to the court:

> In the pharmaceutical industry, "pharmaceutical substitution" is the process by which a pharmacist chooses to dispense a different product—generally a less expensive, generic product—in place of the product specifically prescribed by a healthcare professional. The process of "pharmaceutical substitution" begins when a pharmaceutical database . . . collects product information from pharmaceutical manufacturers for entry into their electronic data banks. Based on the information provided by the manufacturers—such as labels and package inserts—databases then decide whether to "link" products containing the same ingredients. Databases generally "link" products that contain the same active ingredients, and generally do not "link" products whose ingredients differ. This is because a "link" is meant to inform pharmacies and health care professionals that a generic product is an appropriate substitute for a brand name prescription. Once databases collect product

Because the defendants' goods did, in fact, contain L-methylfolate in the weight disclosed by the defendants' labels, the court found that the information on the labels was "susceptible to more than one reasonable interpretation" and therefore not literally false.[1215] Nevertheless, it also found that same information was implicitly false based in part on the results of two surveys commissioned by the plaintiff. The first survey, which targeted pharmacists and physicians, demonstrated to the court's satisfaction that a net 21 percent of pharmacist respondents and a net 11 percent of physician respondents exposed to the defendants' labels believed that the goods associated with them were produced from pure L-methylfolate such as that in the plaintiff's methyltetrahydrofolate.[1216] The second survey questioned pharmacists as to whether two goods produced by the defendants were appropriate substitutions for corresponding goods produced by customers of the plaintiff's pure L-methylfolate, and it yielded positive net results of 35.3 percent and 42 percent.[1217] Under these circumstances, the court concluded, it had "little difficulty concluding that the surveys demonstrate that 'a substantial percentage of consumers are taking away the message that the plaintiff contends the advertising is conveying.'"[1218]

b. Actual Deception or Likely Deception

The distinction between advertising that is literally false, on the one hand, and advertising that is literally true but misleading, on the other, is an important one. According to one court:

> Where statements are literally true yet deceptive or too ambiguous to support a finding of literal falsity, a violation can only be established by proof of actual deception. A plaintiff relying on statements that are literally true yet misleading cannot obtain relief by arguing how consumers could react; it must show how consumers actually do react. On the other hand, where statements are literally false, a violation may be established without evidence that the statements actually

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information and make linking choices, the information is then sent to pharmacies and health care professionals who use the data—often in conjunction with state law governing pharmaceutical substitutions—to decide whether to substitute one product for another.

Id. at 414-15 (citations omitted).

1215. *Id.* at 418 (quoting Time Warner Cable, Inc. v. DIRECTV, Inc., 497 F.3d 144, 158 (2d Cir. 2007)) (internal quotation marks omitted).

1216. *Id.* at 419.

1217. *Id.* at 419-20.

1218. *Id.* at 420 (quoting Procter & Gamble Co. v. Ultreo, Inc., 574 F. Supp. 2d 339, 421 (S.D.N.Y. 2008)).

> misled consumers. Actual deception is presumed in such cases.[1219]

Another court elaborated on this point:

> If a plaintiff accuses an advertisement as literally true but misleading, it must offer extrinsic evidence showing that the challenged advertisement tends to mislead or confuse consumers. In almost all Lanham Act cases, such extrinsic evidence consists of a scientific survey demonstrating that target consumers were actually misled by the challenged advertising. In rare instances, stark evidence of a defendant's intent to deceive the purchasing public may relieve a Lanham Act plaintiff of its obligation to present evidence of confusion. In either case, consumer confusion or intent to deceive must normally be resolved by the finder of fact, meaning a jury unless both sides consent to a bench trial.[1220]

Having been unable to convince a district court and the Sixth Circuit that its opponents had engaged in literally false advertising,[1221] one counterclaim plaintiff was forced by this standard to prove actual deception; but, at least as to that issue, it enjoyed better luck. The district court entered summary judgment of nonliability after concluding that the counterclaim defendants' announcement of a court-ordered recall of a third-party's goods had not deceived the intended audience into believing that the counterclaim plaintiff's goods were subject to the recall. Based on the summary judgment record, the Sixth Circuit found ample evidence and testimony to the contrary, including, inter alia, that: (1) "[the counterclaim plaintiff] and its distributors received a number of calls from convenience stores and truck stop retailers—the very people that received the recall notice—who wanted to return [the counterclaim plaintiff's goods]";[1222] (2) "[o]ne . . . employee [of the counterclaim plaintiff] stated that the notice caused a 'huge nightmare' and the phones were 'blowing off the hook' with calls to return the product";[1223] (3) the counterclaim plaintiff "claimed that at least one sales program—which involved a 'road trip' to place corrugated display tops 'all over New Jersey'—'just died' after the recall notice";[1224] (4) the counterclaim plaintiff's distributors had sent out corrective notices that the counterclaim

1219. Innovation Ventures, LLC v. N.V.E., Inc., 694 F.3d 723, 735 (6th Cir. 2012) (citations omitted) (internal quotation marks omitted).

1220. *See* Millenium Labs. v. Ameritox, Ltd., 924 F. Supp. 2d 594, 600 (D. Md. 2013) (citations omitted).

1221. *See Innovation Ventures*, 694 F.3d at 735-37.

1222. *Id.* at 737.

1223. *Id.*

1224. *Id.* at 737-38.

plaintiff's products were not subject to the notice;[1225] and (5) "many distributors called to stop buying [the counterclaim plaintiff's goods] after the notice was issued."[1226] After rejecting the district court's conclusion that the counterclaim plaintiff's evidence of customer and retailer confusion was inadmissible hearsay,[1227] the appellate court therefore vacated the entry of judgment as a matter of law in the defendants' favor on the ground that "[t]here is more than enough evidence to survive summary judgment."[1228]

Another court addressed the issue of consumer deception in the context of a motion for failure to state a claim.[1229] The allegedly false advertising at issue was a press release in which the defendants compared the effectiveness of their pharmaceutical preparation to that of the plaintiff's competing preparation. According to the defendants, the plaintiff had failed to aver sufficiently the required element of deception because the press release's audience comprised sophisticated medical experts. The court identified two reasons for rejecting this argument and denying the defendants' motion: (1) "a pharmaceutical manufacturer's selective promotion of favorable scientific information could be potentially misleading even to sophisticated and experienced doctors";[1230] and (2) "patients, who are less sophisticated, also constitute a segment of the relevant audience because they are the ultimate consumers of the prescribed medication."[1231] Consequently, "[a]t the pleading stage [the plaintiff] is entitled to the benefit of a presumption of consumer deception because it has alleged the dissemination of literally false statements."[1232]

1225. *Id.* at 738.

1226. *Id.* at 739.

1227. On this issue, the court explained that:

> First, the strict application of the rules of evidence to a claim that depends on showing customer confusion places too heavy a burden on [the counterclaim plaintiff]. Should we expect a sworn statement or affidavit from a retailer who calls into a distributor and claims to have been confused? Second, the phone calls were not relied on to show the content of the conversations, but rather were introduced merely to show that the conversations occurred and the state of mind of the declarants. The fact that so many people called [the counterclaim plaintiff] immediately after receiving the notice *at the very least* raises a genuine issue of material fact as to whether a significant portion of the recipients were misled.

Id. at 728 (citation omitted).

1228. *Id.* at 739.

1229. *See* Genzyme Corp. v. Shire Human Genetic Therapies, Inc., 906 F. Supp. 2d 9 (D. Mass. 2012).

1230. *Id.* at 17.

1231. *Id.*

1232. *Id.* at 17-18.

In a different case, the plaintiff adduced survey evidence that advertising by the defendants had deceived pharmacists and physicians into believing that the defendants' nutritional supplements were generic substitutes for supplements based on a pure isomer of methyltetrahydrofolate manufactured by the plaintiff.[1233] As an additional basis for a finding of deception, the court found that "[e]ven without the consumer surveys, . . .[the plaintiff] is entitled to a presumption of consumer deception because it has demonstrated that [the lead defendant] intentionally set out to deceive its consumer base."[1234] The trial record demonstrated that the defendants had manufactured their supplements from methyltetrahydrofolate comprising equal parts of the isomer sold by the plaintiff and a stereoisomer of the same compound. Despite knowing full well the actual composition of their methyltetrahydrofolate, the defendants promoted goods made from it as if those goods contained only the isomer in the plaintiff's more expensive methyltetrahydrofolate. Specifically, the defendants used labels that tracked those of the supplements made from the plaintiff's methyltetrahydrofolate (including the incorporation of changes made to those labels) and were evasive in their responses to inquiries by pharmaceutical databases concerning the composition of their goods. These considerations, the court held, shifted the burden to the defendants to demonstrate the absence of marketplace confusion—a burden the defendants failed to carry.[1235]

Some plaintiffs failed worse in their efforts to demonstrate actual or likely deception. Indeed, one court was so skeptical of the survey evidence submitted to it that it sua sponte appointed a survey expert of its choice to serve it as a technical advisor.[1236] The court had myriad concerns with the surveys at issue,[1237] which had been conducted by the plaintiff, but, to preserve the technical advisor's impartiality, it did not share those with her. Because the technical expert reached the same conclusion as the court—namely, that the surveys lacked adequate controls—the court excluded their results from consideration.[1238] It then entered partial judgment in the defendant's favor on the ground that "[w]ith no survey evidence, [the plaintiff] lacked competent proof

1233. *See* Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404 (S.D.N.Y. 2013).

1234. *Id.* at 420.

1235. *Id.* at 420-21.

1236. *See* Millenium Labs. v. Ameritox, Ltd., 924 F. Supp. 2d 594 (D. Md. 2013).

1237. Those concerns included: (1) the absence of proper controls; (2) the absence of a double-blind methodology; and (3) the absence of convincing explanations for the coding of particular responses. *Id.* at 601 & n.12.

1238. *Id.* at 601.

that the ads it accused as literally true but misleading had, in fact, misled [their readers]."[1239]

A group of plaintiffs asserting a claim of false advertising premised on allegedly inaccurate claims of trademark ownership by the defendants met much the same fate.[1240] Among other theories of relief asserted by the plaintiff was the argument that the defendants had falsely asserted trademark rights in terms that were, in fact, generic. Having concluded as a threshold matter that the alleged conduct, even if established, did not constitute literally false advertising, the court granted a defense motion for summary judgment by adopting findings from another case brought by some of the same plaintiffs, which the court considered "equally applicable" to the case before it:

> Plaintiffs have no evidence of any kind that demonstrates a tendency to deceive, which is necessary for the non-monetary relief that they seek in this motion, much less actual deception, which is necessary for any monetary relief that they had hoped to obtain at trial. Plaintiffs have made a strategic business decision to proceed without customer input via surveys, etc., in order to avoid alienating their customers or discomfiting them by serving subpoenas and other litigation-related materials. Thus Plaintiffs have no evidence of materiality. . . . The law . . . is very clear as to how materiality and deception must be proven. Even expert evidence will be insufficient where it lacks reliable market survey analysis and instead relies on "common sense."[1241]

c. Materiality

To carry its burden of demonstrating materiality, a plaintiff alleging false advertising must prove that misrepresentations by the defendant are likely to affect consumer purchasing decisions.[1242] In a case in which this requirement was satisfied, the

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1239. *Id.* at 602.

1240. *See* S. Snow Wizard Mfg. Co. v. SnoWizard Holdings, Inc., 921 F. Supp. 2d 527, 545 (E.D. La. 2013).

1241. *Id.* at 546-47 (citation omitted) (quoting S. Snow Mfg. Co. v. Snow Wizard Holdings, Inc., 829 F. Supp. 2d 437, 455 (E.D. La. 2011) (citation omitted)) (first alteration in original).

1242. *See, e.g.*, Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes & of Malta v. Fla. Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, the Ecumenical Order, 702 F.3d 1279, 1295-96 (11th Cir. 2012) (affirming bench finding of nonliability on ground that trial record "rendered moot any possibility that the alleged deceptions . . . would influence consumer purchasing decisions"); Medisim Ltd. v. BestMed LLC, 910 F. Supp. 2d 591, 618 (S.D.N.Y. 2012) (entering summary judgment in defendant's favor based on plaintiff's failure to introduce evidence of materiality); Greenspan v. Random House, Inc., 859 F. Supp. 2d 206, 220 (D. Mass.) (granting motion to dismiss based on absence from complaint of averments that the defendants' alleged misconduct "influenced, or would likely influence, consumer purchasing

plaintiff successfully demonstrated the defendants had falsely represented that their nutritional folate supplements were made only of a particular isomer of methyltetrahydrofolate when in fact the supplements were made from equal parts of that isomer and a stereoisomer of it.[1243] With respect to materiality, the plaintiff demonstrated that "the purity of a product's folate source 'defines the product at issue, as well as the market in which it is sold,' and that such purity is an 'inherent and important' characteristic of a folate supplement."[1244] It did so by documenting the defendants' efforts to convince pharmaceutical databases to identify their goods as generic equivalents of the those made with the plaintiff's methyltetrahydrofolate, testimony by a defense industry witness that he would not substitute a product of lesser chemical purity for a substantially pure product and that labeling was important in distinguishing between the two, testimony by another defense witness that chemical purity was essential for some patients and that accurate labeling therefore played a role in his prescription decisions, and testimony by a plaintiff's witness that he had been misled by the defendants' marketing staff into believing that he could safely substitute the defendants' product for those of the plaintiff.[1245] Not surprisingly, the court found that "[the defendants'] decision to mislabel [their] folate source was material in every imaginable way: to the doctors prescribing it, the databases linking it [to the plaintiff's folate], the pharmacists dispensing it, the patients consuming it, and, most importantly to [the defendants], to [their] own bottom line."[1246]

A showing of materiality also was successfully made, at least for the purpose of defeating a defense motion for summary judgment, by a plaintiff suing a competitor, whose principals (also named defendants in the case) had once been affiliated with the plaintiff and its consulting business.[1247] The defendants promoted their competitive services by touting their experience, their awards won, and their past jobs, but many of their proffered credentials had accrued during the individual defendants' tenures with the plaintiff. Based on these facts, the court was unsympathetic to the defendants' claim that no reasonable jury could find the challenged statements to be material. Rather:

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decisions"), *aff'd*, No. 12-1594, 2012 WL 5188792 (1st Cir. Oct. 16, 2012), *cert. denied*, 133 S. Ct. 2013).

1243. *See* Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404 (S.D.N.Y. 2013).

1244. *Id.* at 423 (quoting Cashmere & Camel Hair Mfrs. Inst. v. Saks Fifth Ave., 284 F.3d 302, 312 (1st Cir. 2002)).

1245. *Id.* at 424.

1246. *Id.*

1247. *See* Basile Baumann Prost Cole & Assocs. v. BBP & Assocs., 875 F. Supp. 2d 511 (D. Md. 2012).

> A consumer seeking consulting services would likely be persuaded by a vendor's claims that it had served hundreds of clients, worked on dozens of projects, received accolades from past clients, and been awarded for its work. Thus, the statements all related to characteristics that a consumer would be seeking in a consulting firm.[1248]

In contrast, another court was so skeptical of a theory of materiality that it dismissed the plaintiff's Section 43(c) cause of action for failure to state a claim.[1249] The first strike against the plaintiff was its failure to address the issue expressly in its complaint, but the plaintiff gamely attempted to overcome that omission by arguing that the lead defendant's use of the phrase "always lit" in advertising for strands of Christmas lights should be presumed material because the phrase misrepresented an inherent quality of the strands. The court pulled the plug on that argument en route to its grant of a defense motion to dismiss:

> [T]he fact that a quality is "inherent" says nothing at all about whether that quality is material to a consumer's purchasing decision. The Court can easily imagine misrepresentations of "inherent qualities or characteristics" of a product that would be totally irrelevant to consumers. For example, Christmas light strands might (conceivably) utilize either copper or aluminum internal wiring. The composition of the wiring in a light strand is an "inherent quality" of the product as well, but it would not be material if (as seems likely) consumers would not purchase Christmas lights based on that quality.[1250]

d. Interstate Commerce

The past year produced no readily apparent reported opinions addressing this prerequisite for a finding of liability for false advertising.

e. Damage and Causation

The ease with which damage and causation can be averred means that motions to dismiss false advertising causes of action under this prerequisite for liability should be easy to defeat, but not all plaintiffs manage to do so. One plaintiff who did not claimed to have indirectly contributed to the early success of Facebook, only to have been deprived of public recognition and

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1248. *Id.* at 530.

1249. *See* Marvellous Day Elec. (S.Z.) Co. v. Ace Hardware Corp., 900 F. Supp. 2d 835 (N.D. Ill. 2012), *vacated in part on other grounds*, No. 11 C 8756, 2013 WL 2356008 (N.D. Ill. May 18, 2013).

1250. *Id.* at 843.

financial recompense.[1251] He responded with a self-published memoir, which he believed the defendants copied in preparing their own book about the founding of Facebook. In addition to allegations of copyright infringement, his complaint asserted that the defendants had falsely advertised their book as nonfiction, that they had compensated online reviewers giving their book "five-star" reviews, and that they had made bulk purchases of this book to boost sales numbers. Even assuming the truth of these averments, the court held, "[the plaintiff] has not alleged damage in a form recognized under the Lanham Act. There are no facts alleged that the defendants' misrepresentations harmed the plaintiff's business by causing the loss of sales or goodwill associated with [his] products."[1252]

So too did the false advertising cause of action asserted by a manufacturer of strands of Christmas lights fail to get the job done.[1253] The plaintiff's averments established that the defendants did not compete with the plaintiff in manufacturing the lights; rather, the defendants were involved only in the distribution and retail sale of competing strands. It might be true that sales of the defendants' strands at the retail level could eventually have a ripple effect resulting in lost sales by the plaintiff. Unfortunately for the plaintiff, however, its allegations came "nowhere close to alleging facts necessary to make that scenario plausible."[1254] Because "[t]hreadbare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice,"[1255] and because the plaintiff had merely alleged that "the activities complained of in this count occurred to [its] injury and damage,"[1256] that count was fatally defective and was dismissed with prejudice.[1257]

4. Other Section 43(a) Claims

Although the gravamen of most Section 43(a) causes of action is that defendants have undertaken to deceive consumers, one pair of plaintiffs asserted the unusual claim that the plaintiffs themselves were the victims of the defendants' conduct.[1258] Rather than grounding this theory in a traditional allegation of false

1251. *See* Greenspan v. Random House, Inc., 859 F. Supp. 2d 206, 220 (D. Mass. 2012).

1252. *Id.* at 220.

1253. *See* Marvellous Day Elec. (S.Z.) Co. v. Ace Hardware Corp., 900 F. Supp. 2d 835 (N.D. Ill. 2012), *vacated in part*, No. 11 C 8756, 2013 WL 2356008 (N.D. Ill. May 18, 2013).

1254. *Id.* at 844.

1255. *Id.* (quoting Ashcraft v. Iqbal, 556 U.S. 662, 678 (2009)).

1256. *Quoted in id.* (alteration in original).

1257. *Id.*

1258. *See* Bill's Birds Inc. v. Trademarketing Res. Inc., 920 F. Supp. 2d 357 (E.D.N.Y. 2013).

advertising, the plaintiffs argued that the defendants had violated Section 43(a) by misrepresenting the scope of their trademark rights to the plaintiffs in a demand letter and in other communications; in particular, the plaintiffs faulted the defendants for having asserted rights to marks that allegedly had been abandoned. Citing to Supreme Court authority to the effect that "Section 43(a) of the Lanham Act prohibits actions like trademark infringement that deceive consumers and impair a producer's good will,"[1259] the court granted the defendants' motion to dismiss for failure to state a claim. In doing so, it explained that:

> Plaintiffs' alleged violations of the Lanham Act do not involve anything of consequence to consumers. The allegedly deceptive communications are those from [the defendants] that assert trademark rights that Plaintiffs argue do not exist. These purported deceptions and misrepresentations did not deceive or confuse consumers and do not constitute a Lanham Act violation.[1260]

5. Fraudulent Procurement of Registrations

Independent of the general authority of a court of competent jurisdiction to order the cancellation of a federal registration under Section 37 of the Act,[1261] Section 38 of the Act provides that "[a]ny person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof";[1262] moreover, similar causes of action are recognized by the trademark acts of many states.

Notwithstanding the availability of these mechanisms, recovery under them is the exception, rather than the rule. This is due in part to the difficulty of proving fraud on the USPTO in the first instance, but the inability of plaintiffs asserting causes of action under Section 38 and its state-law counterparts to prove damages arising from that fraud also plays a role. Thus, for example, a Louisiana federal district court granted summary judgment to the owners of both federal and Louisiana registrations after concluding that the challengers to the registrations had failed

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1259. *Id.* at 367 (quoting Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 32 (2003)) (internal quotation marks omitted).

1260. *Id.*

1261. 15 U.S.C. § 1119 (2012).

1262. *Id.* § 1120.

to adduce evidence or testimony of any damage they had suffered for the allegedly fraudulent conduct.[1263]

Judicial skepticism toward claims of fraudulent procurement extended to an application of Texas state law by a panel of the court of appeals of that state.[1264] Responding to an infringement suit by a group of plaintiffs that included the owner of four Texas registrations, the defendants argued that the registrant had fraudulently failed during the registration process to disclose to the Texas Secretary of State that the defendants were using the same mark the registrant was seeking to register. The trial court credited the defendants' showing and cancelled the registrations, but that outcome failed to withstand appellate scrutiny. As the court of appeals explained, the relevant Texas statute authorized cancellation only in an action brought by "[a] person injured by the false or fraudulent procurement of an application or registration."[1265] Although the defendants may have proven fraudulent conduct by the registrant, they had neglected to establish any resulting damage to themselves. As a consequence, the trial court's order of cancellation was reversed.[1266]

6. False Endorsement and Violations of Rights of Publicity

A California federal district court applied the Ninth Circuit test for false endorsement under Section 43(a) to find liability on a motion for preliminary injunctive relief.[1267] The plaintiff was Barry Diller, former Chairman and CEO of both Paramount Pictures and of Fox, Inc., as well as a backer of the Internet-based broadcast television technology platform, Aereo, Inc. The defendants offered a video streamlining service in direct competition with Aereo, which they promoted under the BARRY DRILLER mark and which initially could be purchased on a website accessible at the *barrydriller.com* domain; that website also featured a "graphic of a fit, shirtless man holding a drill in one hand."[1268] Having found that the defendants' use was not a permissible parody,[1269] the court

1263. S. Snow Wizard Mfg. Co. v. SnoWizard Holdings, Inc., 921 F. Supp. 2d 527, 545 (E.D. La. 2013) ("Plaintiffs have failed to establish a genuine issue of material fact for trial on an essential element of their claims, and summary judgment dismissing Plaintiffs' claims for damages for alleged fraudulent procurement of trademark registrations under 15 U.S.C. § 1120, La. Rev. Stat. 51:221, and La. Rev. Stat. 51:1409 will be granted.").

1264. *See* Condom Sense, Inc. v. Alshalabi, 390 S.W.3d 734 (Tex. Ct. App. 2012).

1265. Tex. Bus. & Com. Code Ann. § 16.28 (superseded 2012).

1266. *Condom Sense*, 390 S.W.3d at 749-51.

1267. *See* Diller v. Barry Driller Inc., 104 U.S.P.Q.2d 1676 (C.D. Cal. 2012).

1268. *Id.* at 1678.

1269. On this issue, the court found that: (1) nothing on the defendants' website set up a clear distinction between the defendants' business, on the one hand, and the plaintiff, on the other; (2) "even if a parody of Plaintiff, Defendants are using 'Barry Driller" purely

drilled through the standard Ninth Circuit likelihood-of-confusion factors, concluding, inter alia, that: (1) "Plaintiff's name is strong in the minds of Defendants' target customers";[1270] (2) "the 'goods' in this case are clearly related";[1271] (3) "[t]he marks at issue here—Plaintiff's name and 'Barry D*r*iller"—are almost identical sounding and appearing, with the exception of the additional 'r' in Defendants' iteration, which has very little visual or auditory impact";[1272] (4) there was no evidence of actual confusion, which was "not relevant here, when Defendants' use . . . has been short-lived";[1273] (5) "there is probably overlap between Aereo's and Defendants' marketing channels, especially because both services are web-based";[1274] (6) there was no evidence on the degree of care exercised by consumers, which weighed against a finding of likely confusion;[1275] (7) "the evidence . . . strongly suggests that Defendants intended to capitalize on Plaintiff's name and involvement with Defendants' competitor Aereo";[1276] and (8) it was likely in the future that the parties would compete in even more markets than they did already.[1277] The upshot of this analysis was "[o]f the eight . . . factors, seven weigh in favor of finding of a likelihood of confusion. That is enough to demonstrate that Plaintiff will likely prevail on the merits of his Lanham Act claim."[1278] Moreover, as the court determined later in its opinion, the same evidentiary record was enough to demonstrate the likelihood of the plaintiff prevailing on its California right-of-publicity causes of action as well.[1279]

Diller's success, however, was the exception to the rule over the past year.[1280] Three right-of-publicity causes of action came to grief under Wisconsin law, which defines as an "invasion of privacy," inter alia, "[t]he use, for advertising purposes or for

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commercially as a source identifier to sell their internet-streaming television service, and their use therefore falls within the Lanham Act . . ."; and (3) "when a visitor initially sees the 'barrydriller.com' domain name [used by the defendants], he or she does not see any other information to suggest that the [associated] website [operated by the defendants] might be a parody of Plaintiff." *Id.* at 1680.

1270. *Id.* at 1681.

1271. *Id.*

1272. *Id.*

1273. *Id.* at 1681-82.

1274. *Id.* at 1682.

1275. *Id.*

1276. *Id.*

1277. *Id.* at 1682-83.

1278. *Id.* at 1683.

1279. *Id.*

1280. *See, e.g.*, Bollea v. Gawker Media, LLC, 105 U.S.P.Q.2d 1496, 1497-98 (M.D. Fla. 2012) (holding that defendants' coverage of celebrity plaintiff's extramarital affair protected from liability under Florida law by the First Amendment).

purposes of trade, of the name, portrait or picture of any living person, without having first obtained the written consent of the person or, if the person is a minor, of his or her parent or guardian."[1281] In the first case producing this result, the plaintiff was caught on film sympathizing with comic Joan Rivers after a performance by Rivers was interrupted by a heckler.[1282] The sixteen-second exchange between the two eventually appeared in a well-received documentary on Rivers, leading the plaintiff to claim that that her identity had been misappropriated without her consent for "advertising purposes or for purposes of trade" within the meaning of the statute. The Seventh Circuit identified two reasons why the dismissal of the plaintiff's cause of action at the pleadings stage was appropriate. First, the court held, the documentary fell within a newsworthiness exception to the statute's reach.[1283] Second, the documentary also qualified for a separate and independent incidental use exception, which had similarly been imported into the statute by Wisconsin courts.[1284]

The same two exceptions came into play and had the same dispositive effect in the second dispute, which also was appealed to the Seventh Circuit.[1285] In that case, the individual plaintiff objected to three features offered by Google: (1) the GOOGLE SUGGEST tool, which recommended additional search queries as users entered information into the search engine; (2) the ADWORDS program, which allowed advertisers to bid on specific keywords or keyword phrases; and (3) the display of links to additional search queries related to those executed by users. As summarized by the Seventh Circuit, the gravamen of the plaintiff's complaint was that "Google's search engine violate[s] her right of publicity by using her name to trigger sponsored links, ads, and related searches to medications, including Levitra, Cialis, and Viagra, all of which are trademarks of nationally advertised oral treatments for male erectile dysfunction."[1286]

Relying on its earlier opinion, the court held that Google's practices qualified for the newsworthiness or public-interest exception to the Wisconsin statutory cause of action. It noted that, in addition to suing Google, the plaintiff also had filed suit against Yahoo!, asserting much the same theories against that search engine. That action had failed at the pleadings stage, leading the Seventh Circuit to observe that:

1281. Wis. Stat. § 995.50(2)(b).

1282. *See* Bogie v. Rosenberg, 705 F.3d 603 (7th Cir. 2013).

1283. *Id.* at 614-15.

1284. *Id.* at 615-16.

1285. *See* Stayart v. Google Inc., 710 F.3d 719 (7th Cir.), *cert. denied*, 134 S. Ct. 140 (2013).

1286. *Id.* at 721.

> Court documents, including [the plaintiff's] complaint [against Yahoo!] and the district court's . . . order dismissing that complaint, are matters of public interest. It follows that if court documents warrant the public interest exception, the search providers indexes that lead the public to those documents or that capture key terms related to them are likewise entitled to that exception. To the extent that [the plaintiff] has or would argue that Google's profit motives undermine the reliance on the public interest argument, the exception applies even when the entities sharing the information do so "largely, and even primarily, to make a profit."[1287]

The court then held that the incidental use exception also precluded a finding of liability on the ground that "[n]othing in [the plaintiff's] thirty-page complaint—139 pages with attachments—suggests that the connection between [the plaintiff's] name and Google's efforts to generate revenues through its use is substantial rather than incidental."[1288] Instead, "[the plaintiff's] complaint and the hundreds of pages of attachments and supplemental documents she has filed suggest that the term 'levitra' and not [her] name triggers the erectile dysfunction ads."[1289]

The third Wisconsin right-of-publicity cause of action was disposed of by the intermediate court of appeals of that state.[1290] The plaintiffs asserting that claim were principals and name partners in a personal injury law firm who objected to the purchase of their names as Internet search engine keywords by the defendants, a competing law firm and its principals. The plaintiffs argued that the defendants' conduct violated the state statute, which they considered to prohibit *all* nonconsensual uses of their names in commercial contexts, but the court declined to attribute to the general assembly an intent to reach that far. Rather, it held:

> [L]ocating an advertisement or business near an established competitor to take advantage of the flow of potential customers or clients to the established business is not a practice the legislature intended to prohibit by adopting [the statute]. This strategy undeniably takes advantage of the name of the established business and its ability to draw potential customers, but the strategy does not "use" the name of the business in the same way as putting the name or image of the business in an advertisement or on a product.

1287. *Id.* at 723 (quoting Davis v. High Soc'y Magazine, 457 N.Y.S.2d 308, 313 (N.Y. Sup. Ct. App. Div. 1982)).

1288. *Id.*

1289. *Id.*

1290. *See* Habush v. Cannon, 828 N.W.2d 876 (Wis. Ct. App. 2013).

. . . .

> Although the question is a close one, we think the strategy used by [the defendant law firm] here is akin to locating a brand new . . . office next to an established . . . office [of the plaintiff's firm] when the readily apparent purpose . . . is to take advantage of the flow of people seeking out [the plaintiff's firm] because of the value associated with the names [of its principals].[1291]

Like that of Wisconsin, Georgia right-of-publicity doctrine spawned multiple opinions over the past year.[1292] In a question of first impression in that jurisdiction, the Supreme Court of Georgia held that Georgia law governed the possible liability of the producers and distributors of a video featuring the plaintiff on its cover.[1293] The video was styled as *College Girls Gone Wild*, although the plaintiff was only fourteen years old when she ill-advisedly accepted the defendants' equally ill-advised invitation to bare her breasts for their cameras. Because the resulting recording was shot in a Panama City, Florida parking lot, the defendants argued that the plaintiff was limited to pursuing claims under Florida law. In an opinion answering a certified question from the federal district court hearing the case, the court disagreed, holding that "[a]lthough the initial video of [the plaintiff] was shot in Florida, [the defendants] distributed [the plaintiff's] image through the United States, including in Georgia. [The plaintiff] lived and attended school in Georgia, where she would have sustained any injury that resulted from the distribution of her image."[1294]

Finally, a cause of action for misappropriation of name and likeness under the Minnesota common law failed as a matter of law.[1295] Rather than being an individual, the plaintiff was a limited liability company, and that status proved to be the downfall of its cause of action. According to the court, "the appropriation tort protects the 'privacy and solicitude of private persons from the mental distress that accompanies undesired publicity.' No Minnesota court has previously allowed a commercial entity, as opposed to a human being, to bring an appropriation claim and allowing [the plaintiff] to bring an appropriation claim would make

1291. *Id.* at 883-84.

1292. *See, e.g.*, Rivell v. Private Health Care Sys., Inc., 887 F. Supp. 2d 1277, 1289-91 (S.D. Ga. 2012) (refusing to recognize standing of association to prosecute right-of-publicity claims of association's members).

1293. See *Bullard v. MRA Holding, LLC*, 740 S.E.2d 622 (Ga. 2013).

1294. *Id.* at 625.

1295. *See* Jalin Realty Capital Advisors, LLC v. Better Wireless, NISP, LLC, 917 F. Supp. 2d 927 (D. Minn. 2013).

Minnesota a major outlier."[1296] Summary judgment of nonliability therefore was appropriate because "[t]his Court sees no reason to predict that a Minnesota court would take the seemingly unprecedented step of allowing [the plaintiff], a commercial entity, to pursue its appropriation claim."[1297]

7. Violations of Rights Under Other State-Law Causes of Action

a. Preemption of State-Law Causes of Action

With the limited exception of Section 43(c)(6),[1298] which bars state dilution-based challenges to federally registered marks, the Lanham Act on its face does not have preemptive effect; as a consequence, most opinions addressing the preemption of state-law causes of action for unfair competition traditionally have done under the rubric of Section 301 of the federal Copyright Act.[1299] Yet, the Lanham Act's general failure to address the subject has not prevented various litigants over the years from arguing that the Act trumps various state statutes or causes of action. Notwithstanding the general lack of success of this argument, a Fourth Circuit opinion handed a victory to two petroleum trade associations challenging a North Carolina statute[1300] allowing retailers in that state to "splash blend" gasoline with ethanol and then sell the resulting product under the mark of the gasoline's original producer.[1301] It was the plaintiffs' theory that, because splash blending produced nonuniform blends, it deprived their members of the ability to control the nature and the quality of the gasoline sold under their marks. As a consequence, they argued, the state statute was in irreconcilable conflict with the Lanham Act.

The district court granted a defense motion for summary judgment, but the Fourth Circuit vacated that holding. The

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1296. *Id.* at 941 (citation omitted) (quoting Ventura v. Titan Sports, Inc., 65 F.3d 725, 730 (8th Cir. 1995)).

1297. *Id.*

1298. 15 U.S.C. § 1125(c)(6) (Supp. I 2013).

1299. 17 U.S.C. § 301 (2012). For a representative opinion applying Section 301 to reach a holding of preemption, see *Predator Int'l, Inc. v. Gamo Outdoor USA, Inc.*, 863 F. Supp. 2d 1055, 1063 (D. Colo. 2012) (holding plaintiff's Colorado common-law unfair competition cause of action grounded in defendant's alleged copying of claimed color mark found to lack secondary meaning preempted by Section 301).

1300. N.C. Gen. Stat. § 75-90 (West 2012)).

1301. *See* Am. Petroleum Institute v. Cooper, 718 F.3d 347 (4th Cir. 2013).

Splash blending is the practice of adding ethanol to "pure" gasoline and then allowing the movement of transport vehicles to commingle the two liquids. It contrasts with "inline blending," which consists of the computer-controlled injection of ethanol into gasoline. *Id.* at 353.

appellate court initially noted that "the Lanham . . . Act affords the trademark holder the right to control the quality of the goods manufactured and sold under its trademark. The actual quality of the goods is irrelevant; it is the control of the quality that a trademark holder is entitled to maintain."[1302] It then turned to the summary judgment record, which contained "competent evidence that splash blending could result in an inferior quality product that could harm vehicle engines or performance thereby denigrating the value of the trademarked goods and fostering consumer confusion."[1303] From that evidence, it concluded that "[i]f the Blending Statute effectively operates to authorize Lanham Act violations with a significant negative impact on the quality of the trademarked good, the fact that suppliers have a right of action against retailers in those circumstances may be insufficient to save the Blending Statute from preemption."[1304] As a consequence, and notwithstanding the absence of any evidence of actual confusion, the court remanded the action for a determination of the extent to which splash blending actually resulted in an inferior quality product.[1305]

b. State-by-State Causes of Action

i. Colorado

The Colorado Consumer Protection Act[1306] provides for liability in cases in which a plaintiff can prove that: (1) the defendant engaged in an unfair or deceptive trade practice; (2) the challenged practice occurred in the course of the defendant's business, vocation, or occupation; (3) the challenged practice significantly affected the public; (4) the plaintiff suffered actual injury; and (5) that the challenged practice caused the plaintiff's injury.[1307] A particularly expansive interpretation of this cause of action, albeit at the pleadings stage, came in an action by a pro se plaintiff who alleged that the defendants, one of which was an association she had founded, had copied copyrighted materials authored by the plaintiff and posted them online accompanied by unflattering comments about her.[1308] The court held that these allegations

1302. *Id.* at 359 (alteration omitted) (citation omitted) (quoting Shell Oil Co. v. Commercial Petroleum, Inc., 928 F.2d 104, 107 (4th Cir. 1991)) (internal quotation marks omitted).

1303. *Id.* at 361.

1304. *Id.* at 362.

1305. *Id.* at 363-64.

1306. Colo. Rev. Stat. §§ 6-1-101 to -115 (West 2013).

1307. *See generally* Hall v. Walter, 969 P.2d 224, 235 (Colo. 1998).

1308. *See* Shell v. Am. Family Rights Ass'n, 899 F. Supp. 2d 1035 (D. Colo. 2012).

failed to state a claim against one individual defendant,[1309] but its conclusion was different where another was concerned. In contrast to the first individual defendant, the second allegedly was a co-founder, board member, and former president of the defendant association, as well as responsible for maintaining the website on which the unlawfully copied materials were posted and for setting up the interactive discussion groups in which they were discussed.[1310] His motion to dismiss therefore came up short:

> Giving [the plaintiff] the benefit of all favorable inferences, because of [the second individual defendant's] leadership role in [the defendant association], the allegations could plausibly suggest that his conduct was in the course of his business, vocation or occupation. In addition, the conduct described (publishing [the plaintiff's] materials without consent or attribution and disparaging her professional reputation) could plausibly be considered an unfair trade practice. The Complaint alleges that there is a consumer market for [the plaintiff's] services and materials that was impacted by this conduct and that [the plaintiff] was injured financially. These allegations are sufficient to state a claim against [the second individual defendant] and so the claim will not be dismissed.[1311]

ii. Georgia

Dissatisfied with their termination as franchisees of the plaintiffs, and as a counterclaim to the plaintiffs' allegations of trademark infringement, one group of defendants averred that they had been misled into joining the plaintiffs' franchise system in the first place.[1312] The basis of this cause of action was the Georgia Fair Business Practices Act, which prohibits, inter alia, "[u]nfair or deceptive acts or practices in the conduct of consumer transactions and consumer acts or practices in trade or

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1309. According to the court:

> Even giving [the plaintiff] the benefit of all favorable inferences from the specific facts asserted, the Complaint alleges no more than that [the defendant] improperly obtained and disseminated materials from [the plaintiff's] training seminar and published unfavorable comments about [the plaintiff] on the Internet. There are no specific facts regarding [the defendant] that would show that she engaged in any unfair trade practice in connection with her "business, vocation, or occupation" (indeed, there are no allegations at all with respect to [the defendant's] line of work) or that her conduct has had a significant impact on the public as consumers of [the plaintiff's] goods or services.

Id. at 1062.

1310. *Id.* at 1063.

1311. *Id.* (internal citation omitted).

1312. *See* Vino 100, LLC v. Smoke on the Water, LLC, 864 F. Supp. 2d 269 (E.D. Pa. 2012).

commerce."[1313] Invoking Georgia case law to identical effect,[1314] the court held on the plaintiff's motion for summary judgment that "only fraudulent or deceptive practices directed at the public may be remedied under the statute."[1315] Because "the undisputed facts demonstrate that [the plaintiff's] allegedly deceptive acts occurred in the context of a private statute," the defendants' counterclaim failed as a matter of law.[1316]

iii. Maryland

The Maryland Consumer Protection Act provides a cause of action against any "[f]alse, falsely disparaging, or misleading oral or written statement, visual description, or other representation of any kind which has the capacity, tendency, or effect of deceiving or misleading consumers."[1317] Notwithstanding the breadth of this mechanism, a federal district court sitting in that state confirmed that only consumers can avail themselves of it.[1318] As a consequence, although the plaintiff had successfully demonstrated as part of its prima facie case of infringement that the defendant's conduct was likely to create confusion as a matter of law, the plaintiff's claims under the state statute were dismissed because of the parties' directly competitive relationship.[1319]

iv. Massachusetts

The Massachusetts unfair competition statute requires a showing that the allegedly wrongful conduct targeted by the statute "occurred primarily and substantially within the commonwealth [of Massachusetts]."[1320] The First Circuit adopted a strict view of this requirement in holding the statute unavailable to a Massachusetts-based plaintiff challenging the infringement and false advertising of a non-resident defendant.[1321] The plaintiff's invocation of the state statute fell short for two reasons, the first of which was that the defendant's advertising "was not particularly targeted toward to Massachusetts customers and that no more than a 'small portion' of [the defendant's] . . . sales

1313. Ga. Code Ann. § 10-1-393(a) (2009).

1314. *See* Pryor v. CCEC, Inc., 571 S.E.2d 454, 455 (Ga. Ct. App. 2012).

1315. *Vino 100*, 864 F. Supp. at 290.

1316. *Id.* at 291.

1317. Md. Code Ann. Com. Law § 13–301(1) (2012).

1318. *See* Putt-Putt, LLC v. 416 Constant Friendship, LLC, 936 F. Supp. 2d 648, 660 (D. Md. 2013).

1319. *Id.*

1320. Mass. Gen. Laws Ann. Ch. 93A, § 11 (West. 2006).

1321. *See* Fishman Transducers, Inc. v. Paul, 684 F.3d 187 (1st Cir. 2012).

occurred within Massachusetts."[1322] The second was that, although the plaintiff might have suffered harm in the commonwealth, "if the significant contacts of the competing jurisdictions are approximately in the balance, the conduct in question cannot be said to have occurred primarily and substantially in Massachusetts."[1323]

The Massachusetts Court of Appeals took a similarly restrictive view of the same statute.[1324] The defendant before that court was the producer of a documentary on the 1989 Tiananmen Square protests, in which the founder of the plaintiff, a software development company, had participated. The plaintiff claimed that the defendant had violated the statute by using the plaintiff's mark to describe the founder's post-protest activities, but the court disagreed. Having found that the defendant's use did not create the likelihood of initial-interest confusion alleged by the plaintiff, the court held that the trial court had properly granted the defendant's motion for summary judgment: "When a Web site contains truthful commentary about a company and does not sell products that compete with the company, attempting to bring the site to the attention of Internet users searching for information about that company does not violate 'any recognized or established common law or statutory concept of unfairness.'"[1325]

v. New York

As always, federal district courts applying Sections 349 and 350 of New York's General Business Law[1326] adopted restrictive interpretations of them. This phenomenon allowed one set of defendants to claim a minor victory in the midst of what was otherwise a disastrous verdict for them.[1327] The plaintiff suing them was a manufacturer of a particular isomer of the chemical compound methyltetrahydrofolate, and it successfully demonstrated in a bench trial that the defendants had violated Section 43(a) by falsely advertising that their nutritional supplements had been manufactured with a pure version of the same isomer, when in fact those supplements contained equal

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1322. *Id.* at 197; *see also* Lyons v. Gillette, 882 F. Supp. 2d 217, 234 (D. Mass. 2012) (dismissing cause of action for failure to state a claim based on plaintiffs' failure to allege that defendants' unfair or deceptive conduct took place in Massachusetts).

1323. *Id.* (quoting Uncle Henry's, Inc. v. Plaut Consulting Co., 399 F.3d 33, 45 (1st Cir. 2005)).

1324. *See* Jenzabar, Inc. v. Long Bow Grp., 977 N.E.2d 75 (Mass. Ct. App. 2012).

1325. *Id.* at 90 (quoting VMark Software, Inc. v. EMC Corp., 642 N.E.2d 587, 595 (Mass. Ct. App. 1994)).

1326. N.Y. Gen. Bus. Law §§ 349, 350 (McKinney 2013).

1327. *See* Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404 (S.D.N.Y. 2013).

amounts of the isomer and a stereoisomer. Nevertheless, the plaintiff fell short in its bid to bootstrap its victory under federal law into one under Sections 349 and 350. According to the court:

> A plaintiff bringing a claim of deceptive trade practices under Section 349 "must prove three elements: first, that the challenged act or practice was consumer-oriented; second, that it was misleading in a material way; and third, that the plaintiff suffered injury as a result of the deceptive act." A claim for false advertising under Section 350 must meet all of the same elements as a claim under Section 349, and the plaintiff must furthermore demonstrate proof of actual reliance.[1328]

Because the plaintiff was unable to satisfy the first of these requirements, its claims under both statutes fell short. Specifically, although the trial record included at least some evidence of actual confusion, that evidence had been introduced to demonstrate the materiality of the defendants' false advertising, "not to redress any public harm, and was therefore peripheral to the core of [the plaintiff's] claims."[1329] Likewise, "while [the plaintiff's] experts posited that there may be negative health consequences associated with [the stereoisomer in the defendants' supplements], they offered little evidence to conclusively support such assertions."[1330] The defendants therefore were entitled to prevail on the ground that "[the plaintiff's] allegations focus almost entirely on losses suffered by [the plaintiff] itself, not to the eventual—and theoretical—harm suffered by the public at large."[1331]

In a case with a similar disposition, the complaint was replete with allegations that, if taken as true, amply established the falsity of the defendants' promotional practices under Section 350.[1332] Nevertheless:

> [B]ecause these provisions were intended to be consumer protection statutes, a plaintiff bringing a charge under these provisions must allege conduct that is consumer-oriented. A party thus does not state a claim under the state statute absent an allegation that the defendant's conduct harms consumers or causes injury to the public interest.[1333]

The court concluded that the plaintiff's state-law cause of action was fatally defective under this standard because "[t]here is no

1328. *Id.* at 425 (quoting Stutman v. Chem. Bank, 731 N.E.2d 608, 611 (N.Y. 2000)).

1329. *Id.* at 426.

1330. *Id.*

1331. *Id.*

1332. *See* Ritani, LLC v. Aghjayan, 880 F. Supp. 2d 425 (S.D.N.Y. 2012).

1333. *Id.* at 449.

causal link between the Defendants' actions and any injury suffered by the Plaintiff or any specific injury that affects the public."[1334]

Although New York common law potentially gives plaintiffs a weapon beyond conventional infringement and dilution causes of action in the form of a cause of action for misappropriation,[1335] one court confirmed that a plaintiff unable to prove protectable rights to its mark in the first place is in a uniquely poor position to take advantage of that tort.[1336] The plaintiff learning this lesson the hard way had failed as a matter of law to establish that its descriptive mark had secondary meaning. This led the court to observe that "there is a serious question about whether a plaintiff which brings an unfair competition claim based solely on a defendant's alleged infringement of a plaintiff's descriptive mark, can demonstrate the misappropriation of its property or goodwill in that mark absent some showing of secondary meaning."[1337] The plaintiff's showing was equally deficient in another respect, namely the absence of any evidence that the defendants had acted in bad faith, either because they had continued to use their mark after receiving a demand letter from the plaintiff or because they had terminated a prior contractual relationship with the plaintiff.[1338]

There were some exceptions to the generally dismal track record of plaintiffs invoking New York law.[1339] For example, the copying of a competitor's product ordinarily will not in and of itself lead to liability for unfair competition, but alleged misrepresentations about the quality of the resulting copy can do the job. Such was the outcome in an appeal to the Federal Circuit of the dismissal for failure to state a claim of a cause of action grounded in the defendants' imitation of the plaintiffs' "tote

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1334. *Id.*; *see also* Medisim Ltd. v. BestMed LLC, 910 F. Supp. 2d 591, 618-19 (S.D.N.Y. 2012) (granting defense motion for summary judgment based on plaintiff's failure to aver or prove injury to public over and beyond ordinary trademark infringement); Coach, Inc. v. Horizon Trading USA Inc., 908 F. Supp. 2d 426, 436 (S.D.N.Y. 2012) (declining to grant plaintiffs' motion for summary judgment on ground that "[the lead plaintiff] has not proffered any . . . evidence bearing on injury to the public interest"); Giggle, Inc. v. netFocal, Inc., 856 F. Supp. 2d 625, 637 (S.D.N.Y. 2012) (granting defendant motion for summary judgment based on plaintiff's failure to establish injury to public).

1335. *See generally* ITC Ltd. v. Punchgini, Inc., 880 N.E.2d 852 (N.Y. 2007).

1336. *See* Rockland Exposition, Inc. v. Alliance of Auto. Serv. Providers of N.J., 894 F. Supp. 2d 288 (S.D.N.Y. 2012).

1337. *Id.* at 327.

1338. *Id.* at 329-31.

1339. *See, e.g.*, Coach, Inc. v. Horizon Trading USA Inc., 908 F. Supp. 2d 426, 436 (S.D.N.Y. 2012) (entering summary judgment of liability for unfair competition and unjust enrichment under New York common law based on defendants' having trafficked in goods bearing counterfeit imitations of plaintiffs' registered marks).

towel."[1340] Reviewing the plaintiffs' Section 349 cause of action, the court of appeals concluded it adequately alleged that: (1) "the extent of the imitation of the [Plaintiffs'] Tote Towel by Defendants" confused consumers into associating the parties' towels with each other;[1341] (2) the result of the confusing similarity was harm to the plaintiffs' reputation;[1342] and (3) the defendants could have harmed the plaintiffs' reputation by selling their confusingly similar towel in the plaintiffs' primary market.[1343]

8. Secondary Liability

a. Contributory Unfair Competition

"To be liable for contributory trademark infringement, a defendant must have (1) 'intentionally induced' the primary infringer to infringe, or (2) continued to supply an infringing product to an infringer with knowledge that the infringer is mislabeling the particular product supplied.'"[1344] The Second Circuit had the occasion to apply this two-pronged test in a case in which the plaintiffs' allegation of contributory infringement was based on the accused contributory infringers' sponsorship of an event presented by the primary defendants.[1345] Concluding that this averment neither "plausibly suggest[ed] that the sponsors 'intentionally induced' the remaining defendants to infringe" nor established that those sponsors had supplied a product to the other defendants that was necessary for their direct infringement, the court affirmed the district court's dismissal of the plaintiffs' contributory infringement cause of action for failure to state a claim.[1346]

This holding notwithstanding, however, plaintiffs seeking to impose contributory liability on defendants generally enjoyed unusual success over the past year.[1347] For example, the Tenth

1340. *See* Hall v. Bed Bath & Beyond, Inc., 705 F.3d 1357 (Fed. Cir. 2013).

1341. *Quoted in id.*

1342. *Id.*

1343. *Id.*

1344. Kelly-Brown v. Visa Int'l Serv. Ass'n, 717 F.3d 295, 314 (2d Cir. 2013) (2d Cir. 2013) (quoting Perfect 10, Inc. v. Visa Int'l Serv. Ass'n, 494 F.3d 788, 807 (9th Cir. 2007) (quoting Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 855 (1982))).

1345. *Id.*

1346. *Id.*

1347. *See, e.g.*, Tracfone Wireless, Inc. v. Technopark Co., 281 F.R.D. 683, 687 (S.D. Fla. 2012) (holding, on motion for default judgment, that defendant's trafficking in goods used to "unlock" and "reflash" the plaintiff's mobile phones prior to their resale constituted contributory infringement); Cybersitter, LLC v. Google Inc., 905 F. Supp. 2d 1080, 1087 (C.D. Cal. 2012) (declining to dismiss allegations of contributory infringement for failure to state a claim); Dwyer Instruments, Inc. v. Sensocon, Inc., 873 F. Supp. 2d 1015, 1034-35 (N.D. Ind. 2012) (concluding, on defense motion for summary judgment, that "too many questions remained unanswered by the designated evidence and the parties' briefs to

Circuit vacated the grant of a defense motion for summary judgment in a case in which the lead defendant was accused of contributory infringement after one of its affiliates purchased online advertising that featured the plaintiff's mark in its text.[1348] The appellate court noted that "[c]ontributory infringement occurs when the defendant either (1) intentionally induces a third party to infringe on the plaintiff's mark; or (2) enables a third party to infringe on the mark while knowing or having reason to know that the third party is infringing, yet failing to take reasonable remedial measures."[1349] The first prong of this test did not figure in the court's analysis, but the second one did: Despite knowing that at least one of its affiliates was using the plaintiff's marks in the affiliate's online advertising, the defendant had failed to arrange for an e-mail blast to its affiliates barring the practice, and its entitlement to the summary dismissal of the plaintiff's contributory infringement claim was therefore in dispute. Under these circumstances, the court reversed this aspect of the district court's decision and remanded the action for further consideration of the plaintiff's contributory infringement claim.[1350]

Having never addressed the issue of contributory infringement, the Sixth Circuit made up for lost time by affirming a finding of liability against the operator of a flea market.[1351] The district court found as a matter of law that the defendant had engaged in "ostrich-like practices,"[1352] and the appellate court declined to set that determination aside on appeal. Chief among the evidence and testimony supporting this outcome were the plaintiff's showings that the defendant had received correspondence from both it and a district attorney advising him of the unlawful activity occurring on his premises and that, even well after suit was filed, raids by law enforcement officers were still seizing merchandise bearing counterfeit and infringing copies of the plaintiff's marks.[1353] The defendant responded by pointing to what the court described as "some evidence of remedial measures" in the trial record, including the distribution of pamphlets, the posting of "copies of a 'counterfeit is prohibit' [sic] sign" addressing counterfeit currency, and the holding on days the flea market was closed of sparsely attended voluntary meetings with vendors whose

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determine whether the Defendants were contributorially responsible for the actions of [third parties"]).

1348. *See* 1-800 Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229 (10th Cir. 2013).

1349. *Id.* at 1249.

1350. *Id.* at 1252-53.

1351. *See* Coach, Inc. v. Goodfellow, 717 F.3d 498 (6th Cir. 2013).

1352. *Quoted in id.* at 505.

1353. *Id.* at 503-04.

West African heritage created language differences.[1354] The court faulted the defendant's showing by noting that:

> [The defendant] had actual knowledge that the infringing activity was occurring at his flea market over a lengthy period of time and even knew that particular vendors were selling counterfeit . . . products. Yet, throughout this sustained period of time, [the defendant] failed to deny access to offending vendors or take other reasonable measures to prevent use of flea market resources for unlawful purposes, and failed even to undertake a reasonable investigation . . .
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> . . . .
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> . . . [The defendant] is properly held liable for contributory trademark infringement because he knew or had reason to know of the infringing activities and yet continued to facilitate those activities by providing space and storage units to vendors without undertaking a reasonable investigation or taking other appropriate remedial measures.[1355]

The operators of a different flea market, this one in Maryland, also found themselves exposed to liability, at least at the pleadings stage, to findings of contributory trafficking in goods bearing counterfeit imitations of registered marks, infringement, likely dilution, and false advertising.[1356] The defendants' flea market had been raided twice by the local county sheriff's department, and each raid had yielded handbags bearing unauthorized copies of the plaintiffs' marks, which were registered for those goods. Following the second raid, the plaintiffs corresponded with the defendants to advise them of their duty to police goods sold at their location; subsequent investigations confirmed that handbags bearing the same marks continued to be sold there. In moving to dismiss the plaintiff's complaint against them for failure to state a claim, the defendants advanced a series of improbable arguments. These included the theories that: (1) contributory liability principles applied only to manufacturers and distributors, which the court held to be inconsistent with controlling authority from the Fourth Circuit, as well as case law from other jurisdictions;[1357] (2) the plaintiffs were seeking to impose on them a general duty to police their premises, which fell short because the plaintiffs averred only a duty to prevent known, ongoing violations such as those alleged

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1354. *Id.* at 501.

1355. *Id.* at 504, 505.

1356. *See* Coach, Inc. v. Farmers Mkt. & Auction, 881 F. Supp. 2d 695 (D. Md. 2012).

1357. *Id.* at 700-01 (citing Rosetta Stone Ltd. v. Google, Inc., 676 F.3d 144, 160-63 (4th Cir. 2012); Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980, 984 (9th Cir. 1999); Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 264-65 (9th Cir. 1996); Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1148-49 (7th Cir. 1992)).

in the complaint;[1358] and (3) there were no such torts as contributory trade dress infringement, contributory false designation of origin and false advertising, and contributory likely dilution, which was contrary to numerous reported opinions recognizing them.[1359] The plaintiffs' causes of action therefore survived to the proof stage.

One claim of contributory false advertising succeeded on the merits in a case in which the defendants convinced a pair of pharmaceutical databases to link the defendants' nutritional supplements to those made from a chemical sold by the plaintiff, or, in other words, to identify the defendant's supplements as generic equivalents to those sold by the plaintiff's customers.[1360] Having found after a bench trial that the defendants' labeling and promotional practices constituted false advertising in the first instance, the court had little difficulty concluding that the defendants also were liable for the inaccurate downstream linking by the databases. As it found, "[the defendants'] intentionally misleading labels caused the databases to link as chemically equivalent [the parties'] products, a falsehood, and . . . this linkage caused the marketplace to treat the products as similar or, in some states, commanded their substitution."[1361] Beyond this, "[the defendants'] success in persuading at least two of the major pharmaceutical databases to link [their] products with [the plaintiff's] products shows a significant penetration of the market."[1362] Under these circumstances, the court concluded, "[the defendants] intentionally induced the databases to falsely advertise and . . . [the plaintiff] has prevailed on its contributory false advertising claim."[1363]

b. Vicarious Liability for Unfair Competition

"Vicarious liability for trademark infringement requires a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product."[1364] As one opinion explained, "[c]ourts have strictly applied the test for vicarious trademark liability based on agency principles, and, unlike vicarious

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1358. *Id.* at 701.

1359. *Id.* at 702-06.

1360. *See* Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404 (S.D.N.Y. 2013).

1361. *Id.* at 425.

1362. *Id.*

1363. *Id.*

1364. Kelly-Brown v. Winfrey, 717 F.3d 295, 314 (2d Cir. 2013) (quoting Perfect 10, Inc. v. Visa Int'l Serv. Ass'n, 494 F.3d 788, 807 (9th Cir. 2007) (internal quotation marks omitted)).

copyright liability, 'courts do not recognize vicarious liability in the trademark context based on ability to supervise in combination with a financial interest.'"[1365]

The difficulty in satisfying this test was apparent in the outcome of an appeal to the Tenth Circuit.[1366] The gravamen of the plaintiff's claim of vicarious liability was that the lead defendant should be held accountable for the placement by one of its affiliates of advertising through Google's ADWORDS program. The summary judgment record established that the text of that advertising featured the plaintiff's mark, which might well support a finding of direct infringement against the affiliate. Nevertheless, like the trial court, the Tenth Circuit held that the defendant could not be vicariously liable for the affiliate's advertisements under common-law agency principles. Specifically, the appellate court held that "a principal is subject to liability for its agent's tortious conduct only if the conduct is within the scope of the agent's actual authority or ratified by the principal."[1367] In its subsequent application of this rule, the court held that there was no record evidence or testimony before it indicating that the affiliate believed the defendant had authorized its conduct or that the defendant otherwise had ratified the affiliate's conduct. As a consequence, the trial court's dismissal of the plaintiff's claim of vicarious liability had been appropriate.[1368]

Another application of the strict test for vicarious liability precluded one plaintiff from successfully holding a parent corporation accountable for the alleged infringement of its subsidiary based on the parent's provision of a "web portal provid[ing] real-time product availability, net pricing, order status, tracking, and other services to buyers of product offered by [the subsidiary]."[1369] In granting the parent's motion to dismiss, the court rejected the plaintiff's claims regarding the portal with the observation that "[r]ather than describing an 'actual or apparent partnership,' . . . these allegations show only that [the parent] is authorized to advertise and sell the [subsidiary's] products at issue in this case."[1370] In particular, it held, "[t]here is no indication that [the parent] has any broader authority to bind [the subsidiary] in transactions with third parties, or that [the subsidiary] has such

1365. Clearline Techs. Ltd. v. Cooper B-Line, Inc., 871 F. Supp. 2d 607, 613-14 (S.D. Tex. 2012) (quoting United States v. Washington Mint, LLC, 115 F. Supp. 2d 1089, 1106 (D. Minn. 2000)).

1366. *See* 1-800 Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229 (10th Cir. 2013).

1367. *Id.* at 1251 (quoting Restatement (Third) of Agency § 7.04 (2006)).

1368. *Id.* at 1251-52.

1369. *Id.* at 614.

1370. *Id.* at 614-15.

an authority with respect to [the plaintiff]."[1371] In light of the plaintiff's additional failure to aver that the parent exercised joint control with its subsidiary over the products at issue, the plaintiff's allegations of vicarious liability did not survive the pleadings stage.[1372]

c. Liability for the Unfair Competition of Agents

It is possible to hold a defendant liable for the torts of its agents,[1373] but one plaintiff put on a clinic on how not to do so.[1374] Not satisfied to assert claims against the lead corporate defendant, the plaintiff targeted a number of the lead defendant's lower-level employees as well. The court granted a motion to dismiss the plaintiff's claims against those employees in language that set forth the deficiencies of those claims:

> [I]t is apparent that [the plaintiff's] allegations are insufficient. [The Plaintiff's] Lanham Act claims against the employees . . . does not allege, as an agency-based claim typically would, that an act of false advertising by a subordinate permits liability to be escalated up the chain to a person who allegedly authorized that act; rather, [the Plaintiff's] theory of liability seeks to push liability downward, exposing low-level employees [of the lead defendant] to liability for conduct engaged in by their superiors, for which they had no alleged ability to control or direct.[1375]

9. Personal Liability

Reported opinions in which the personal liability of individual defendants was in dispute produced mixed results, but plaintiffs typically prevailed on the issue.[1376] In one example of this phenomenon, the chief operating officer and the director of business development of a corporate defendant were found personally liable for false advertising undertaken by their employer following a bench trial.[1377] Chief among their

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1371. *Id.* at 615.

1372. *Id.*

1373. *See generally* AT & T Co. v. Winback & Conserve Program, Inc., 42 F.3d 1421 (3d Cir. 1994).

1374. *See* L-3 Commc'ns Corp. v. Jaxon Eng'g & Maintenance, Inc., 863 F. Supp. 2d 1066 (D. Colo. 2012).

1375. *Id.* at 1085.

1376. *See, e.g.*, Klein-Becker USA, LLC v. Englert, 711 F.3d 1153, 1160-61 (10th Cir. 2013) (affirming entry of default judgment against individual defendant as sanction for discovery abuses).

1377. *See* Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404 (S.D.N.Y. 2013).

transgressions was being "the moving forces behind the development, marketing, and labeling" of nutritional supplements with an active ingredient different from what was advertised; they were also responsible for having sought out and purchased that ingredient.[1378] To minimize the significance of the plaintiff's showings, the individual defendants argued that they were nothing more than members of a larger team, but the court found their testimony lacking in credibility and therefore entered judgment against them personally.[1379]

A bench trial also led to a finding of personal liability for the operators of three smoke shops selling a "spice" product under a mark and trade dress closely identical to those used by the plaintiffs for cigarettes.[1380] Whether motivated by self-aggrandizement or some other consideration, one of the individual defendants testified that he was "basically the manager, the CEO, everything" of the corporate defendant's business;[1381] unable to let well enough alone, he also reported that "I was the boss. I am the owner of the business or the manager of the business, and I take full responsibility . . . ."[1382] The other individual defendant was only marginally less culpable. According to the court, "[h]e made major marketing decisions, had the ability to screen job applicants, and authorized refunds."[1383]

This pattern of results extended to the summary judgment context, in which one plaintiff successfully fended off a motion for a summary judgment on its allegations of infringement and counterfeiting against an individual defendant, who happened to be the principal of two Indiana corporations the plaintiff also had named as defendants.[1384] The individual defendant's attack on the sufficiency of the plaintiff's allegations against him was grounded in the argument that Indiana law did not recognize the imposition of liability against corporate officers under the causes of action asserted by the plaintiff's complaint. The court disagreed, holding instead that "an officer is personally liable for the torts in which she has participated or which she has authorized or directed."[1385] With that issue out of the way, the court noted that "[t]he Plaintiff's claims against [the individual defendant] are not merely

1378. *Id.* at 427.

1379. *Id.*

1380. *See* Lorillard Tobacco. v. Cal. Imps., LLC, 886 F. Supp. 2d 529 (E.D. Va. 2012).

1381. *Quoted in id.* at 537.

1382. *Quoted in id.*

1383. *Id.* at 538.

1384. *See* Dwyer Instruments, Inc. v. Sensocon, Inc., 873 F. Supp. 2d 1015 (N.D. Ind. 2012).

1385. *Id.* at 1023 (quoting State Civil Rights Comm'n v. Cmty. Line Park, Inc., 738 N.E.2d 1044, 1050 (Ind. 2000)).

due to his position as a shareholder or an officer within the larger corporate organization";[1386] rather, "[t]he Plaintiff has presented evidence from which a reasonable jury could conclude that [he] participated in, authorized, or directed acts that constitute the torts at issue . . . ."[1387] That evidence included the plaintiff's showings that, following the individual defendant's resignation as the plaintiff's district sales manager, he personally had sourced the production of goods to compete with those sold by the plaintiff from third-party manufacturers and, additionally, had promoted the sale of those goods to the plaintiff's customers.[1388]

Finally, one Illinois federal district court addressing a motion to dismiss allowed that "[t]he Seventh Circuit has held that absent some 'special showing,' individuals are not ordinarily liable for the infringement of their corporation, even where that infringement is committed under the [individuals'] general direction."[1389] At the same time, however, it determined that the plaintiff's allegations against the moving defendant met the grade. In particular, the court noted, "Plaintiff alleges that [the defendant], knowingly and willfully directed, controlled, or participated in the purchases, sales, and offers for purchase and sale of counterfeit meat products [in packages bearing the plaintiff's mark]."[1390] Beyond those averments, the plaintiff accused the defendant of knowing that goods bearing the plaintiff's mark could be ordered only from the plaintiff itself, rather than the source from which he had procured them, as well as continuing to make purchases from that source after receiving actual notice that its goods were not authorized.[1391]

B. Defenses

1. Legal Defenses

a. Abandonment

Section 45 of the Lanham Act identifies two circumstances under which the rights to a mark can be deemed abandoned by the mark's owner:

> A mark shall be deemed to be "abandoned" if either of the following occurs:
>
> (1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima

1386. *Id.*

1387. *Id.*

1388. *Id.* at 1020.

1389. Desmond v. Chi. Boxed Beef Distribs., Inc., 921 F. Supp. 2d 872, 885 (N.D. Ill. 2013).

1390. *Id.* at 887.

1391. *Id.* at 886-87.

> facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.
>
> (2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.[1392]

Both types of abandonment came into play over the course of the past year.

i. Non-Use

Having been held to have assigned away his rights to a mark in a transaction that ultimately led to the mark's acquisition by the plaintiff, the lead defendant in one case suffered the additional indignity of a finding as a matter of law on appeal that he had abandoned any rights that might have survived the transaction.[1393] In entering partial summary judgment in the defendants' favor, the district court concluded that the lead defendant's failure to use the mark in question for six years was relevant only to an abandonment defense to any counterclaims the defendants might have brought and that it could not be invoked to establish the plaintiff's priority of rights. This holding failed to withstand appellate scrutiny, because, as the Sixth Circuit explained:

> [I]t misconceives the nature of abandonment, which is not simply an equitable principle like acquiescence or unclean hands that can be used defensively against a specific party. Instead, abandonment is definitional in nature, setting limits on the scope of the trademark right. . . . [The defendants'] abandonment-as-defense-only position would permit trademark owners who abandoned their rights impunity from charges of infringement, regardless of the official registration and legitimate use in commerce of later users. Such a rule would be anomalous.[1394]

More conventional abandonment-through-nonuse analyses came in opinions from other tribunals,[1395] including the Texas

1392. 15 U.S.C. § 1127 (2012).

1393. *See* Yellowbook Inc. v. Brandeberry, 708 F.3d 837 (6th Cir. 2013).

1394. *Id.* at 847.

1395. *See, e.g.*, Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1370 (M.D. Fla. 2012) (holding that testimony of nonuse of mark for ten-year period constituted prima facie evidence of abandonment sufficient to defeat plaintiff's motion for summary judgment).

Court of Appeals.[1396] The lead plaintiff in the action before that court claimed to own rights to the mark at issue through an assignment from a third party, which previously had licensed the mark to the lead plaintiff. Because the trial record showed that the license had expired on April 1, 1994, that the assignment had been executed in February 2005, and that the third party itself had made no use of the formerly licensed mark following the license's expiration, the trial court found that the third party had abandoned its rights prior to the assignment. The court of appeals affirmed, explaining as a threshold matter that:

> Nonuse of a mark for a period of three consecutive years constitutes prima facie evidence of abandonment. The prima facie case "eliminates the challenger's burden to establish the intent element of abandonment as an initial part of [his] case and creates a rebuttable presumption that the registrant abandoned the mark without intent to resume or commence use under the statute." This presumption shifts the burden to the owner of the mark to produce evidence of actual use during the relevant time period or [an] intent to resume or commence use, although the ultimate burden of proof remains with the party asserting [abandonment].[1397]

To rebut the defendants' prima facie showing of abandonment, the lead plaintiff argued that the third-party assignor had made efforts to license the mark following the expiration of the lead plaintiffs' license. Rather improbably reviewing the trial court's determination of abandonment under a forgiving abuse-of-discretion standard, the appellate court agreed with the plaintiffs that "evidence of attempts to license a mark can rebut a presumption of nonuse."[1398] Still, however:

> [T]he only evidence of attempts to license the mark to others in this case was brief testimony from [an employee of the third party] in which she stated '[w]e've made attempts to license to others, but they weren't interested. [The employee] does not provide a time frame during which [the third party] attempted to find other licensees. Nor did she identify any potential licensees of the mark.[1399]

The finding of abandonment therefore was proper because "[i]n this case, the evidence presented to the trial court showed no bona

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1396. *See* Condom Sense, Inc. v. Alshalabi, 390 S.W.3d 734 (Tex. Ct. App. 2012).

1397. *Id.* at 752 (first alteration in original) (quoting Rivard v. Linville, 133 F.3d 1446, 1449 (Fed. Cir. 1998) (internal quotation marks omitted).

1398. *Id.* at 756.

1399. *Id.* at 756-57 (internal citation omitted).

fide use of the mark by [the third party] and no intent to resume use in the reasonably foreseeable future."[1400]

Other claims of abandonment through nonuse were less successful, with some courts making the self-evident point that proof of a mark's ongoing use will render moot an inquiry into the mark owner's intent.[1401] Seeking to establish its priority of rights in the context of a preliminary injunction motion, the counterclaim plaintiff in one case pointed to a three-year absence from the counterclaim defendant's website of any references to the disputed service mark.[1402] In response, the court noted:

> [The counterclaim defendant] has submitted evidence that it did continue to use the mark in client presentations and proposals which prominently featured the mark consistently from 2006 through 2012. These presentations were distributed to on average ten companies each year and approximately sixty different companies received the materials during this time period.[1403]

Particularly in light of the counterclaim defendant's additional submission of a contract to provide services under the mark covering the time period in question, the counterclaim plaintiff's moving papers failed to demonstrate a likelihood of the counterclaim plaintiff prevailing on its abandonment argument.[1404]

Another opinion drove home the point that even an actual discontinuance of use is not dispositive evidence of abandonment if the discontinuance isn't coupled with an intent not to resume use.[1405] The parties to that dispute put on a series of trade shows under a mark, only to have their relationship founder in a dispute that eventually produced competing claims to that mark. The defendants failed to conduct any shows in the aftermath of the breakup, but they resumed doing so after only a year of inactivity. On these facts, the court held as a matter of law that the defendants had not abandoned their rights to the disputed mark: "One year of non-use is insufficient to create prima facie evidence of abandonment. Furthermore, [the plaintiff] has presented no

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1400. *Id.* at 757.

1401. *See, e.g.*, Basile Baumann Prost Cole & Assocs. v. BBP & Assocs., 875 F. Supp. 2d 511, 527 (D. Md. 2012) (denying defense motion for summary judgment on ground that "the Defendants have not shown that [the Plaintiff] has stopped using the marks at issue"); *see also* Kufhold v. Caiafa, 872 F. Supp. 2d 374, 381 (D.N.J. 2012) (holding that plaintiffs' complaint had sufficiently alleged continuous use of their claimed mark to defeat motion to dismiss grounded in theory that plaintiffs had abandoned their rights).

1402. *See* ComPsych Corp. v. Health Champion LLC, 107 U.S.P.Q.2d 1786 (D. Conn. 2012).

1403. *Id.* at 1792.

1404. *Id.*

1405. *See* Rockland Exposition, Inc. v. Alliance of Auto. Serv. Providers of N.J., 894 F. Supp. 2d 288 (S.D.N.Y. 2012).

evidence relating to [the lead defendant's] intent to abandon the use of [the mark], nor could it because [the lead defendant] resumed using the term [a year later]."[1406]

ii. Naked Licensing

In addition to abandoning its mark by nonuse, a mark owner can forfeit its rights by engaging in uncontrolled, or "naked," licensing: "Under the theory of naked licensing, if a trademark owner fails to control the quality of the goods and services sold under that trademark by its licensees, the trademark may cease to function as a symbol of quality and source for consumers and effectively be considered to have been abandoned."[1407] Nevertheless, although easy to state as a *legal* proposition, establishing the *fact* of naked licensing is another thing altogether. One counterclaim plaintiff and licensor supported a motion for summary judgment on the issue by adducing evidence and testimony that its licensees were required to incorporate its technology into goods bearing the licensed mark and to submit prototypes of those goods before placing them on the market. That showing also established that (1) licensees were held to various standards governing the mark's use and display; and (2) the counterclaim plaintiff employed "a program of monitoring use of its mark, as well as identifying similar, potentially confusing marks, in the marketplace using monitoring software, a compliance team in the field, evaluation of customer reports, and partnering with customs officials."[1408]

In support of its claim of abandonment, the counterclaim defendant pointed out that the counterclaim plaintiff had "permitted a long-time business partner to continue using the [licensed] mark when one of its several active licenses expired for a five-month period before the renewal process was complete" and that the counterclaim plaintiff had "waived" the results of one test.[1409] This wasn't enough for the court, which concluded with respect to the former showing that "[a] close or long-standing working relationship with a licensee, where the licensor can rely on the licensee's quality control, may stand in for a formal agreement in certain circumstances."[1410] And, as to the latter, the court held that "even accepting [the counterclaim defendant's] evidence as showing lapses or exceptions in [the counterclaim

1406. *Id.* at 318 (citation omitted).

1407. Monster, Inc. v. Dolby Labs. Licensing Corp., 920 F. Supp. 2d 1066, 1076 (N.D. Cal. 2013).

1408. *Id.* at 1077.

1409. *Id.*

1410. *Id.* at 1077-78.

plaintiff's] policing of its trademark and product quality, such a showing would not rise to a level sufficient to establish abandonment of quality control efforts and naked licensing."[1411] Because "[t]he Court need not require numerous mini-trials on all of its policing efforts if sufficient evidence establishes that the mark has not been effectively abandoned,"[1412] summary judgment in the counterclaim plaintiff's favor was appropriate.[1413]

b. Prior Use

Section 33(b)(5) of the Lanham Act recognizes as a defense to the "conclusive evidence of validity attaching to an incontestable registration "[t]hat the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party . . . from a date prior to [the registrant's priority date]."[1414] The requirement of *continuous* prior use tripped up one defendant invoking the statute's protection in an action brought by the owner of an incontestable registration.[1415] Although there was no dispute that the lead defendant was the prior user of a mark used by both parties, it was equally undisputed that there had been a six-year period during which the lead defendant discontinued the mark's use. Holding that "interruption in the continuous use of a mark does not automatically preclude a party from relying on the 'prior use' exception to incontestability,"[1416] the court was unwilling to disqualify the defendants from the defense on this basis alone. Nevertheless, because the defendants proffered neither an excuse for the period of nonuse nor a showing that consumers still associated the disputed mark with them, "the Court finds defendants' 'prior use' defense to the incontestability of [the plaintiff's] mark unavailing."[1417]

c. Descriptive Fair Use

Descriptive fair use by a defendant of either the plaintiff's mark or the words or designs making up that mark can 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 the defendant

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1411. *Id.* at 1078.

1412. *Id.*

1413. *Id.* at 1079.

1414. 15 U.S.C. § 1115(b)(5) (2012).

1415. *See* Haggar Int'l Corp. v. United Co. for Food Indus. Corp., 906 F. Supp. 2d 96 (E.D.N.Y. 2012).

1416. *Id.* at 130.

1417. *Id.* at 131.

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."[1418] 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 this common-law principle for 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 a fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services."[1419]

Invitations to courts to reach findings of descriptive fair use at the pleadings stage did not fare particularly well.[1420] One Second Circuit opinion vacated such a finding, which had been occasioned by a defense motion to dismiss for failure to state a claim.[1421] The plaintiffs benefitting from that outcome were the registrants of the OWN YOUR POWER mark, which they used in connection with various services having a motivational or self-awareness focus. The subject of their ire was the use of the same phrase by entities associated with Oprah Winfrey, as well as by her *O* magazine. The defendants argued in support of their Rule 12(b)(b)(6) motion that the bare pleadings established each of the three prerequisites for the descriptive fair use defense: Although the district court agreed, the Second Circuit made short work of that argument on appeal.

Addressing the first of the prerequisites of the defense, whether the defendants were using the challenged phrase "other than as a mark," the appellate court noted that the district court's analysis had focused on one of the defendants' uses in particular, which was the appearance of "OWN YOUR POWER" on the cover of *O* magazine. That focus, the Second Circuit held, failed to take into account twenty-one other uses alleged by the plaintiffs' complaint, including the defendants' presentation of what they billed as the "first ever" "Own Your Power Event," which featured motivational content, the promotion of that event through social media, the online posting of a video of the event, and *O*'s publication of articles on the event. The court held that these facts sufficiently alleged a trademark use for purposes of the defendants' motion:

1418. 15 U.S.C. § 1115(b)(4) (2012).

1419. *Id.* § 1125(c)(3)(A).

1420. *See, e.g.*, Ritani, LLC v. Aghjayan, 880 F. Supp. 2d 425, 447-48 (S.D.N.Y 2012) (declining to find descriptive fair use on defense motion to dismiss, albeit on alleged facts more properly evaluated under nominative fair use rubric).

1421. *See* Kelly-Brown v. Winfrey, 717 F.3d 295 (2d Cir. 2013).

> It is adequately alleged in the complaint that the defendants were trying to create, through repetition across various forms of media, a similar association between Oprah and the phrase "Own Your Power." The defendants began to create the association between that phrase and Oprah with the cover of the October [2010] Issue of [*O*] Magazine, and continued to encourage it through both the Event and the Website. Each of these employed usages of the phrase "Own Your Power" involved separate content and context, and thus it is possible that the defendants were attempting to build up a line of wide-ranging content all denoted by the phrase "Own Your Power." "Own Your Power," through these interrelated uses, would thus become symbolic shorthand for the products and message as a whole, meant to remind consumers of a particular kind of Oprah-related content. Thus, plaintiffs have alleged that this repeated and wide-ranging usage of the phrase "Own Your Power" functioned as a mark.[1422]

The defendants fared no better in the Second Circuit's analysis of the second prerequisite for a finding of descriptive fair use, namely, whether the defendants used the phrase in question only in its primary descriptive sense. In contrast to its methodology under the first prong of the relevant analysis, the court's treatment of this issue focused on the prominent appearance of "Own Your Power" on the cover of *O* magazine. Notwithstanding the court's historical practice of viewing magazine titles as descriptive of their contents, the court concluded in the case before it that "it does not appear that the phrase 'Own Your Power' is meant to describe the contents of a particular item in the Magazine."[1423] The court gave two examples of why: (1) although the magazine contained a "Power List" of "admirable people," that article "does not provide specific advice regarding how a reader can follow in the footsteps of any of these individuals, nor does it provide specific advice regarding how a reader can become more

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1422. *Id.* at 310. The court elaborated on the significance of repetition in the following observation:

> Courts are more likely to treat recurring themes or devices as entitled to protection as a mark, even where a single iteration might not enjoy such protection. . . .
>
> Repetition is important because it forges an association in the minds of consumers between a marketing device and a product. When consumers hear a successful slogan, for example, they immediately think of a particular product without even being prompted by the product's actual name. When they encounter the title of a popular literary series, they will recognize, just based on the name, that the work is one of a series and is therefore the work of a particular author. The slogan or title becomes a symbolic identifier of a product or product line through repetition.

Id. at 310.

1423. *Id.* at 312.

powerful in general"; and (2) "[t]he Table of Contents . . . does not list any article corresponding to the phrase 'Own Your Power.'"[1424]

Finally, the Second Circuit disposed of the defendants' position that the pleadings established the defendants' good faith as a matter of law. As the court characterized the defendants' arguments on this point, "it is implausible that someone as well-known as Oprah would attempt to trade on the goodwill of someone relatively obscure like [the lead plaintiff]" and "the phrase 'Own Your Power' was commingled with other Oprah-related marks, suggesting both that no consumer would be confused as to the origin of their 'Own Your Power' publications and that they were not trading on [the lead plaintiff's] good will."[1425] In response, the court credited the plaintiffs' averment that the defendants had purchased the rights to an arguably similar mark, which suggested that the defendants had run a trademark availability search that might have disclosed the plaintiffs' prior claim in the USPTO. That averment, the court concluded, made possible a finding of bad faith, even if the defendants had not, in fact, intended to trade on the plaintiffs' goodwill.[1426] As a consequence, "the District Court erred in holding that the defendants have conclusively demonstrated good faith in their use of the phrase 'Own Your Power.'"[1427]

As always, some defendants invoked the descriptive fair use doctrine when its nominative fair use counterpart was the more appropriate rubric. One court recognized that error in holding that the former doctrine did not protect the ability of a group of automobile wheel producers and vendors to use the Ford Motor Company's marks to promote their goods.[1428] The court noted that "[i]n descriptive fair use the defendant utilizes [the] plaintiff's mark not to identify [the] plaintiff's products, but merely to describe his own."[1429] It then concluded that:

> The defense of descriptive fair use is not applicable here, as Defendants have not alleged that they utilized Ford trademarks merely to describe their own products; on the contrary, the purpose of utilizing various Ford word marks such as MUSTANG was to inform potential customers that [their] wheels were compatible with specific Ford products. Thus, nominative fair use, not descriptive fair use, is the

1424. *Id.*

1425. *Id.*

1426. *Id.* at 313.

1427. *Id.*

1428. *See* Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350 (M.D. Fla. 2012).

1429. *Id.* at 1369.

relevant "fair use" defense in this case. Accordingly, Ford is entitled to summary judgment on this issue.[1430]

d. Nominative Fair Use

The past year produced a bumper crop of opinions addressing defendants' arguments that they had merely made nominative fair uses of their opponents' marks. The occasion of one such opinion was a dispute in which the plaintiffs were in the business of selling licenses to electronically-distributed sports betting reports, including sports handicapping information, while the lead defendant operated a website and a forum related to sports betting and handicapping information.[1431] The plaintiffs asserted that the lead defendant's practice of allowing users, including an individual defendant named in the complaint, to post content originating with the plaintiffs (and attributed to them) constituted infringement and likely dilution of the plaintiffs' marks, but the court disagreed. Invoking slight variations on the three standard nominative-fair-use factors set forth in *New Kids on the Block v. News America Publishing, Inc.*,[1432] the court noted that each favored the defendants: (1) the challenged marks at issue were the personal names of the plaintiffs' handicapping analysts; (2) "as alleged in the complaint, when the marks appeared on [the lead defendant's] website, they identified only [the plaintiffs'] services"; and (3) "the criticism of [the lead plaintiff's] analysts on the message board greatly reduces the likelihood that a visitor to [the lead defendant's] message board would infer Plaintiffs' 'sponsorship or endorsement' of . . . users' postings."[1433] Accordingly, it held, the plaintiffs had failed to state a claim on which relief could be granted.

A finding of nominative fair use as a matter of law came in a second application of the *New Kids on the Block* factors, this one on a motion for summary judgment.[1434] The infringement and unfair competition claims at issue were brought by a group of insurance companies against a former broker of theirs and against companies

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1430. *Id.*

1431. *See* Stevo Design, Inc. v. SBR Mktg. Ltd., 105 U.S.P.Q.2d 1925 (D. Nev. 2013).

1432. 971 F.2d 302 (9th Cir. 1992). Under the *New Kids on the Block* test, a finding of nominative fair use will lie if three requirements are met:

> 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, suggest sponsorship or endorsement by the trademark holder.

Id. at 308.

1433. *Stevo Design*, 105 U.S.P.Q.2d at 1934.

1434. *See* Aviva USA Corp. v. Vazirani, 902 F. Supp. 2d 1246 (D. Ariz. 2012).

affiliated with him. Having been terminated by the plaintiffs, the defendants aggressively aired their grievances by registering a number of domains based on the plaintiffs' flagship service mark, by establishing a website accessible at those domains with content critical of the plaintiffs and featuring a trade dress similar to that on the plaintiffs' site, and by sending out e-mail blasts to the trade with links to the site. The court confirmed that, under those circumstances, the standard multifactored test for likely confusion was properly superseded by the *New Kids on the Block* factors, and it then applied those factors to the plaintiffs' detriment. To begin with, "there is no clear way for Defendants to convey their criticism [of] a specific entity, [the lead plaintiff], without naming that specific entity. There is simply no acceptable substitute."[1435] Because the defendants did not simply refer to the plaintiffs by name, the second factor presented "a closer question,"[1436] but the court ultimately found that "the [plaintiffs'] stylized logo and distinctive coloring were not used in a commercial or competitive manner, but rather were used solely to identify [the plaintiffs] as the object of the Website's criticism."[1437] Finally, as to the third factor, it held that, "the entire website is concerned with criticizing [the lead plaintiff] and its business practices. Therefore, it is not reasonable to conclude that Defendants have taken any actions that would suggest that [the lead plaintiff] supports or endorses the Website or the associated domain names in any way."[1438]

In contrast, applications of the three *New Kids on the Block* factors failed to carry the day in other actions,[1439] including one in which the plaintiff, the Estate of Buckminster Fuller, objected to the defendant's sale under the BUCKYBALL mark of office toys, which the defendant promoted with numerous references to the deceased inventor and architect.[1440] Claiming that their mark was a protected nominative fair use, the defendant moved to dismiss the plaintiff's complaint for failure to state a claim. The court concluded from a review of that pleading that the defendant's motion was without merit:

> The claim cannot be dismissed on the basis of this defense. The third factor—that the user must do nothing that would suggest sponsorship or endorsement—is dispositive here.

1435. *Id.* at 1264.

1436. *Id*

1437. *Id.* at 1265.

1438. *Id.* at 1264.

1439. *See, e.g.*, Diller v. Barry Driller Inc., 104 U.S.P.Q.2d 1676, 1680 (C.D. Cal. 2012) (holding that *New Kids on the Block* test was inapplicable to defendants' use of challenged term to promote their own business, rather than to refer to plaintiff).

1440. *See* Estate of Fuller v. Maxfield & Oberton Holdings, LLC, 906 F. Supp. 2d 997 (N.D. Cal. 2012).

> Plaintiff has specifically alleged that Defendant's use of Mr. Fuller's name is "likely to cause confusion among the general public about Plaintiff's endorsement of Defendant's product. In particular, consumers are likely to believe that BuckyBalls are authorized, sponsored, approved or otherwise related to Plaintiff and its licensees, when in fact they are not." Because the Court takes allegations in the Complaint as true for purposes of a motion to dismiss, the Court assumes that Defendant's conduct did in fact suggest sponsorship or endorsement by Mr. Fuller. Thus, the third element of the defense cannot be established, and the complaint cannot be dismissed on these grounds.[1441]

A Tenth Circuit district court also passed up the opportunity to reach a finding of nominative fair use as a matter of law on a motion to dismiss.[1442] The mark sought to be protected by the plaintiffs was NAVAJO for "numerous products, including, among other things, clothing, accessories, blankets, jewelry, foods, tools, decorations, crafts, and retail services."[1443] The court focused on the first of the usual nominative-fair-use factors to reject the defendants' argument that the doctrine protected their use of NAVAJO and NAVAHO in connection with the same goods. As it explained, "whether 'Navajo' is the only word reasonably available to describe the particular designs of the products at issue is a fact question not suitable for resolution at this time, particularly where the Amended Complaint alleges that 'geometric' and 'southwestern' are alternative ways to describe the goods at issue."[1444]

A Massachusetts federal district court also got in on the action, denying a motion to dismiss filed by the American Veterinary Association.[1445] The Association was named as a co-defendant in a dispute over the rights to the mark THE AMERICAN COLLEGE OF VETERINARY SPORTS MEDICINE AND REHABILITATION for veterinary education services.[1446] The

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1441. *Id.* at 1012 (citation omitted).

1442. *See* Navajo Nation v. Urban Outfitters, Inc., 935 F. Supp. 2d 1147 (D.N.M. 2013).

1443. *Id.* at 1153.

1444. *Id.* at 1166.

1445. *See* Lyons v. Gillette, 882 F. Supp. 2d 217 (D. Mass. 2012).

1446. On its face, the court's opinion discusses the ACVSMR mark, rather than THE AMERICAN COLLEGE OF VETERINARY SPORTS MEDICINE AND REHABILITATION, but the plaintiffs' complaint defines the former as an abbreviation of the latter. *See* Complaint at 1-2, Lyons v. Gillette, 882 F. Supp. 2d 217 (D. Mass. 2012), 2011 WL 6401228 ("This is an action for federal trademark infringement and unfair competition, common law trademark infringement, federal trademark dilution, state trademark dilution and injury to business reputation, . . . common law unfair competition, . . . state unfair and deceptive trade practices, . . ., and other violations of state and federal law arising out of the defendants' intentional infringement and dilution of the plaintiff's registered trademark the

plaintiffs' complaint did not allege that the Association used the mark in the conventional sense, but it did aver that the Association had accredited its codefendants to operate under it and then had disseminated information about the outcome of the accreditation process on the Association's website, along with its codefendants' contact information. Apparently without expressly invoking the nominative fair use doctrine, the Association argued in support of its motion that its use of the disputed mark was nothing more than a permissible reference to its codefendants that did not create the "illusion of sponsorship." Because "potential students interested in the veterinary specialty . . . care whether the [codefendants'] specialty is accredited by the Association,"[1447] the court disagreed and declined to grant the Association's motion;[1448] absent from its analysis was any consideration of the more relevant question whether the Association's use of the mark created an illusion of sponsorship where the *plaintiffs* were concerned.

In a different case, the defendant's invocation of nominative fair use considerations failed to ward off the plaintiffs' motions for a temporary restraining order and preliminary injunction.[1449] The subject of the requests for interlocutory relief was the defendant's use of *Age of Hobbits* as the title for a motion picture ostensibly featuring members of the diminutive species of hominid known scientifically as *Homo Floresiensis*. Seeking to defeat the plaintiff's allegations of likely confusion, the defendant argued that its film had nothing to do with the creatures featured in J.R.R. Tolkien's book *The Hobbit* and the motion picture *The Hobbit: An Unexpected Journey*, put out by Tolkien's successors. Whatever the merits of that contention in the infringement context, it dispelled any eligibility the defendant otherwise might have had to the protection of the nominative fair use defense, which the court deemed "inapplicable to cases in which the trademarked term was not used [by the defendant] to describe the plaintiff's product."[1450] Because "[Defendant] has clearly stated that it in no way intended to refer to Plaintiffs' mark by using the trademarked term," the court explained, "the nominative fair use defense simply does not apply."[1451]

'American College of Veterinary Sports Medicine and Rehabilitation' (hereinafter 'ACVSMR') . . . .").

1447. *Lyons*, 882 F. Supp. 2d 217 at 227.

1448. *Id.* at 228.

1449. *See* Warner Bros. Entm't v. Global Asylum, Inc., 107 U.S.P.Q.2d 1910 (C.D. Cal. 2012), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013).

1450. *Id.* at 1925.

1451. *Id.*

Invocations of the nominative fair use doctrine in the summary judgment context produced mixed results. One motion for judgment as a matter of law was filed by defendants who argued to an Indiana federal district court that the multiple uses of the plaintiff's MAGNEHELIC mark in the defendants' promotional materials were merely nominative fair uses, especially because those uses occurred in conjunction with notices that the mark was owned by the plaintiff.[1452] In the absence of controlling authority, the parties jointly proposed an application of the tripartite *New Kids on the Block* test, but the court preferred to take into account "the various relevant factors from the Seventh Circuit's [likelihood-of-confusion] test, modified for nominative fair use in the context of comparative advertising";[1453] precisely how the court proposed to modify that test, however, went unexplained. In any case, the court found that no reasonable jury could find that the defendant's use of the plaintiff's mark when describing their goods as "direct replacement[s]" for those of the plaintiff was not a permissible nominative fair one, especially because "the Defendants do not use distinctive font, typeface, or lettering unique to the Plaintiff's mark, and thus do not use more of the Mark than is reasonably necessary to identify the Plaintiff's product."[1454] The same was true of "a one-page comparison of the two brands" available on the defendants' website, of which the court observed that "[t]his manner of use evidences competition, not sponsorship or endorsement."[1455] The situation was different where the defendants' description of their product as a "Magnehelic® Alternative" was concerned, however: "Because this use of the Plaintiff's Mark is not an attempt to describe the Plaintiff's product, but names, describes, and identifies the Defendants' product, it does not present a nominative fair use scenario."[1456]

Also in contrast to the prevailing trend, a claim of nominative fair use produced similarly mixed results in a case in which the Ford Motor Company challenged the use by a group of defendants who used Ford's FORD, MUSTANG, and COBRA marks in connection with their sale of automotive wheels.[1457] The Florida federal district court hearing the action adopted the tripartite test

1452. *See* Dwyer Instruments, Inc. v. Sensocon, Inc., 873 F. Supp. 2d 1015 (N.D. Ind. 2012).

1453. *Id.* at 1031 (footnote omitted).

1454. *Id.* at 1031.

1455. *Id.* at 1032.

1456. *Id.* at 1033.

1457. *See* Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350 (M.D. Fla. 2012).

first articulated by the Third Circuit in *Century 21 Real Estate Corp. v. Lendingtree, Inc.*:[1458]

> Nominative fair use requires a defendant to show that: (1) the plaintiff's mark is necessary to identify plaintiff's product; (2) in doing so defendant does not use more of plaintiff's mark than necessary; and (3) "defendant's conduct or language reflect[s] the true and accurate relationship between plaintiff and defendant's products or services."[1459]

On the one hand, the court held that the defendants' practice of advertising wheels not made by Ford with such listings as "O.E. MUSTANG WHEELS" failed as a matter of law to satisfy the third prong of the test "as [the listings] suggest that Ford manufactured, and/or is affiliated with [the] wheels."[1460] On the other hand, however, "Defendants sold numerous wheels compatible with Ford automobiles, under a variety of listing titles. In doing so, it was necessary to use Ford's trademarks in order to inform potential customers that [their] wheels would fit Ford vehicles; thus, this defense may turn out to be available."[1461]

Finally, the First Circuit appeared willing for the first time to ratify a test for nominative fair use, which took into account: "(1) whether the plaintiff's product was identifiable without use of the [challenged] mark; (2) whether the defendant used more of the mark than necessary; and (3) whether the defendant accurately portrayed the relationship between itself and the plaintiff."[1462] Significantly, however, the court declined to take a position on whether those factors took the place of the standard multifactored likelihood-of-confusion test for infringement, or, alternatively, whether they properly should come into play only after the plaintiff had demonstrated the existence of likely confusion under the standard test.[1463] Instead, it limited its holding to the observation that, whatever the appropriate test for infringement might be in a nominative fair use scenario, "a trademark defendant has no burden to prove anything until the plaintiff has first met its responsibility . . . by demonstrating that the defendant's use of its mark is likely to confuse consumers."[1464]

1458. 425 F.3d 211 (3d Cir. 2005).

1459. *Ford Motor Co.*, 868 F. Supp. 2d at 1368 (alteration in original) (quoting *Century 21*, 425 F.3d at 232).

1460. *Id.*

1461. *Id.* at 1369.

1462. Swarovski Aktiengesellschaft v. Building # 19, Inc., 704 F.3d 44, 50 (1st Cir. 2013) (per curiam).

1463. *Id.* at 52-53.

1464. *Id.* at 53.

e. Statutes of Limitations

The absence from the Lanham Act of a statute of limitations does not prevent defendants under the Act from asserting that their conduct is protected by one.[1465] One Virginia federal district court addressing this argument held that "[a]lthough there is no express federal statute of limitations for civil trademark infringement claims, federal courts generally follow the limitations period from the state in which the claim is heard."[1466] As a legal proposition, the court held on the parties' cross-motions for summary judgment that the relevant period was two years. It then found as a factual proposition that there was no material dispute the plaintiff was aware of the defendants' allegedly infringing use "around 2003 or 2004," even if the plaintiff believed there was no need for it to file suit until after the defendants applied to register their mark in 2008.[1467] Nevertheless:

> [C]ontrary to Defendants' argument, the statute of limitations does not necessarily act as a bar to the entirety of the infringing acts about which Plaintiff complains. When a defendant commits multiple wrongful acts, a separate statute of limitations attaches to each wrongful act. Consequently, acts of infringement alleged to have been committed by the Defendant that fall within the limitations period are still actionable for damages.[1468]

A Louisiana federal district court entertaining a suit between competitors in the chemical-injection pump business grabbed this same theory and ran with it.[1469] The occasion of its doing so was a motion for summary judgment filed by the defendants, who were accused of advertising their own pumps as being identical to those of the plaintiff.[1470] The court agreed with the defendants that the plaintiff's claim under the Lanham Act were subject to the same relatively short one-year statute of limitations applicable to the plaintiff's causes of action under Louisiana law.[1471] It was undisputed that the challenged representations began more than one year before the filing of the plaintiff's complaint, but that was not the end of the analysis. Rather, in response to the defendant

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1465. Of course, defendants charged with liability under a state-law cause of action are free to invoke the applicable statute of limitations under the law of that state. *See, e.g.*, Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1370 (M.D. Fla. 2012) (crediting defendants' showing that certain of the plaintiff's claims under Florida law were barred by applicable statutes of limitation).

1466. E. W., LLC v. Rahman, 896 F. Supp. 2d 488, 504 (E.D. Va. 2012).

1467. *Id.*

1468. *Id.* at 505.

1469. *See* CheckPoint Fluidic Sys. Int'l, Ltd., 888 F. Supp. 2d 780 (E.D. La. 2012).

1470. *Id.* at 792.

1471. *Id.* at 790.

motion, the plaintiff pointed to record evidence that the representations had continued to be made within the key one-year period. As a consequence, the court held, "[the plaintiffs'] Lanham Act claim, that defendants' advertisements falsely equated the two companies' products, is not time-barred."[1472]

An Arizona federal district court also addressed the issue of whether the three-year statute of limitations of that state for fraud-based causes of action could trump Section 43(a)'s cause of action for false advertising, but the court ultimately declined to resolve it.[1473] In part, this was because "[w]hether the Court conducts a statute of limitations or laches analysis is not controlled by any of the authority presented by the parties."[1474] Of equal importance, however, although the plaintiff alleged that the defendant's false advertising had begun more than three years before the filing date of the plaintiff's complaint, "it cannot be said from the pleadings that Plaintiff discovered then that the statements were false."[1475] Rather, a "reasonable inference" could be drawn that the plaintiff had recognized the statements' falsity only within the three-year period at issue, which meant that the defendants' motion to dismiss was without merit.[1476]

Of course, defendants also invoked statutes of limitation in response to state-law causes of action,[1477] but those invocations met with mixed success, especially under California right-of-publicity doctrine. For example, the Ninth Circuit applied the first-publication rule to hold that a right-of-publicity claim brought by test pilot Chuck Yeager was time-barred by the two-year statute of limitations applicable to such claims.[1478] The target of Yeager's suit was the online posting of information relating to him by the defendants, who were sellers of aviation memorabilia. The posting took place in October 2003, but Yeager only filed his action in January 2008, a sequence of events that led the district court to enter summary judgment in the defendants' favor. On appeal, the Ninth Circuit rejected Yeager's argument that, because the defendants had modified other content on their site within two years of the filing of his complaint, the two-year clock had not run.

1472. *Id.* at 794.

1473. *See* Thermolife Int'l LLC v. Gaspari Nutrition, Inc., 871 F. Supp. 2d 905 (D. Ariz. 2012).

1474. *Id.* at 911.

1475. *Id.* at 911.

1476. *Id.*

1477. *See, e.g.*, Cascade Yarns, Inc. v. Knitting Fever, Inc., 905 F. Supp. 2d 1235, 1252-53 (W.D. Wash. 2012) (holding cause of action for unfair competition under Washington law barred by three-year statute of limitations); Lyons v. Gillette, 882 F. Supp. 2d 217, 234-35 (D. Mass. 2012) (holding cause of action for deceptive trade practices under Massachusetts law barred by four-year statute of limitations).

1478. *See* Yeager v. Bowlin, 693 F.3d 1076 (9th Cir. 2012).

The appellate court acknowledged that "[u]nder the single-publication rule, the statute of limitations is reset when a statement is republished."[1479] It was, however, unwilling to hold that republication of the Yeager-related material had occurred "each time the [defendants] added to or revised content on their website, even if the new content did not reference or depict Yeager."[1480] Rather, "under California law, a statement on a website is not republished unless the statement itself is substantively altered or added to, or the website is directed to a new audience."[1481]

In contrast, a different result held, at least at the pleadings stage, in a case in which the cause of action at issue was a California right-of-publicity claim brought by the Estate of Buckminster Fuller against a defendant using the BUCKYBALL mark for an office toy.[1482] In support of a motion to dismiss for failure to state a claim, the defendant advanced the argument that, as characterized by the court, "the statute of limitations began to run when Plaintiff had actual or constructive notice that Defendant was using Mr. Fuller's name, and the cause of action does not accrue anew each time Defendant prints a package that says 'Bucky' on it."[1483] Based in significant part on the plaintiff's allegations that the defendant had introduced a range of additional products bearing the BUCKYBALL mark after its original date of first use, the court concluded that "[s]ome of these actions by Defendant may have occurred within the two-year limitations period."[1484] Because "these allegations are sufficient to state a viable claim that Defendant committed an independent act of publication violating Plaintiff's right of publicity within the two-year limitations period," the defendant's motion fell short of the mark.[1485]

f. Implied License

If a defendant does not have an express license to use an allegedly infringing mark, it nevertheless can still have an implied one: Specifically, "a court may find an implied license 'when such a license can reasonably be inferred from the conduct of the

1479. *Id.* at 1082.

1480. *Id.*

1481. *Id.*

1482. *See* Estate of Fuller v. Maxfield & Oberton Holdings LLC, 906 F. Supp. 2d 997 (N.D. Cal. 2012).

1483. *Id.* at 1008.

1484. *Id.* at 1009.

1485. *Id.*

parties.'"[1486] The conduct at issue in one case in which an implied license was urged by the defendants was the Ford Motor Company's alleged practice of flooding the market with automotive wheel caps bearing Ford's marks. According to the defendants, Ford's failure to restrict the resale of the caps constituted an implied license for downstream purchasers to affix the caps to wheels not manufactured by Ford; their case was bolstered by what the court found to be "some evidence showing that Ford created trademarked caps specifically to be used on aftermarket, non-Ford manufactured wheels."[1487] The court therefore denied Ford's motion for summary judgment on the ground that the defendants' evidence "could be interpreted as showing that [the lead defendant] had an implied license to utilize Ford trademarked center caps on [the lead defendant's] wheels provided that [the lead defendant] purchased those caps from legitimate sources."[1488]

2. Equitable Defenses

a. Unclean Hands

According to one court:

> In order to assert the affirmative defense of unclean hands, a defendant must show: (1) that a plaintiff's wrongdoing is directly related to the claim against which it is asserted and (2) that it was personally injured by the plaintiff's conduct. Notably, in trademark infringement actions, courts have required clear, convincing evidence of egregious misconduct before invoking the doctrine of unclean hands.[1489]

This formulation notwithstanding, plaintiffs and defendants alike asserted the equitable doctrine of unclean hands over the past year, and, with nearly equal frequency, those assertions failed.[1490] For example, in one appeal to the Fifth Circuit, a group of fraternities and sororities argued that the defendant's unclean hands barred him from relying on the equitable defense of laches.[1491] The gravamen of this theory was that the defendant's continued use of the plaintiffs' marks after his receipt of demand

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1486. Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1370 (M.D. Fla. 2012) (quoting Brinkman v. Beaulieu of Am., Inc., No. SA–02–CA–268, 2002 WL 32097534, at *4 (W.D. Tex. Oct. 29, 2002), *aff'd*, 67 F. App'x 243 (5th Cir. 2003)).

1487. *Id.*

1488. *Id.*

1489. *Id.* at 1367-68 (citation omitted) (internal quotation marks omitted).

1490. *See, e.g.*, Haggar Int'l Corp. v. United Co. for Food Indus. Corp., 906 F. Supp. 2d 96, 132 (E.D.N.Y. 2012) (rejecting claim of unclean hands based on plaintiff's pursuit of federal trademark registration despite knowledge of defendants' use of substantively identical mark).

1491. *See* Abraham v. Alpha Chi Omega, 708 F.3d 614 (5th Cir. 2013).

letters from the plaintiffs necessarily meant that he had intentionally infringed those marks. The district court chose to instruct the jury hearing the case that "[u]nclean hands may be found only where the unlicensed user 'subjectively and knowingly' intended to cause mistake or to confuse buyers. Mere awareness of a trademark owner's claim to the same mark does not amount to having unclean hands nor establishes bad intent . . . ."[1492] On appeal from a jury verdict in the defendant's favor, the Fifth Circuit declined to hold that the instruction had been an abuse of discretion or that the verdict lacked support in the trial record. In particular, although an awareness of a plaintiff's prior rights might be sufficient to establish bad faith for purposes of the likelihood-of-confusion inquiry, more was required to support a finding of unclean hands; moreover, and in any case, the defendant had presented evidence and testimony that he had sought only to service the plaintiffs' members and that his business had never passed itself off as having been endorsed or sponsored by the plaintiffs.[1493]

The Tenth Circuit proved equally unreceptive to a claim of unclean hands in an appeal by defendants accused of infringing the plaintiff's mark by using the mark as a trigger for paid advertising.[1494] According to the defendants, the plaintiff had engaged in precisely the same practice, but the court was disinclined to recognize that as a basis for a possible finding of unclean hands. Quoting Professor McCarthy, it held that:

> The plaintiff's alleged infringement of a different trademark does not furnish grounds for an unclean hands defense. For example, if A sues B for infringement of A's trademark ALPHA, can B deflect the lawsuit by claiming that A has unclean hands, alleging that A is infringing B's trademark BETA? The answer is that this is not unclean hands because A's alleged infringement of the trademark BETA is not relevant to the subject matter of the litigation concerning B's alleged infringement of the trademark ALPHA. The plaintiff's alleged infringement of another's mark is actually a form of the defense of *jus tertii*, which is uniformly rejected by the courts.[1495]

A claim of unclean hands fell equally short in an attempt by a group of holdover franchisees to escape entry of a permanent injunction against the continued use of their former franchisee's

1492. *Quoted in id.* at 621.

1493. *Id.* at 621-22.

1494. *See* 1-800 Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229 (10th Cir. 2013).

1495. *Id.* at 1255 (quoting 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 31:48, at 31-131 to 132 (4th ed. 2013)).

marks.[1496] The court was unimpressed with the defendants' argument that either their termination or the plaintiff's disabling or removal of machines installed in the defendants' store constituted unclean hands:

> Having previously concluded that defendants breached the Franchise Agreement through fraudulent conduct, [the plaintiff] was entitled to terminate the Agreement without notice or opportunity to cure. Accordingly, such termination did not constitute bad faith. Further, as defendants were no longer franchisees as of September 28, 2012, they were not entitled to operate the store or any of the equipment in the store as of that date. [The plaintiff's] shut-down or removal of various machines was therefore not in bad faith. The Court concludes that defendants have not asserted a valid defense to the entry of a permanent injunction and that such an injunction should issue.[1497]

Likewise, a Texas federal district court held as a matter of law that a plaintiff's failure to register its claimed mark for restaurant services as an assumed name under the law of that state did not constitute unclean hands.[1498] There was no material dispute that the registration had not occurred, but it was equally undisputed that the defendants had failed to establish two critical prerequisites for the defense. The first was that the Texas statute at issue provided for criminal liability in cases involving the intentional failure to register an assumed name,[1499] and there was no record evidence bearing on the plaintiff's intent.[1500] The second prerequisite was that the defendants have suffered a personal injury from the plaintiff's claimed misconduct, an issue unaddressed by the defendants' response to the plaintiff's complaint, as well as from their factual showings.[1501] The plaintiff therefore was entitled to summary judgment on the issue of its alleged unclean hands.[1502]

Nevertheless, at least some courts bucked the general judicial reluctance to accept claims of unclean hands.[1503] One was a panel of the Court of Appeals of Texas.[1504] At the time hostilities between

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1496. *See* 7-Eleven, Inc. v. Upadhyaya, 926 F. Supp. 2d 614 (E.D. Pa. 2013).

1497. *Id.* at 632.

1498. *See* SA Bay LLC v. Hall, 849 F. Supp. 2d 761 (S.D. Tex. 2012).

1499. Tex. Bus. & Commerce Code § 71.202.

1500. *SA Bay*, 849 F. Supp. 2d at 773.

1501. *Id.* at 773-74.

1502. *Id.* at 774.

1503. *See, e.g.,* Web-Adviso v. Trump, 927 F. Supp. 2d 32, 49 (E.D.N.Y. 2013) ("[The counterclaim defendant's] intentional bad faith use of [the counterclaim plaintiff's] trademark prevents him from benefiting from laches as a matter of law.").

1504. *See* Condom Sense, Inc. v. Alshalabi, 390 S.W.3d 734 (Tex. Ct. App. 2012).

the parties led to the litigation before that court, the principal of the lead plaintiff was the owner of the mark in dispute, but he had at an earlier point in time been a mere licensee. During his tenure as a licensee, he purported to sell the right to use the mark to another party, which in turn re-sold it to yet another party; as characterized by the court, "the original sale and each subsequent sale were all based on something that nobody had a right to do in the first place."[1505] On these facts, the trial court had not abused its discretion in concluding that the plaintiffs' claims were barred by their unclean hands: "There is no question that the act of selling something they did not have the right to sell, directly relates to appellants' assertions of rights in the service mark and name in this case."[1506]

Another rare example of an opinion crediting a claim of unclean hands, at least at the pleadings stage, came in a dispute between former members of the punk rock band The Misfits.[1507] The defendants argued in a motion to dismiss that the plaintiffs' claims were barred by laches, in response to which the plaintiffs admitted that the defendants were entitled to presumptions of unreasonable delay and prejudice.[1508] The plaintiffs' response nevertheless established to the court's satisfaction that there were two ways in which the defendants' alleged unclean hands might render them ineligible for the equitable defense of laches. First, the plaintiffs' complaint averred that the lead defendant had represented to them that none of the parties was entitled to use the marks in question following an earlier settlement between the band's members and, additionally, that he had the following year applied to register the marks without advising the plaintiffs of his apparent latter-day interpretation of the agreement.[1509] Second, the complaint also asserted that the lead defendant's applications contained fraudulent assertions intended to deceive the USPTO into issuing the registrations.[1510] Because the parties hotly disputed the facts underlying these assertions, the court held that the motion to dismiss lacked merit.[1511]

1505. *Id.* at 763.

1506. *Id.*

1507. *See* Kufhold v. Caiafa, 872 F. Supp. 2d 374 (D.N.J. 2012).

1508. The action had been filed well outside of the six-year statute of limitations under New Jersey law used by the court as a benchmark. *Id.* at 379.

1509. *Id.* at 379-80.

1510. *Id.* at 380.

1511. *Id.*

b. Laches

The affirmative defense of laches "embodies the principle that 'equity aids the vigilant and not those who slumber on their rights.'"[1512] A Fourth Circuit district court drew upon the case law of its reviewing court to state the requirements for the successful invocation of laches in the following manner:

> [A] court's consideration of laches in context of trademarks should encompass the following questions: "(1) whether the owner of the mark knew of 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 was unduly prejudiced by the owner's delay." Because the Lanham Act does not include a limitations period, courts use the doctrine of laches to address the inequities created by a trademark owner who, despite having a colorable infringement claim, allows a competitor to develop its products around the mark and expand its business, only then to lower the litigation boom.[1513]

A summary of the doctrine by a panel of the Texas Court of Appeals under the law of that state was substantively identical:

> The defense consists of three interrelated elements that the party asserting the defense must prove: (1) an unreasonable delay in asserting a right or claim; (2) that is not excused; and (3) that results in undue prejudice to the defendant. The period of laches begins when the owner of the mark had knowledge of the allegedly infringing use. Given the elements of laches, "it is plain that the time spectrum for their application is critical."[1514]

Still other courts applied a test for laches that took into account much the same factors but added to them a requirement that the party asserting the doctrine have used its mark in good faith, even if they did not characterize the conduct of the defendants before them as rising to the level of unclean hands.[1515]

1512. Condom Sense, Inc. v. Alshalabi, 390 S.W.3d 734, 758 (Tex. Ct. App. 2012) (quoting Nat'l Ass'n of Gov't Emps. v. City Pub. Serv. Bd. of San Antonio, Tex., 40 F.3d 698, 708 (5th Cir. 1994)).

1513. E.W., LLC v. Rahman, 896 F. Supp. 2d 488, 503 (E.D. Va. 2012) (quoting What-A-Burger of Va., Inc. v. Whataburger, Inc. of Corpus, Christi, Tex., 537 F.3d 441, 449 (4th Cir. 2004) (quoting Brittingham v. Jenkins, 914 F.2d 447, 456 (4th Cir. 1990))); *see also* Abraham v. Alpha Chi Omega, 708 F.3d 614, 622 (5th Cir. 2013) (reciting substantively identical tripartite test for laches); Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1356 (M.D. Fla. 2012) (same).

1514. *Condom Sense*, 390 S.W.3d at 758 (quoting Armco, Inc. v. Armco Burglar Alarm Co., 693 F.2d 1155, 1161 (5th Cir. 1982)).

1515. *See* SunEarth, Inc. v. Sun Earth Solar Power Co., 846 F. Supp. 2d 1063, 1082 (N.D. Cal. 2012) ("Because Plaintiffs have established that they are likely to be able to prove that Defendants adopted their name and mark within the United States knowing of Plaintiffs'

Because the Lanham Act itself does not define what constitutes an unreasonable delay under the first prong of the relevant analysis, courts frequently use the statute of limitations for the corresponding state-law tort in their venue as a benchmark: "Under this principle, it is 'presumed' a cause of action is barred if it is brought outside the limitations period and is 'alive' if brought within the limitations period."[1516] Statutes of limitations invoked in this context set the presumption of inexcusable delay at two years under Indiana law,[1517] four years under California law,[1518] four years under Texas law,[1519] six years under New Jersey law,[1520] and six years under New York law.[1521]

Assuming a delay has, in fact, been unreasonable, the next step in the relevant analysis is to determine whether the plaintiff's inaction was excusable, and that issue proved to be the one that most occupied courts addressing laches claims. In one case, the court determined on the parties' cross-motions for summary judgment that "[i]t is not disputed that the Plaintiff knew of Defendants' infringing use . . . at some time in and around 2003 or 2004."[1522] Slow to anger, the plaintiff only filed suit on December 22, 2011,[1523] but it offered as an excuse its belief that action was unnecessary until it spotted the defendants' application to register the disputed mark in February 2008.[1524] Reviewing the summary judgment record, the court held that the combination of the plaintiff's multi-year delay and its proffered explanation created a factual dispute that prevented a grant of either pending motion.[1525]

Other courts were more willing to resolve the issue of whether changes in defendants' conduct, especially progressive encroachment, justified otherwise belated challenges by

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prior claims and because it is likely that there will be a presumption against laches in this case, Defendants are unlikely to be able to raise a defense of laches successfully.").

1516. *Condom Sense*, 390 S.W.3d at 761.

1517. *See* Dwyer Instruments, Inc. v. Sensocon Inc., 103 U.S.P.Q.2d 1444, 1459 (N.D. Ind. 2012).

1518. *See* SunEarth, Inc. v. Sun Earth Solar Power Co., 846 F. Supp. 2d 1063, 1081 (N.D. Cal. 2012).

1519. *See id.*

1520. *See* Kufhold v. Caiafa, 872 F. Supp. 2d 374, 379 (D.N.J. 2012).

1521. *See* Haggar Int'l Corp. v. United Co. for Food Indus. Corp., 906 F. Supp. 2d 96, 135 (E.D.N.Y. 2012).

1522. E. W., LLC v. Rahman, 896 F. Supp. 2d 488, 504 (E.D. Va. 2012).

1523. *Id.* at 494.

1524. *Id.* at 504.

1525. *Id.*

plaintiffs.[1526] The leading example of those courts was the First Circuit in a case in which the defendant, a credit union, began using the COOP ORIENTAL word mark in 1995 at a time at which the defendant's operations were geographically limited.[1527] By 2009, however, the defendant had opened a number of additional branches and had adopted an orange trade dress reminiscent of that used by the plaintiffs, the owners of the ORIENTAL mark for a variety of financial services. When the defendant added fuel to the fire by launching an expansive advertising campaign, the plaintiffs successfully pursued injunctive relief against the defendant's more recent uses, in the process fending off the defendant's assertion of laches. Rejecting the defendant's appeal, the First Circuit held that the defendant's use had evolved both qualitatively and quantitatively since its inception. Because the plaintiffs had taken action shortly after that evolution, their earlier inaction did not count against them.[1528]

An alleged delay longer than the four years necessary to trigger a presumption of unreasonableness under California law also was trumped by a showing of progressive encroachment.[1529] According to the defendants, the laches clock began to tick when the defendants registered a domain name corresponding to their infringing mark. The court did not agree, observing instead that "it is currently uncontested that Defendants legitimately engage in business outside the United States under [their] mark. Accordingly, mere registration of a domain name that can be used for international business does not provide Plaintiffs with clear notice that Defendants are illegitimately infringing on their mark or name in the United States."[1530] Surveying the case law of its reviewing court, it further noted that "the Ninth Circuit has recognized that mere registration of a domain name may be too minimal an encroachment to support a finding of laches, where the defendant did not engage in infringing activity using the domain name for a period of time after registration."[1531] Because there was no record evidence that the defendants progressively had encroached on the plaintiffs' rights since registering their domain

1526. *See, e.g.*, Abraham v. Alpha Chi Omega, 708 F.3d 614, 623 (5th Cir. 2013) (declining to disturb jury finding of laches based on record evidence that defendant's earlier sales were not de minimis as alleged by plaintiffs).

1527. *See* Oriental Fin. Grp. v. Cooperativa de Ahorro y Crédito Oriental, 698 F.3d 9 (1st Cir. 2012).

1528. *Id.* at 20-24.

1529. *See* SunEarth, Inc. v. Sun Earth Solar Power Co., 846 F. Supp. 2d 1063 (N.D. Cal. 2012).

1530. *Id.* at 1081.

1531. *Id.* at 1082.

name, only that their actual infringement had begun much later, their claim of laches failed.[1532]

In contrast, a New York federal district court reaching a contrary result was faced with a six-year delay by the counterclaim plaintiffs before it, who offered myriad justifications for their inaction, including a claimed lack of knowledge of their rights, the alleged progressive encroachment and bad-faith conduct of the counterclaim defendant, and the counterclaim plaintiffs' enforcement actions against the counterclaim defendant under Egyptian law.[1533] The court found that all the relevant considerations of record favored a finding of inexcusable delay, namely, that the counterclaim plaintiffs' proffered ignorance of United States law was unjustified, that the counterclaim defendant's meritorious claim of rights to the disputed mark precluded a finding that it had acted in bad faith, that the counterclaim defendant's use of its mark had not evolved over time, and that the counterclaim plaintiffs' enforcement activities in Egypt were irrelevant to the parties' rights in the United States.[1534]

Of course, even if a defendant has established an unreasonable and inexcusable delay, it still must demonstrate prejudice arising from that delay.[1535] On that issue, it may be true generally that "[a]ny acts after receiving a cease and desist letter are at the defendant's own risk because it is on notice of the owner's objection to such acts,"[1536] but one court declined to give that effect to a letter sent by a lead plaintiff that at the time was merely a licensee of the mark it purported to own. The defendants continued their alleged infringement, but their failure to comply with the demands in the letter did not disqualify them from successfully asserting laches. Rather, as the court held, "[the plaintiffs] provide no authority for their contention that a cease and desist letter defeats a laches defense when the objections in the letter are based on a misrepresentation of the rights to a mark."[1537] Under the circumstances, the court credited the defendants' claim of economic

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1532. *Id.*

1533. *See* Haggar Int'l Corp. v. United Co. for Food Indus. Corp., 906 F. Supp. 2d 96 (E.D.N.Y. 2012).

1534. *Id.* at 135-37.

1535. *See, e.g.*, Web-Adviso v. Trump, 927 F. Supp. 2d 32, 49 (E.D.N.Y. 2013) (granting counterclaim plaintiff's motion for summary judgment based on counterclaim defendant's failure to prove prejudice arising from counterclaim plaintiff's alleged delay); Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1366 (M.D. Fla. 2012) (entering summary judgment in plaintiff's favor based on defendants' failure to introduce any evidence of prejudice supporting their claim of laches).

1536. Condom Sense, Inc. v. Alshalabi, 390 S.W.3d 734, 761 (Tex. Ct. App. 2012).

1537. *Id.* at 760.

prejudice grounded in their opening of additional stores in the years between their receipt of the letter and the plaintiffs' suit.[1538]

Economic prejudice also did the job in an infringement and unfair competition suit appealed to the Fifth Circuit.[1539] That court declined to disturb a jury finding of laches after noting of the trial record that:

> [The defendant] testified he rebuilt [his] business three times—twice after fires and once after a tornado—and he would not have done so had he known the [plaintiffs] would later sue him to enforce their trademarks. The rebuilding required investments of millions of dollars into equipment, advertising, and employee salaries. In addition, [the defendant] testified [that] the infringing products, while perhaps a small percentage of his total sales, drive the sale of his non-infringing product because without them customers might choose [other products] somewhere else.[1540]

Finally, one counterclaim defendant successfully established both economic prejudice and evidentiary prejudice in support of its claim of laches.[1541] As to the former, the counterclaim defendant adduced evidence that it had continued to invest in its mark based on its reliance on the plaintiffs' inaction, leading the court to conclude that "[a]lthough no evidence has been presented on the precise amount of this damage, the Court does not need a precise accounting in order to find that [the counterclaim defendant] would suffer economic prejudice if [the lead counterclaim plaintiff] was now allowed to claim sole rights to the [disputed] mark in the United States."[1542] The counterclaim defendant's showing of evidentiary prejudice was more extensive and rested on the dissolution of law firms previously involved in the parties' dispute, the deaths of potential witnesses, and the questionable memory of some at least some of the witnesses who remained available to testify.[1543]

c. Acquiescence

"Acquiescence requires proof of three elements: '(1) that [the trademark owner] actively represented that it would not assert a right or a claim; (2) that the delay between the active

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1538. *See, e.g.*, *id.* at 761-62 (crediting defendants' showing that they had opened new stores under allegedly infringing name based on plaintiffs' inaction).

1539. Abraham v. Alpha Chi Omega, 708 F.3d 614 (5th Cir. 2013).

1540. *Id.* at 625.

1541. *See* Haggar Int'l Corp. v. United Co. for Food Indus. Corp., 906 F. Supp. 2d 96 (E.D.N.Y. 2012) .

1542. *Id.* at 138.

1543. *Id.* at 137-39.

representation and assertion of the right or claim was not excusable; and (3) that the delay caused [the defendant] undue prejudice.'"[1544] "The difference between laches and acquiescence is that 'acquiescence implies active consent, while laches implies merely passive consent.'"[1545] The absence of an affirmative gesture of consent therefore will render this affirmative defense unavailable.[1546]

The perennial issue of whether a business relationship between the parties constitutes acquiescence arose in a dispute between two claimants to the CARIBBEAN CRESCENT mark for Jamaican- and South Asia-themed food products.[1547] Responding to the plaintiff's motion for summary judgment, the defendants proffered a rather impressive list of affirmative acts by the plaintiff:

> Defendants state that Plaintiff made many purchases from Defendants, and that Defendants subsequently made product deliveries to Plaintiff in a van bearing the mark CARIBBEAN CRESCENT. Defendants also state that they delivered to Plaintiff dozens of invoices bearing the mark CARIBBEAN CRESCENT. Defendants further assert that Plaintiff's purchases of Defendants' products [bearing the mark] from third parties connote acquiescence, as does Plaintiff['s] use of Defendants' advertising materials.[1548]

Although the plaintiff argued that the significance of these actions was outweighed by its ongoing objections to the defendants' use of the disputed mark, the court rather predictably concluded that the conflicting evidence on the issue of whether the plaintiff had consented to the defendants' alleged infringement precluded a grant of the plaintiff's motion.[1549]

d. Estoppel

The metes and bounds of the judicial estoppel doctrine have not been precisely defined by courts over the years. To the extent that the Supreme Court has addressed the issue, it has done so by identifying the following factors for consideration in the inquiry

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1544. Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1367 (M.D. Fla. 2012) (quoting SunAmerica Corp. v. Sun Life Assur. Co. of Canada, 77 F.3d 1325, 1344 (11th Cir. 1996) (quoting Coach House Rest. v. Coach & Six Rests., Inc., 934 F.2d 1551, 1558 (11th Cir. 1991))).

1545. Haggar Int'l Corp. v. United Co. for Food Indus. Corp., 906 F. Supp. 2d 96, 139 (E.D.N.Y. 2012).

1546. *See, e.g.*, *Ford Motor Co.*, 868 F. Supp. 2d at 1367 (granting summary judgment in plaintiff's failure based on defendants' failure to establish affirmative consent).

1547. *See* E. W., LLC v. Rahman, 896 F. Supp. 2d 488 (E.D. Va. 2012).

1548. *Id.* at 502 (citation omitted).

1549. *Id.* at 502-03.

into whether a party should be judicially estopped from asserting a position inconsistent with an earlier one:

> 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.[1550]

A Ninth Circuit opinion applying this test drove home the point that plaintiffs asserting right-of-publicity causes of action should not play fast and loose with their states of residence.[1551] Following Marilyn Monroe's death in 1962, representatives of her estate repeatedly represented to California authorities that the actress had been a New York resident and that the estate therefore was exempt from California's higher income tax rates.[1552] Nevertheless, the successor in interest to the estate, a limited liability company controlled by the widow of Monroe's acting coach, sang a different tune when it was served with a declaratory judgment complaint in the Central District of California: Specifically, because a new California statute[1553] enacted at the LLC's bequest recognized a posthumous right of publicity while New York law did not, the LLC argued that Monroe actually had been a California resident at the time of her death.

The Ninth Circuit was notably unsympathetic to this argument, holding instead that the LLC was judicially estopped from changing the theory of Monroe's domicile that had successfully been asserted earlier. The court based its conclusion on findings that: (1) the LLC's position was "plainly inconsistent" with the estate's earlier position;[1554] (2) the estate had succeeded in its earlier position;[1555] and (3) the LLC would derive an unfair

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1550. New Hampshire v. Maine, 532 U.S. 742, 750-51 (2001) (citations omitted) (internal quotation marks omitted).

1551. *See* Milton H. Greene Archives v. Marilyn Monroe LLC, 692 F.3d 983 (9th Cir. 2012).

1552. Although playing less of a factor in the Ninth Circuit's analysis, the estate's successor in interest successfully established Monroe's New York residency when responding to a federal court action in the District of Hawaii in which the plaintiff alleged that she was Monroe's biological daughter and therefore entitled to 50 percent of Monroe's estate under California law. *See id.* at 990.

1553. Cal. Civ. Code § 3344.1 (West 2012).

1554. *Milton H. Greene Archives*, 692 F.3d at 996. In reaching this conclusion, the court held that the LLC was in privity with the estate. *Id.* at 996-98.

1555. *Id.* at 998-99.

advantage or impose an unfair detriment based on the change in position.[1556] Because the answer to each of these inquiries was yes, the LLC was judicially estopped from relying on the California statute:

> This is a textbook case for applying judicial estoppel. Monroe's representatives took one position on Monroe's domicile at death for forty years, and then changed their position when it was to their great financial advantage; an advantage they secured years after Monroe's death by convincing the California legislature to create rights that did not exist when Monroe died.[1557]

In a different case, a Florida district court held that "[t]he [estoppel] defense requires: '(1) the party against whom estoppel is sought made a representation about a material fact that is contrary to a position it later asserts, and (2) the party seeking estoppel detrimentally relied on that representation.'"[1558] The particular claim of estoppel at issue originated in pre-litigation correspondence, which had been terminated after the lead defendant declined to comply with the plaintiff's requests for its sales records. In opposition to the plaintiff's motion for summary judgment, the defendants claimed that the end of the parties' dialog had lulled them into believing that the plaintiff no longer objected to their conduct. Drilling down into the parties' correspondence, the court noted that the plaintiff had answered one overture from the defendants with the clear message that "this is not acceptable."[1559] Under the circumstances, the defendants' claim of reliance on the correspondence was "without merit."[1560]

e. Waiver

"To establish a waiver defense, a party must bring forth proof of an intent to relinquish a known right."[1561] As one set of defendants discovered, a showing of that intent is mandatory:

> Without record evidence of it, summary judgment in the plaintiff's favor will be appropriate.[1562]

1556. *Id.* at 999-1000.

1557. *Id.* at 1000.

1558. Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1356 (M.D. Fla. 2012) (quoting Source-Track LLC v. Ariba, Inc., 958 So. 2d 523, 526 (Fla. Ct. App. 2007)).

1559. *Quoted in id.* at 1367.

1560. *Id.*

1561. Ford Motor Co. v. O.E. Wheel Distribs., LLC, 868 F. Supp. 2d 1350, 1367 (M.D. Fla. 2012) (quoting Am. Historical Racing Motorcycle v. Team Obsolete Promotions, 33 F. Supp. 2d 1000, 1007 (M.D. Fla. 1998) (internal quotation marks omitted).

1562. *Id.*

C. Remedies

1. Injunctive Relief

a. Prerequisites for Injunctive Relief

In *eBay Inc. v. MercExchange, LLC*,[1563] the Supreme Court identified four showings a plaintiff must make to qualify for permanent injunctive relief:

> (1) that it suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of the hardships between the plaintiff and defendant a remedy at equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.[1564]

In *eBay*'s wake, the Court subsequently held in *Winter v. Natural Resources Defense Council, Inc.*[1565] that the same factors applied in the preliminary injunction context.[1566] Each of these prerequisites—but especially the first—was addressed over the past year by courts hearing trademark and unfair competition cases.

i. Irreparable Injury

The great divide among courts weighing claims of irreparable harm grew wider over the past year. On the one hand, some opinions applied the traditional rule that proof of likely confusion, actual or likely dilution, or false advertising created a presumption of irreparable harm.[1567] These included the Fifth Circuit, which

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1563. 547 U.S. 388 (2006).

1564. *Id.* at 391.

1565. 555 U.S. 7 (2008).

1566. *Id.* at 18.

1567. *See, e.g.*, Deckers Outdoor Corp. v. Does 1-100, 105 U.S.P.Q.2d 1894, 1898 (N.D. Ill. 2013) ("There is a 'well-established presumption that injuries arising from Lanham Act violations are irreparable, even absent a showing of business loss.'" (quoting Abbott Labs. v. Mead Johnson & Co., 971 F.2d 6, 16 (7th Cir. 1992)); Warner Bros. Entm't v. Global Asylum, Inc., 107 U.S.P.Q.2d 1910, 1926 (C.D. Cal. 2012) ("In trademark infringement actions, irreparable harm is presumed once the plaintiff has established a likelihood of confusion. This is because it is reasonable for a court to assume that continuing infringement will leave the plaintiff with a loss of control of its reputation and a loss of its goodwill." (citation omitted)), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013); ViaView Inc. v. Blue Mist Media, 105 U.S.P.Q.2d 1304, 1308 (D. Nev. 2012) ("Once a plaintiff in a trademark action has established that it is likely to succeed on the merits, irreparable injury is generally presumed."); Skycam Inc. v. Bennett, 104 U.S.P.Q.2d 1463, 1467 (N.D. Okla. 2012) ("Irreparable harm is presumed in an unfair competition case if a statement is found to have been literally false or misleading."); Ford Motor Co. v. Heritage Mgmt. Grp., 911 F. Supp. 2d 616, 630-31 (E.D. Tenn. 2012) ("The Court has already determined [that the plaintiff] proved a likelihood of confusion in this case, and as such irreparable injury is also established."); Two Men & A Truck/Int'l Inc. v. Thomas, 908 F. Supp. 2d 1029, 1039 (D. Neb. 2012) ("Because it appears likely that there have been actual

affirmed the entry of a preliminary injunction in part on the ground that "[a]ll that must be proven to establish liability and the need for an injunction against infringement is the likelihood of confusion—injury is presumed."[1568] They also included a Nevada district court, which applied the presumption in favor of a group of individual plaintiffs whose personal names had been misappropriated as components of Internet domains.[1569]

Few courts not requiring plaintiffs to demonstrate irreparable harm as a prerequisite for injunctive relief offered up substantive explanations for that step, but the California federal district court hearing Apple's high-publicity trade dress and design patent lawsuit against Samsung did so.[1570] Following a jury finding that certain of Samsung's product configurations were likely to dilute

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incidents of actual confusion and because Plaintiff has shown that it is likely to establish a likelihood of confusion, it has also shown that a threat of irreparable harm is present."); Coach, Inc. v. Horizon Trading USA Inc., 908 F. Supp. 2d 426, 439 (S.D.N.Y. 2012) ("[I]n this circuit, a showing of likelihood of confusion establishes irreparable harm." (internal quotation marks omitted); Wm. Wrigley Jr. Co. v. Swerve IP, LLC, 900 F. Supp. 2d 794, 803 (N.D. Ill. 2012) ("The parties agree that there is a presumption of irreparable damages in trademark infringement cases."); E. W., LLC v. Rahman, 896 F. Supp. 2d 488, 505 (E.D. Va. 2012) ("[The] irreparable harm necessary for injunctive relief regularly follows from trademark infringement."); Diamonds Direct USA, Inc. v. BJF Holdings, Inc., 895 F. Supp. 2d 752, 761 (E.D. Va. 2012) ("In Lanham Act cases involving trademark infringement, a presumption of irreparable injury is generally applied once the plaintiff has demonstrated a likelihood of confusion, the key element in an infringement case." (quoting Scotts v. United Indus. Corp., 315 F.3d 264, 273 (4th Cir. 2002) (internal quotation marks omitted)); Pure Fishing, Inc. v. Redwing Tackle, Ltd., 888 F. Supp. 2d 726, 737 (D.S.C. 2012) ("Generally, in the Fourth Circuit, the trademark owner is entitled to injunctive relief against an infringer because, 'regardless of any potential injury to sales or to the mark itself, trademark infringement primarily represents an injury to reputation.' The Fourth Circuit, therefore, holds that a permanent injunction may be granted without a specific hearing on the issue when there already have been findings on liability." (quoting Lone Star Steakhouse & Saloon v. Alpha of Va., 43 F.3d 922, 939 (4th Cir. 1995)); Djarum v. Dhanraj Imps., Inc., 876 F. Supp. 2d 664, 669 (W.D.N.C. 2012) ("[A] presumption of irreparable injury is generally applied once the plaintiff has demonstrated a likelihood of confusion, the key element in an infringement case." (internal quotation marks omitted)).

A plaintiff unable to prevail on the merits of its claims obviously will be unable to invoke the benefit of a presumption of irreparable harm. *See, e.g.*, ComPsych Corp. v. Health Champion LLC, 107 U.S.P.Q.2d 1786, 1789 (D. Conn. 2012) (declining to resolve issue of ongoing viability of presumption on ground that counterclaim plaintiff "has failed to demonstrate a likelihood of success on the merits or sufficiently serious questions and a balance of hardships tipping decidedly in [its] favor"); Steak Umm Co. v. Steak 'Em Up, Inc., 868 F. Supp. 2d 415, 432 (E.D. Pa. 2012) (noting that "[t]rademark infringement amounts to irreparable injury as a matter of law" but also that, in the absence of likely confusion, "Plaintiff has failed to establish that it suffered irreparable harm and [that] an injunction is proper").

1568. Abraham v. Alpha Chi Omega, 708 F.3d 614, 621 (5th Cir. 2013) (quoting 5 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 30:2 (4th ed. 2001) (internal quotation marks omitted)).

1569. *See* Randazza v. Cox, 920 F. Supp. 2d 1151, 1158 (D. Nev. 2013) (granting temporary restraining order).

1570. *See* Apple, Inc. v. Samsung Elecs. Co., 909 F. Supp. 2d 1147 (N.D. Cal. 2012), *vacated in part on other grounds*, 735 F.3d 1352 (Fed. Cir. 2013).

the distinctiveness of Apple's competitive products, the court dispensed with Samsung's argument that a permanent injunction was inappropriate because Apple was unable to prove irreparable harm. The court noted Section 43(c)'s express admonition that prevailing plaintiffs under that statute "shall" be entitled to injunctive relief, "regardless of the presence or absence of . . . actual economic injury."[1571] From that text, the court concluded that:

> Though the Court is aware of no cases specifically discussing the irreparable harm requirement in the trade dress dilution context, the Court agrees with Apple that the language of the FTDA makes clear that Congress contemplated the issuance of an injunction upon a showing of dilution, without an additional showing of irreparable harm. . . .[1572]
>
> . . . *eBay* was not interpreting the FTDA; it dealt with the Patent Act, which says that courts "may" grant injunctions, and says nothing to authorize relief in the absence of economic harm. Thus, even if *eBay*'s message to consider the principles of equity in granting injunctions may apply beyond the Patent Act, it does not override the specific language of the FTDA authorizing injunctions even without a showing of economic harm. Instead, Courts have treated dilution itself as the harm.[1573]

Nevertheless, the court ultimately concluded that Samsung's prior discontinuance of the challenged models weighed against Apple's claim of hardship in the absence of injunctive relief.[1574]

In contrast, other courts held that *eBay*, *Winter*, or both called the viability of the traditional presumption into question. One was a California federal district court, which, after surveying conflicting Ninth Circuit case law on the issue,[1575] concluded that:

> [T]his Court will not assume the existence of irreparable injury due to a showing of success on the merits [of an infringement claim]. [The Ninth Circuit's opinions in copyright cases] suggest mat [sic] trademark infringement actions should be analyzed under the standards for injunctive relief

1571. 15 U.S.C. § 1025(c) (2012).

1572. *Apple*, 909 F. Supp. 2d at 1157.

1573. *Id.* at 1158 (quoting 35 U.S.C. § 283 (2012)).

1574. *Id.* at 1159 ("Here, there is no ongoing diluting behavior to enjoin, and Apple cannot credibly claim to suffer any significant hardship in the absence of a trade dress injunction.").

1575. *Compare* Marlyn Nutraceuticals, Inc. v. Mucos Pharma GmbH & Co., 571 F.3d 873, 877 (9th Cir. 2009) (holding in post-*eBay* trademark appeal that "irreparable injury may be presumed from a showing of likelihood of success on the merits") *with* Flexible Lifeline Sys., Inc. v. Precision Lift, Inc., 654 F.3d 989, 979-81 (9th Cir. 2011) (holding that prior presumption of irreparable harm in cases presenting copyright infringement had been "effectively overruled" by *eBay*).

> articulated by the Supreme Court in *Winter* and *eBay*. There appears to be no principled reason why the newly announced standard should not be applied in the trademark context.[1576]

This rejection of the presumption of irreparable harm had critical significance to the court's disposition of a motion before it for a temporary restraining order and ex parte seizure order. Quoting Rule 65(b)(1) of the Federal Rules of Civil Procedure, the court observed that:

> A TRO may be issued without notice to the adverse party or its counsel *only if*: "(A) specific facts in an affidavit or a verified complaint clearly show that immediate and irreparable injury, loss, or damage will result to the movant before the adverse party can be heard in opposition; and (B) the movant's attorney certifies in writing any efforts made to give notice and the reasons why it should not be required."[1577]

To satisfy this standard, the plaintiff asserted that it would "suffer irreparable harm in the form of lost business, goodwill and reputation" and that the defendants' goods potentially posed a public health risk because of their inadequate labeling. The flaw in that argument, the court pointed out, was that the plaintiff had failed to demonstrate that any of these evils would accrue before the defendants could be heard in opposition to the plaintiff's motion. This was especially true because "Plaintiff offers no evidence that Defendants have failed to appear in court when required or evidence suggesting that Defendants have a history of disposing of evidence or that other individuals or entities similar (i.e., reasonably comparable to) Defendants have a history of destroying evidence."[1578]

Heavy reliance on the presumption also proved to be ill-advised in an action between competing ice cream manufacturers, although that outcome was driven more by the underlying facts than by either *eBay* or *Winter*.[1579] The counterclaim plaintiff in that case sought a temporary restraining order against the counterclaim defendants' use at an upcoming convention of a mark previously held by the Trademark Trial and Appeal Board to be confusingly similar to that of the counterclaim plaintiff.[1580] In denying the counterclaim plaintiff's motion, the court acknowledged that "[c]ourts sometimes presume irreparable injury

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1576. Rovio Entm't Ltd. v. Royal Plush Toys, Inc., 907 F. Supp. 2d 1086, 1093 (N.D. Cal. 2012).

1577. *Id.* at 1094 (quoting Fed. R. Civ. P. 65(b)(1)).

1578. *Id.* at 1096.

1579. *See* Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. de C.V., 901 F. Supp. 2d 54 (D.D.C. 2012).

1580. *See* Productos Lacteos Tocumbo S.A. de C.V. v. Paleteria La Michoacana Inc., 98 U.S.P.Q.2d 1921 (T.T.A.B. 2011).

when consumers would be exposed to infringing marks. This is particularly true when there is evidence that consumers will be confused by two parties' trademarks because of their similarity."[1581] The convention in question was limited to the trade, however, and that made the difference as far as the court was concerned: "[H]ere, it appears uncontroverted that no consumers will attend the convention, and that the [counterclaim defendants] will not be selling their wares. Accordingly, the presumption of irreparable harm is not warranted here."[1582]

The presumption went unmentioned in a false advertising action, but the court's requirement that the plaintiffs prove irreparable harm in support of their motion for a preliminary injunction called into question whether the court believed the presumption was anything but a dead letter.[1583] The plaintiffs attempted to carry their burden by arguing that, even if the legal remedy of monetary relief otherwise would make them whole, the judgment to which they were entitled would exceed the defendant's ability to pay. The court agreed with the plaintiffs in theory, but it cautioned that "courts that have irreparable injury because of the risk that a judgment will not be satisfied have required a showing that the defendant is insolvent, is on the verge of insolvency, or has tried to transfer or conceal assets."[1584] Concluding that "[t]he plaintiffs have made no such showing here,"[1585] the court faulted the plaintiffs for relying on "conclusory projections" of their own damages and for speculating on the defendant's financial health "without reference to [the defendant's] balance sheet."[1586] The plaintiffs' showing therefore was "simply not sufficiently reliable to support a claim of likely irreparable injury."[1587]

Some courts expressly chose not to resolve the issue. One was the First Circuit, which, consistent with its past post-*eBay* criticisms of the presumption in dicta,[1588] noted in one case that "there is a looming question as to whether this presumption can co-exist with the Supreme Court's recent holding in *eBay* . . . ."[1589] Nevertheless, having determined that the district court in the

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1581. *Paleteria La Michoacana*, 901 F. Supp. 2d at 58 (citation omitted).

1582. *Id.* at 58.

1583. *See* Pamlab, L.L.C. v. Macoven Pharms., L.L.C., 881 F. Supp. 2d 470 (S.D.N.Y. 2012).

1584. *Id.* at 480.

1585. *Id.*

1586. *Id.*

1587. *Id.*

1588. *See, e.g.*, Voice of the Arab World, Inc. v. MDTV Med. News Now, Inc., 645 F.3d 26, 33 (1st Cir. 2011) (noting in dictum that there was "no principled reason why [*eBay*] should not apply to motions for preliminary injunction motions in trademark cases").

1589. Peoples Fed. Sav. Bank v. People's United Bank, 672 F.3d 1, 9 n.11 (1st Cir. 2012).

appeal before it had failed to explain its finding of likely confusion with the required clarity, that court remanded matters with the following observation:

> In further proceedings on the claims for permanent injunctive relief, the district court might conclude, as [the plaintiff] suggests in its brief, that [the plaintiff] has presented sufficient evidence to establish irreparable harm to its luxury reputation without the benefit of the presumption, or that the facts of this case are so similar to past cases "that a presumption of irreparable injury is an appropriate exercise of its discretion in light of the historical traditions."[1590]

Another court expressly declining to address the ongoing viability of the presumption did so in the context of an individual plaintiff's request for a preliminary injunction under Section 43(a) and California right-of-publicity doctrine.[1591] Surveying the Ninth Circuit's varying treatments of the issue, the court ultimately concluded that it "need not decide whether a presumption of irreparable harm still exists in trademark cases because actual irreparable harm exists here."[1592] It then elaborated on this point:

> Defendants have taken from Plaintiff his ability to control the value of his name by associating it with a service offered by Defendants that directly competes with . . . a [third-party company] Plaintiff's company . . . supports financially. As the Court has found, consumers will likely confuse Defendants' service with Plaintiff's sponsorship and may therefore utilize Defendants' service over [that of the third-party company], believing it is a service supported by Plaintiff. That creates a significant risk of irreparable harm to Plaintiff's reputation and goodwill if a customer becomes dissatisfied with Defendants' service, but aims that dissatisfaction toward Plaintiff instead of Defendants. Even though there is no proof of actual diverted customers at this stage, the Court may reasonably infer this kind of injury in order to justify a preliminary injunction, where, as here, Defendants have not totally ceased their infringing conduct.[1593]

As this outcome suggests, the unavailability of the presumption was not fatal to all requests for injunctive relief.[1594]

1590. Swarovski Aktiengesellschaft v. Building # 19, Inc., 704 F.3d 44, 55 (1st Cir. 2013) (quoting N. Am. Med. Corp. v. Axiom Worldwide, Inc., 522 F.3d 1211, 1228 (11th Cir.2008)).

1591. *See* Diller v. Barry Driller Inc., 104 U.S.P.Q.2d 1676 (C.D. Cal. 2012).

1592. *Id.* at 1684.

1593. *Id.*

1594. *See also* Mrs. United States Nat'l Pageant, Inc. v. Miss United States of Am. Org., LLC, 875 F. Supp. 2d 211, 231 (W.D.N.Y. 2012) ("Even without the benefit of such a presumption, however, plaintiff has shown that it is likely to suffer irreparable injury absent an injunction.").

For example, one court held as an initial matter that "[g]iven the overall trend of the case law, the court will not assume the existence of irreparable injury due to a showing of success on the merit,"[1595] but it still found that the plaintiff had established irreparable harm as a factual matter. That finding was based as much on two doctrinal propositions as it was on the actual preliminary injunction record before the court. The first of those propositions was that "[e]vidence of threatened loss of prospective customers or goodwill certainly supports a finding of the possibility of irreparable harm."[1596] The second was that:

> In trademark cases, courts have found irreparable harm in the loss of control of a business' reputation, a loss of trade and loss of goodwill. Trademarks serve as the identity of their owners and in them resides the reputation and goodwill of their owners. Thus, if another person infringes the marks, that person borrows the owner's reputation, whose quality no longer lies within the owner's control. A trademark owner's loss of the ability to control its marks, thus, creates the potential for damage to its reputation.[1597]

A similar analysis carried the day in a dispute between competing claimants to the service mark THE PLATTERS for musical entertainment services.[1598] After surveying the legal landscape of the Ninth Circuit, the Nevada federal district court hearing the case concluded that "it is unclear whether the irreparable harm presumption can be applied to trademark infringement claims post-*Winter*."[1599] That lack of clarity, however, did not make a difference in the court's entry of a preliminary injunction against the defendants' use of THE PLATTERS FEATURING MONROE POWELL. Referring to the plaintiffs' principal, an original member of the first group to use THE PLATTERS, the court held that the plaintiffs had proven irreparable harm even in the absence of the presumption:

> Continued use of the mark in a confusingly similar manner will likely damage Reed's reputation as a performer. Reed's reputation and rights to the mark will remain valuable to Reed after he stops performing. For example, Reed could license the mark to Powell for a fee. Moreover, Reed likely will lose goodwill among consumers if The Platters name continues

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1595. Seed Servs., Inc. v. Winsor Grain, Inc., 868 F. Supp. 2d 998, 1005 (E.D. Cal. 2012).

1596. *Id.* (quoting Stuhlbarg Int'l Sales Co. v. John D. Brush & Co., 240 F.3d 832, 841 (9th Cir. 2001)) (internal quotation marks omitted).

1597. *Id.* (quoting Cytosport, Inc. v. Vital Pharms., Inc., 617 F. Supp. 2d 1051, 1080 (E.D. Cal. 2009)) (internal quotation marks omitted).

1598. *See* Herb Reed Enters. v. Monroe Powell's Platters, LLC, 842 F. Supp. 2d 1282 (D. Nev. 2012).

1599. *Id.* at 1291.

> to be diluted by groups not consisting of original members, but whose name is confusingly similar to "The Platters." Further, if the Court permits continued confusion over Reed's rights to the mark, additional groups similar to [the defendants'] group could form and further harm Reed's reputation and goodwill.[1600]

The perceived vulnerability of the presumption also made no difference to another Ninth Circuit district court, this one sitting in California.[1601] It too concluded on the basis of the case law of its reviewing court that "the continuing vitality of [the] presumption in trademark infringement cases is not clear."[1602] The record evidence and testimony rendered the issue moot, however, for "[r]egardless of whether they also are entitled to a presumption of irreparable harm, Plaintiffs have made an affirmative showing that they are likely to suffer irreparable harm in the absence of an injunction."[1603] That showing consisted of "evidence that customers and others have evidence of actual confusion between the marks and names of the [parties]."[1604] It also consisted of the defendants' admission that "Plaintiffs have no control over Defendants' products and the quality thereof,"[1605] a consideration that loomed large because "the record supports that Plaintiffs have invested significant time in building up a strong reputation over the course of several decades."[1606]

Still other courts hearing infringement and false advertising causes of action found irreparable harm without even addressing the continued viability of the presumption.[1607] In one case accepting a plaintiff's claim of irreparable harm, the court noted that, of the prerequisites for injunctive relief, "the most difficult one to demonstrate is irreparable injury."[1608] Still, however, it

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1600. *Id.*

1601. *See* SunEarth, Inc. v. Sun Earth Solar Power Co., 846 F. Supp. 2d 1063 (N.D. Cal. 2012).

1602. *Id.* at 1082.

1603. *Id.* at 1083.

1604. *Id.*

1605. *Id.*

1606. *Id.*

1607. *See, e.g.*, Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468, 497 (D. Md. 2012) ("Here, [the counterclaim plaintiff] presented some evidence that, by overwhelming the market with the [infringing] brand, [the counterclaim defendant] may have usurped some control over [the counterclaim plaintiff's] goodwill. Accordingly, the lack of control weighs slightly toward granting an injunction."); Wecosign, Inc. v. IFG Holdings, Inc., 845 F. Supp. 2d 1072, 1084 (C.D. Cal. 2012) (entering permanent injunctive relief as part of default judgment after finding that "[i]f an injunction were not granted, Plaintiff would suffer irreparable injury from the ongoing damages [sic] to its goodwill and diversion of customers to counterfeit services).

1608. Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506, 548 (S.D. W. Va. 2012).

credited the plaintiff's showings on the issue in holding that the plaintiff was entitled to a permanent injunction. Those showings included: (1) the existence of at least one confused member of the public; (2) rather self-serving affidavit testimony that the defendant's infringement had cost the plaintiff $25,000 in "membership dues, community goodwill, and services"; and (3) a negative association between the plaintiff's mark and the "ne'er-do-well community of motorcycle nomads" of which the defendant was a part.[1609]

A different court hearing a false advertising action also did not address the presumption but instead applied an alternative test for the satisfaction of this prerequisite for injunctive relief: "To show irreparable harm, a plaintiff 'most [sic] 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 position.'"[1610] Of these two requirements, the first might have posed an obstacle for the plaintiff, because it produced a pure isomer of a methylfolate compound sold to manufacturers of nutritional supplements, while the defendants sold finished nutritional supplements advertised (falsely) as containing the same pure isomer. The distinction between the parties' goods did not prevent the court from concluding that the parties were indeed competitors, and, with respect to the second prerequisite, it found that "there is a logical causal connection between [the lead defendant's] false advertising and [the plaintiff's] sales position—[the lead defendant] sells a cheaper competing product that it attempts to pass off as identical to [the plaintiff's] purer product. Therefore, [the plaintiff] has met its burden of demonstrating irreparable harm."[1611]

As always, and whether or not the presumption of irreparable harm was in play, some defendants argued that delays in seeking injunctive relief warranted the denial of that relief.[1612] That argument was advanced by one defendant in a case in which the plaintiffs challenged the defendant's use of a movie title.[1613] The record demonstrated that the plaintiffs had "delayed for approximately four months before filing [a] TRO motion, during which time they engaged in negotiations with [the defendant] in

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1609. *Id.* at 532, 549.

1610. Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404, 423 (S.D.N.Y. 2013) (quoting Zeneca Inc. v. Eli Lilly & Co., No. 99 Civ. 1452 (JGK), 1999 WL 509471, at *36 (S.D.N.Y. July 19, 1999)) (internal quotation marks omitted).

1611. *Id.* at 423.

1612. *See, e.g.*, SunEarth, Inc. v. Sun Earth Solar Power Co., 846 F. Supp. 2d 1063, 1084 (N.D. Cal. 2012) (holding that less than five-month delay did not trump plaintiffs' showing of irreparable harm).

1613. *See* Warner Bros. Entm't v. Global Asylum, Inc., 107 U.S.P.Q.2d 1910 (C.D. Cal. 2012), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013).

an attempt to resolve the action without legal action."[1614] The court rejected the defendant's claim that the four-month period in question was sufficiently long as to defeat the plaintiffs' entitlement to relief; rather, "a delay that gives the plaintiff an opportunity to investigate its claim and attempt to resolve the dispute out of court is not unreasonable such that injunctive relief should be denied on that ground alone."[1615]

Other plaintiffs allegedly dragging their feet did not do so well.[1616] One plaintiff falling into this category became aware of the defendants' alleged infringement in February 2011, filed a complaint in March, was advised in April by the defendants that they would not discontinue the challenged use, served the defendants with the complaint in July, and only pursued a preliminary injunction on February 23, 2012.[1617] As far as the court was concerned, the plaintiff then compounded the significance of the delay by failing to explain its inaction.[1618] In the final analysis, "[b]ecause [the plaintiff] significantly delayed bringing [its] Motion and because [the plaintiff] does not demonstrate that it will incur significant non-monetary harm should this case proceed without preliminarily enjoining Defendants," the absence of irreparable harm merited the denial of the plaintiff's motion.[1619]

ii. Inadequacy of Legal Remedies

The requirement that a plaintiff seeking injunctive relief demonstrate the inadequacy of legal remedies, *i.e.*, an award of the plaintiff's actual damages, generally did not make for much of an obstacle.[1620] Thus, for example, one court concluded that this factor favored the entry of a permanent injunction after finding that "[m]onetary damages often do not accurately measure or compensate for damage to a senior user's reputation and goodwill"[1621] and that "[the counterclaim plaintiff's] lost control over the reputation of its mark and market presence suggest [sic]

1614. *Id.* at 1927.

1615. *Id.*

1616. *See, e.g.*, Rovio Entm't Ltd. v. Royal Plush Toys, Inc., 907 F. Supp. 2d 1086, 1097 (N.D. Cal. 2012) (denying request for ex parte temporary restraining order and seizure order because of, inter alia, the plaintiff's approximate six-month delay in filing suit after becoming aware of defendants' allegedly infringing use).

1617. *See* JL Beverage Co. v. Beam, Inc., 899 F. Supp. 2d 991, 1011 (D. Nev. 2012).

1618. *Id.*

1619. *Id.*

1620. *See, e.g.*, SunEarth, Inc. v. Sun Earth Solar Power Co., 846 F. Supp. 2d 1063, 1083 (N.D. Cal. 2012) (rejecting defense argument that plaintiffs' earlier willingness to consider financial settlement established adequacy of legal remedies).

1621. Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468, 497 (D. Md. 2012).

that it has suffered an injury that is not easily quantifiable."[1622] Another held in cursory fashion that "there is . . . an inadequate remedy at law, as it is evident that the defendant has no intention of ceasing its infringing behavior."[1623]

Nevertheless, Apple found itself on the losing end of the issue when it sought a permanent injunction against Samsung's use of designs that a jury found was likely to dilute certain Apple trade dresses.[1624] Apple initially made progress by convincing the court that it would suffer the loss of "downstream sales" in the absence of injunctive relief,[1625] but its momentum stalled when Samsung pointed out testimony in the record to the effect that "the 'unique user experience IP' that Apple has previously licensed includes trade dress, along with design patents, and some utility patents."[1626] Because "Apple does appear willing, at times, to use . . . its trade dress[] as [a] tool[] in forging relationships and generating income,"[1627] and because "there is no suggestion that Samsung will have any difficulty paying the damages it owes,"[1628] the availability of legal remedies weighed against the entry of permanent injunctive relief.[1629]

iii. Balance of Hardships

Although a critical component, at least as a doctrinal matter, of the inquiry into whether the entry of injunctive relief is appropriate, the balancing of the parties' relative hardships rarely made a difference to the outcome of that inquiry over the past year, as courts typically concluded that plaintiffs' hardships outweighed those of defendants.[1630] Thus, for example, one group of

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1622. *Id.* at 498.

1623. Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506, 549 (S.D. W. Va. 2012).

1624. *See* Apple, Inc. v. Samsung Elecs. Co., 909 F. Supp. 2d 1147 (N.D. Cal. 2012).

1625. *Id.* at 1159.

1626. *Id.* at 1160.

1627. *Id.*

1628. *Id.*

1629. *Id.* at 1161.

1630. *See, e.g.*, Klein-Becker USA, LLC v. Englert, 711 F.3d 1153, 1164 (10th Cir. 2013) (affirming, without extended analysis, district court's finding that balance of hardships favored entry of permanent injunction); Two Men & A Truck/Int'l Inc. v. Thomas, 908 F. Supp. 2d 1029, 1039 (D. Neb. 2012) ("Absent an injunction, Plaintiff's trademark may continue to be infringed, possibly resulting in the Plaintiff's suffering a loss of reputation and goodwill. On the other hand, an injunction will only prevent Defendant from competing with Plaintiff by using a mark that may cause consumers to believe they are actually doing business with Plaintiff."); Diller v. Barry Driller Inc., 104 U.S.P.Q.2d 1676, 1684 (C.D. Cal. 2012) ("The balance of hardships tips sharply in Plaintiff's favor—Defendants are intentionally capitalizing on Plaintiff's name to divert customers from [a] service Plaintiff's company supports to Defendants' [competing] service, all at the expense of Plaintiff's goodwill and reputation. Any inconvenience to Defendants will be purely economic and

individual plaintiffs seeking a temporary restraining order against two defendants' continued use of domain names based on the plaintiffs' personal names, successfully demonstrated to the court's satisfaction that "[a]lthough the issuance of a TRO will require Defendants to cease using Plaintiffs' personal names, Defendants will remain free to register additional domain names that do not include Plaintiffs' names."[1631] Another court reviewing admittedly intentional copying by a defendant concluded in equally conclusory fashion that "[t]he balance of hardships . . . falls on the plaintiff's side. [The plaintiff] is the senior user of the [disputed] mark, and has spent decades building up its name and reputation; any losses suffered by the defendant are his own fault, especially after he admittedly used the plaintiff's mark for his inspiration."[1632]

Even those courts that took the required balancing of the hardships more seriously typically found that the outcome of the balancing weighed in favor of plaintiffs.[1633] One court falling into this category was distinctly unsympathetic to the claim that the defendant before it would suffer overwhelming harm if enjoined from the distribution of a motion picture under a title the court found to be confusingly similar to the plaintiffs' marks.[1634] As summarized by the court, the defendant's claim of hardship was premised on two theories: (1) "[the defendant] has already sent DVD and Blu-ray discs to retailers and rental outlets, and . . . it will now be impossible (or at least extremely difficult) to prevent their sale"; and (2) "[the defendant] will suffer hardship by being unable to release its movie, which it already produced."[1635] The court rejected the first of these claims by pointing out that the defendant had been on notice of the plaintiff's objections at the time it began shipments of its film, which meant that "[t]o the

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almost certainly minimal because Defendants only recently began using the [infringing] mark . . . ."); Seed Servs., Inc. v. Winsor Grain, Inc., 868 F. Supp. 2d 998, 1005 (E.D. Cal. 2012) (finding that defendants would not suffer burden from preliminary injunction based on their prior representations to the court that they had made no sales under infringing mark).

1631. Randazza v. Cox, 920 F. Supp. 2d 1151, 1158 (D. Nev. 2013).

1632. Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506, 550 (S.D. W. Va. 2012).

1633. *See, e.g.*, ViaView Inc. v. Blue Mist Media, 105 U.S.P.Q.2d 1304, 1308 (D. Nev. 2012) (entering temporary restraining order under the ACPA after finding that defendants' use of domain names based on the plaintiff's marks was diverting traffic from plaintiff's website to that of defendants and that defendants could continue to post content on that site even if enjoined); Diamonds Direct USA, Inc. v. BJF Holdings, Inc., 895 F. Supp. 2d 752, 762 (E.D. Va. 2012) (finding that counterclaim defendants' absence from geographic market at issue precluded it from claiming harm that might outweigh counterclaim plaintiff's interest in securing relief in that market).

1634. *See* Warner Bros. Entm't v. Global Asylum, Inc., 107 U.S.P.Q.2d 1910 (C.D. Cal. 2012), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013).

1635. *Id.* at 1927.

extent that [the defendant] will suffer any hardship due to having already distributed the DVDs and Blu-ray discs, this was a hardship that was of its own making and carries little weight with the Court."[1636] And, with respect to the second, it found that "[the defendant's] harm is . . . merely from lost profits and expenses in the balance of equities relating to its infringing activity, and [that] harm carries little weight in the balance of equities . . . ."[1637]

These holdings notwithstanding, however, at least some reported opinions weighed the relative harms to the parties and reached conclusions favoring the defendants.[1638] For example, the plaintiffs in one case sold wine, but their distribution network was limited to sales through a single tasting room in Sonoma County, through three locations in New York City, and through online and phone orders.[1639] By comparison, the defendant was able to demonstrate to the court's satisfaction that its retailers had reserved space for its brand as a part of a national rollout and that that space would be lost if it was preliminarily enjoined from delivering its product. The court also credited showings that the defendant's ability to enter the submarket it was targeting would be negatively affected by the entry of the relief requested by the plaintiffs and that it would be cost-prohibitive to do anything other than to destroy bottles of wine bearing its mark in the event of that eventuality. Because "[t]he harm from an erroneously issued, widespread injunction far outweighs any harm should such relief be erroneously denied," the court granted the plaintiffs' motion but limited the scope of its injunction to Sonoma County.[1640]

The parties in another case originating in the alcoholic beverage industry each sold vodka.[1641] In support of its motion for a preliminary injunction, the plaintiff argued that it had invested substantial "time, money, and other resources" into the marks it sought to protect;[1642] unfortunately for its case, however, it stopped there. The defendants were more zealous in putting forward their

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1636. *Id.*

1637. *Id.*

1638. *See, e.g.*, Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468, 498-99 (D. Md. 2012) (finding that likely hardship to counterclaim defendant from broad injunction warranted restricting the terms of that relief); Primary Children's Med. Ctr. Found. v. Scentsy Inc., 104 U.S.P.Q.2d 1124, 1133 (D. Utah 2012) (denying motion for preliminary injunctive relief in part because "if the court were to issue a preliminary injunction against [the defendant's] use of [its] mark, [the defendant] would be forced to shelve up to $900,000 of retail [sic] that it has already produced. In contrast, [the plaintiff] has not demonstrated a strong showing that it will be harmed over the next few months.").

1639. *See* Stark v. Diageo Chateau & Estate Wines Co., 907 F. Supp. 2d 1042 (N.D. Cal. 2012).

1640. *Id.* at 1067.

1641. *See* JL Beverage Co. v. Beam, Inc., 899 F. Supp. 2d 991 (D. Nev. 2012).

1642. *Quoted in id.* at 1011.

showing on the issue, establishing the possible need "to expend resources selecting a new product design, changing labels, destroying inventory, changing product advertising, and recalling products and promotional materials," all of which would harm their "business relationships with their suppliers, distributors, and retailers."[1643] Based on the parties' respective showings, the court concluded that "[t]his is an instance where 'Plaintiffs and Defendants have each spent substantial resources developing their marks, but the hardships Plaintiff may suffer if the status quo is maintained are far inferior to those Defendant would endure if it were required to cease further commercial use of its mark . . . .'"[1644]

iv. Public Interest

Of the four requirements for injunctive relief, that the relief be in the public interest is perhaps the easiest to satisfy. One court explained why: "In trademark cases, the public interest is the public's right not to be deceived or confused. Indeed, 'the most basic public interest in all Lanham Act cases [is] the interest in prevention of confusion, particularly as it affects the public interest in truth and accuracy.'"[1645] Another concluded that "[w]hile the public interest places value on free competition, the public has an interest 'in avoiding consumer confusion.'"[1646] And still another court concluded in rather cursory fashion that "[t]he public interest in preventing trademark infringement is avoiding confusion in the marketplace."[1647]

Although most opinions to address the issue did nothing more than to invoke substantively identical boilerplate,[1648] one court

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1643. *Id.*

1644. *Id.* (alteration in original) (quoting Credit One Corp. v. Credit One Fin., Inc., 661 F. Supp. 2d 1134, 1141 (C.D. Cal. 2009)).

1645. Warner Bros. Entm't v. Global Asylum, Inc., 107 U.S.P.Q.2d 1910, 1928-29 (C.D. Cal. 2012), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013).

1646. Two Men & A Truck/Int'l Inc. v. Thomas, 908 F. Supp. 2d 1029, 1039 (D. Neb. 2012) (quoting Anheuser-Busch, Inc. v. Balducci Publ'ns, 28 F.3d 769, 776 (8th Cir. 1994) (internal quotation marks omitted).

1647. Seed Servs., Inc. v. Winsor Grain, Inc., 868 F. Supp. 2d 998, 1005 (E.D. Cal. 2012); *see also* Herb Reed Enters. v. Monroe Powell's Platters, LLC, 842 F. Supp. 2d 1282, 1291 (D. Nev. 2012) ("Trademark law seeks to avoid confusion in the marketplace. As such, a preliminary injunction in this case would serve the public interest." (citation omitted)).

1648. *See, e.g.*, Deckers Outdoor Corp. v. Does 1-100, 105 U.S.P.Q.2d 1894, 1899 (N.D. Ill. 2013) ("The public has an interest in not being confused or defrauded into buying counterfeit . . . products."); SunEarth, Inc. v. Sun Earth Solar Power Co., 846 F. Supp. 2d 1063, 1084-85 (N.D. Cal. 2012) ("At the [preliminary injunction hearing], Defendants acknowledged that preventing customer confusion serves the public interest, and in their papers, Defendants argue only that the public interest would not be served because Plaintiffs have not established a likelihood of confusion. Because the Court already has found Defendants' arguments regarding a likelihood of confusion unpersuasive, this argument is . . . unavailing."); Diller v. Barry Driller Inc., 104 U.S.P.Q.2d 1676, 1684 (C.D. Cal. 2012) ("An injunction to prevent intentional trademark infringement not only protects

found that granting the ex parte motion for a temporary restraining order and preliminary injunction motion before it to be in the public interest based on the facts adduced by the plaintiff in support of the motion.[1649] The plaintiff alleged that the defendant had violated the ACPA by incorporating the plaintiff's marks into domain names associated with websites featuring "involuntary pornography." Having found that the plaintiff's allegations were well-taken, the court next determined that:

> Defendant . . . is attempting to use [the plaintiff's] mark to direct consumers to its websites that display various pornographic images. Thus, when consumers attempt to reach Plaintiff's website, some consumers may inadvertently be subjected to adult content due to the confusing similarity between Plaintiff's mark and Defendants' domain names. Accordingly, the Court finds that Plaintiff has carried its burden in establishing that the public will benefit from the issuance of a TRO.[1650]

But this was not the outcome of the inquiry in all reported opinions to undertake it,[1651] and, indeed, the court hearing Apple's trade dress and design patent claims against Samsung declined to enter a permanent injunction in part because of its conclusion that the public interest would be disserved by one.[1652] Following a jury verdict that the appearances of certain of Samsung's mobile phones were likely to dilute the distinctiveness of trade dresses reflected in Apple's competitive products, Samsung discontinued the models underlying the finding of liability. This action proved to be a prudent one, as the court found that "in the absence of case law authorizing a trade dress dilution injunction where there are

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the plaintiff, but protects the public from . . . confusion."); Skycam Inc. v. Bennett, 104 U.S.P.Q.2d 1463, 1468 (N.D. Okla. 2012) ("[T]he court finds [the] public interest is served by an injunction barring defendants from making misstatements about the relative merits of the [parties' goods]."); Mrs. United States Nat'l Pageant, Inc. v. Miss United States of Am. Org., LLC, 875 F. Supp. 2d 211, 232 (W.D.N.Y. 2012) ("[T]o the extent that the public has an interest in the outcome of this litigation, I find that the public has an interest in not being misled into thinking that the parties' [services] are one and the same, or that they are somehow related to each other, which is clearly not the case.").

1649. *See* ViaView Inc. v. Blue Mist Media, 105 U.S.P.Q.2d 1304 (D. Nev. 2012).

1650. *Id.* at 1308.

1651. *See, e.g.*, Stark v. Diageo Chateau & Estate Wines Co., 907 F. Supp. 2d 1042, 1067-68 (N.D. Cal. 2012) (holding that, in light of the geographically limited nature of the plaintiffs' rights, the public interest was best served by a preliminary injunction limited to a single county); JL Beverage Co. v. Beam, Inc., 899 F. Supp. 2d 991, 1012 (D. Nev. 2012) ("Because the Court determines that the public is unlikely to be confused between the [plaintiff's] marks and [the defendants'] marks, the public interest does not weigh in favor of granting Plaintiff's [preliminary injunction] Motion.").

1652. *See* Apple, Inc. v. Samsung Elecs. Co., 909 F. Supp. 2d 1147 (N.D. Cal. 2012).

no diluting products on the market, an injunction cannot be in the public interest."[1653]

b. Terms of Injunctive Relief

Once a plaintiff has established its entitlement to injunctive relief, the next issue is what terms the resulting order should incorporate. On this issue, Rule 65(b)(2) of the Federal Rules of Civil Procedure restricts the length of temporary restraining orders to fourteen days, after which they must either be converted to preliminary injunctions or lapse.[1654] The same rule, however, provides that this period may be extended "for a like period" upon a showing of good cause,[1655] and this led one Wisconsin district court to stretch a TRO it had issued to over three months.[1656] The district court believed that its multiple extensions of the original order were justified by the order's issuance with notice to the defendant, but the Seventh Circuit disagreed because "[i]n our view, the language of Rule 65(b)(2) and the great weight of authority support the view that 28 days is the outer limit for a TRO without the consent of the enjoined party, regardless of whether the TRO was issued with or without notice."[1657] It then took the district court to task for failing to explain the extensions until the district court's preliminary injunction order:

> We take a moment to remind district courts that for a TRO to be viable beyond the 28–day mark as a preliminary injunction, the order must comport with the formal requirements for a preliminary injunction. Rule 65(d) requires both a TRO and a preliminary injunction to "state the reasons why it issued," and Rule 52(a)(2) requires a statement of findings of fact and conclusions of law for decisions granting or refusing an "interlocutory injunction" (a phrase that includes preliminary injunctions). TROs issued on an emergency basis often provide only terse explanations. When a district court is considering extending a TRO beyond the 28–day limit, it would be prudent to review the explanation given to support the original order and to consider whether a further explanation may be appropriate to allow meaningful appellate review, as opposed to opening the order up to being vacated and remanded for lack of a sufficient explanation.
>
> We recognize there will be cases where the maximum 28–day limit does not give the parties sufficient time to prepare

1653. *Id.* at 1163.

1654. Fed. R. Civ. P. 65(b)(2).

1655. *Id.*

1656. *See* H-D Mich., LLC v. Hellenic Duty Free Shops S.A., 694 F.3d 827 (7th Cir. 2012).

1657. *Id.* at 845.

> for a preliminary injunction hearing, let alone time for the district court to decide it. In those cases, an extension of the TRO pending a preliminary injunction hearing and decision without consent of the enjoined party is technically a preliminary injunction: it is appealable, and the district court should provide a sufficient explanation of its decision to allow meaningful appellate review. A court reviewing such an order for an abuse of discretion should take into account the urgency with which it was issued and the needs of the district court and the parties, but the law does not allow an indefinite and unreviewable extension of a TRO without the consent of the enjoined party.[1658]

Ultimately, however, the defendant was unable to benefit from this holding because it had failed to object to the extensions of the TRO before the district court.[1659]

Nor did the defendant make any headway in its challenge to the preliminary injunction eventually entered by the district court. The terms of that order barred the defendant from contesting parallel proceedings involving the same subject matter, which had been initiated by the plaintiff in Greece; the order also required the defendant to abandon the defendant's own action against the plaintiff in the same country. Because the Greek court hearing the parties' respective claims had provisionally ruled in the United States plaintiff's favor, the Seventh Circuit declined to accept the defendant's argument that the district court's order threatened international comity.[1660] Moreover, even if it did, the order was justified because the defendant's prosecution and defense of the Greek actions were vexatious and oppressive: "[The defendant's] chosen strategy was a direct threat to the jurisdiction of the district court and exposed [the plaintiff] to duplicative litigation and the possibility of inconsistent rulings."[1661]

In another federal appellate opinion, the Fifth Circuit reviewed a permanent injunction entered at the behest of a group of college fraternities and sororities.[1662] Despite a jury finding of laches, the district court generally enjoined the defendant, a purveyor of various Greek organization-related items, from the sale of certain goods bearing the plaintiff's marks and from using in his advertising the plaintiffs' names and their Greek letters, as well as any crest, coat of arms, seal, flag, badge, emblem or slogan

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1658. *Id.* at 845 (citations omitted).

1659. *Id.* at 845-46.

1660. *Id.* at 848.

1661. *Id.* at 849.

1662. *See* Abraham v. Alpha Chi Omega, 708 F.3d 614 (5th Cir. 2013).

identifiable with the plaintiffs.[1663] The Fifth Circuit was disinclined to hold that the district court had abused its discretion in banning these categories of conduct, rather than the defendant's preferred remedy of disclaimers. With respect to the economic effect of the order, the appellate court pointed out that "[t]he injunction prevents [the defendant] from selling products that make up less than 2.44% of his total sales. This will not put [the defendant] out of business."[1664] The defendant's alternative line of attack on the injunction's terms, which was that the injunction infringed his First Amendment rights, similarly failed because his use of the plaintiffs' marks was not expressive in nature.[1665]

At the trial court level, the most notable treatment of the proper terms of injunctive relief followed a trial in which the plaintiff, a manufacturer of a synthesized isomer of methyltetrahydrofolate used in the production of nutritional supplements successfully demonstrated that the defendants had falsely advertised that their supplements contained only the same isomer when in fact they contained the isomer and its stereoisomer in equal amounts.[1666] The plaintiff was not shy when proposing terms for a permanent injunction, and it asked the court for an order: (1) preventing the defendants from referring to the isomer sold by the plaintiff on their packaging; (2) preventing the defendants from selling any methylfolate product for five years; and (3) requiring the defendants to launch a corrective advertising campaign. The court signed off on the last of these requests, indicating that it would either define the scope of the campaign itself with input from the plaintiff or, alternatively, allow the plaintiff to run advertising financed by the defendant.[1667] The court nevertheless declined to bar the defendants from referring to the isomer sold by the plaintiff, provided that the defendants' references to the isomer were accurate.[1668] It also refused to exclude the defendants from the market altogether, both because of the absence of authority supporting such a remedy and because doing so would disserve the public interest "by artificially inflating prices and decreasing consumer choice."[1669]

1663. There was an exception to these terms, which allowed the defendant to use decals otherwise falling within the injunction's scope in his advertising, provided that he purchased the decals from third parties. *See id.* at 619.

1664. *Id.* at 628.

1665. *Id.*

1666. *See* Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404 (S.D.N.Y. 2013).

1667. *Id.* at 432.

1668. *Id.* at 432-33.

1669. *Id.* at 433.

The permanent injunctive relief entered after another trial also was qualified but in ways that differed more from the norm.[1670] Although injunctions with immediate effect are the rule, rather than the exception, the court's balancing of the hardships claimed by the parties led it to set the date by which the counterclaim defendant was obligated to phase out its use nearly eight months in the future.[1671] Factors underlying this decision included the counterclaim defendant's prior entry into agreements with its affiliates and its advance payment for advertising featuring the mark; of the second of these considerations, the court noted that "[c]ancellation of those ads and contracts would be costly, anticompetitive, and in some cases impossible because the ads appear with many other sellers, and some advertisers might be unwilling to recall or reprint the materials."[1672] In a more conventional aspect of its opinion, the court then denied the counterclaim plaintiff's bid for a recall of promotional material bearing the counterclaim defendant's infringing mark as "unnecessary and wasteful."[1673]

2. Monetary Relief

a. Awards of Actual Damages

i. Plaintiffs' Entitlement to Awards of Actual Damages

Section 29 of the Act, which authorizes federal registrants to use either the ® symbol or the notices "Registered in the U.S. Patent and Trademark Office" and "Reg. U.S. Pat. & Tm. Off.," also provides that "in any suit for infringement . . . by . . . a registrant failing to give such notice, no profits and no damages shall be recovered unless the defendant had actual notice of the registration."[1674] The actual effect of this restriction on the eligibility of plaintiffs for awards of actual damages reared its head in one reported opinion, but that issue ultimately proved to be a nonevent.[1675] The case was brought by a plaintiff that had secured a federal registration of its mark in 2008; the defendants' allegedly infringing use began in 2006, however, at a time when the plaintiff could not yet avail itself of the notices authorized by Section 29. This set of circumstances led the defendants to move for summary judgment on the theory that the plaintiff was barred from

1670. Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468 (D. Md. 2012).

1671. *Id.* at 498-99.

1672. *Id.* at 498.

1673. *Id.* at 499.

1674. 15 U.S.C. § 1111 (2012).

1675. *See* Dwyer Instruments, Inc. v. Sensocon, Inc., 873 F. Supp. 2d 1015 (N.D. Ind. 2012).

pursuing an award of its actual damages, at least on a pre-registration basis. Their motion failed to convince the court, which was swayed instead by the plaintiff's arguments that: (1) Section 29's restrictions on monetary relief were limited to causes of action for infringement brought under Section 32 and therefore did not apply to Section 43(a) claims; and (2) the plaintiff's pre-registration request for an award of actual damages was grounded in the defendants' violations of Section 43(a). Summary judgment in the defendants' favor was therefore inappropriate because "[u]nder these circumstances, the Court finds that the Plaintiff is eligible to recover any damages for infringement under [Section 43(a)] that occurred before the . . . mark was registered, and may do so without reference to [Section 29]."[1676]

In cases in which Section 29 was not implicated, some courts displayed either an inability or unwillingness to distinguish between the legal remedy of actual damages, on the one hand, and the equitable remedy of an accounting of profits, on the other.[1677] This was apparent in the decision by one Fourth Circuit district court to use a six-part test when evaluating the propriety of an award of actual damages, despite the fact that its reviewing court originally had articulated that test in the context of a request for an accounting:

> Six factors to consider in making a damages award include (1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off.[1678]

Having determined that each of these factors favored the plaintiff's position, especially the defendant's bad-faith infringement, the court ordered the parties to make supplemental submissions that would allow it to make a damages award.[1679]

An application of the same test led to the same result in the context of a post-trial challenge to a jury verdict.[1680] The court in that case concluded that the jury was within its rights to award a

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1676. *Id.* at 1028.

1677. *See, e.g.*, Vino 100, LLC v. Smoke on the Water, LLC, 864 F. Supp. 2d 269, 288 (E.D. Pa. 2012) ("As used in [Section 35], 'damages' means 'an award based on either actual damages to the plaintiff or actual profits of the infringer, measurable in dollars and cents.").

1678. Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506, 550 (S.D. W. Va. 2012) (quoting Synergistic Int'l, LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006)).

1679. *Id.* at 523-24, 551.

1680. *See* Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468, 490 (D. Md. 2012).

single dollar as nominal damages (important to the parties because it made an award of punitive damages possible). For one thing, the jury had considered evidence and testimony that the counterclaim defendant had adopted its infringing mark despite the presence of the counterclaim plaintiff's mark in the results of a trademark availability search and had continued using the mark in the face of the counterclaim plaintiff's objections. Beyond that, the trial record could have supported findings that the counterclaim defendant's conduct had cost the counterclaim plaintiff at least some "market presence" and that the counterclaim plaintiff did not unreasonably delay in asserting its rights.[1681] An award of at least some damages therefore was appropriate, even if the alternative remedy of an injunction might protect the counterclaim plaintiff's interests and even if "[i]t was undisputed that this was not a case of palming off."[1682]

One plaintiff escaped a defense motion for summary judgment on the issue of its entitlement to an award of actual damages despite testimony from one of its witnesses, "who when questioned, could not identify any lost market share, quantify lost sales, or identify lost customers."[1683] The key to the plaintiff's success was testimony by the same witness that the defendant had sold goods bearing unauthorized copies of the plaintiff's mark at a lower price than the plaintiff's own competitive goods. Reviewing the latter testimony, the court concluded that "[the plaintiff] can show damages, leaving only the amount for the trier of fact to determine."[1684]

ii. Calculation of Actual Damages

In trademark and unfair actions, "[r]ecoverable damages include harm to market reputation and lost profits, which can be calculated by estimating the plaintiff's revenues lost as a result of the unlawful conduct and subtracting any expenses associated with the lost revenues."[1685] Notwithstanding this general availability of actual damages to prevailing plaintiffs as a theoretical matter, the First Circuit accurately observed that "damages awards turn out to be comparatively rare in trademark cases primarily, it appears, because of the difficulty of proving them. Various damage theories are available, but proving causation and amount are very difficult unless the two parties

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1681. *Id.* at 491.

1682. *Id.*

1683. Wheel Specialties, Ltd. v. Starr Wheel Grp., 918 F. Supp. 2d 688, 697 (N.D. Ohio 2013).

1684. *Id.*

1685. Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404, 428 (S.D.N.Y. 2013).

directly compete . . . ."[1686] The absence of record evidence of causation proved to be the downfall of the appeal before the court: Although the plaintiff was able at trial to establish a downturn in its projected sales, it failed to show a nexus between that downturn and the defendant's infringing conduct. The primary obstacle to such a showing was that the plaintiff sold components for electric guitars while the defendant sold guitars inaccurately advertised as containing the plaintiff's components. Because the parties were not in direct competition, the plaintiff was unable to prove what the court identified as "the most straightforward theory of damages[, which was] that the infringement had diverted specific sales away from [the plaintiff]."[1687] Although an expert retained by the plaintiff had proffered various alternative theories of the damages suffered by the plaintiff, his testimony had been excluded as "merely a basis for speculation,"[1688] leaving the plaintiff without an evidentiary leg on which to stand.[1689]

Judicial skepticism toward claims of actual monetary damage extended even to a case in which the defendants had failed to respond to the complaint and therefore were not in a position to contest the prevailing plaintiff's showing.[1690] According to that showing, the plaintiff's sales revenue had declined by 65 percent once the defendants' infringement began. This calculation, however, appeared in a declaration unaccompanied by "the type of financial statements listing detailed information on sales, expenses, and profits that would allow the Court to conclude that Plaintiff's estimate is reasonable."[1691] Of equal importance, the testimony in question omitted "several details" concerning the witness's methodology that caused the court to question its accuracy.[1692] One such detail was how the plaintiff arrived at its pre-infringement profit figure, which, according to the court's own calculations, overshot the mark by $6,000; not a large number, perhaps, but it still demonstrated "the gaps in financial information presented to the Court."[1693] The court also faulted the same witness's testimony that, "in early-to-mid 2010," the plaintiff had enjoyed "sales revenues of approximately $115,000"[1694] on the ground that "it is unclear whether this figure is year-to-date, the

1686. Fishman Transducers, Inc. v. Paul, 684 F.3d 187, 196 (1st Cir. 2012).

1687. *Id.* at 194.

1688. *Id.* at 195.

1689. *Id.* at 196.

1690. *See* Wecosign, Inc. v. IFG Holdings, Inc., 845 F. Supp. 2d 1072 (C.D. Cal. 2012).

1691. *Id.* at 1085.

1692. *Id.*

1693. *Id.*

1694. *Quoted in id.*

highest grossing month, or something else altogether."[1695] The court therefore deferred a final determination of the quantum of recovery to which the plaintiff was entitled pending the submission of additional information.[1696]

In contrast, a different plaintiff that sold a component of finished goods had better luck.[1697] That plaintiff manufactured a pure isomer of a folate product, which it sold under the METAFOLIN mark and which was used in the manufacture of nutritional supplements. It successfully proved at trial that a group of corporate and individual defendants had falsely represented that their supplements contained the same pure isomer, when, in fact, those supplements contained that isomer and a stereoisomer in equal amounts. Because the plaintiff did not itself sell finished supplements, the parties did not compete directly, but the plaintiff nevertheless convinced the court that each sale of the defendants' finished supplements cost it a sale it otherwise would have made to its supplement-manufacturing customers. The court therefore found that the plaintiff was entitled to an award of damages equal to the number of units sold by the defendants multiplied by the profit margin enjoyed by the plaintiff when selling its folate product to its customers (which produced the supplements that *did* compete directly with those of the defendants).[1698]

A requested award of actual damages based on far less complicated facts also met with success in an action in which franchisees in the plaintiffs' system failed to pay royalties due under their franchise agreement both before and after they were terminated.[1699] The parties disagreed whether the applicable royalty rate was five percent, as set forth in the agreement, or, alternatively, whether the parties had reduced the rate to four percent through an oral modification of the agreement. Weighing the plaintiffs' motion for summary judgment, the court agreed with the defendants that the reduction had occurred, and that allowed it to apply the higher rate to the defendants' sales through the date of the modification and the lower rate to sales occurring after that date. It then resolved the issue of what those sales were by accepting the plaintiffs' estimate of $40,000 per month: The defendants objected to this figure without suggesting a more appropriate one, which led the court to hold that "[w]here no

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1695. *Id.*

1696. *Id.*

1697. *See* Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404 (S.D.N.Y. 2013).

1698. *Id.* at 428-30.

1699. *See* Vino 100, LLC v. Smoke on the Water, LLC, 864 F. Supp. 2d 269 (E.D. Pa. 2012).

precise evidence of a plaintiff's damages exists, a plaintiff need not introduce proof that 'conform[s] to the standard of exact mathematical exactness.'"[1700]

The court did, however, balk at the plaintiffs' request for an additional award of prospective lost monthly royalty payments the plaintiffs allegedly would have enjoyed through the end of the franchise agreement's term. Its conclusion that the plaintiffs were not entitled to judgment as a matter of law on this issue turned on the circumstances of the defendants' departure from the plaintiffs' system:

> In cases where a franchisor terminated the franchise relationship due to a franchisee's failure to pay royalties or rent in accordance with their contract, courts have generally found that the lost future royalties were caused by the franchisor's decision to end the relationship and not by the franchisee's prior failure to comply with the contract. These courts reason that the franchisor could allow the contractual relationship to continue and bring suit against the franchisee to recover past-due amounts. In cases where a franchisee has voluntarily abandoned or terminated the franchised business, however, courts have held that the franchisee's decision to close the business caused the loss of future royalties to the franchisor notwithstanding that the franchisor may have subsequently terminated the contract.[1701]

Applying these rules, the court held that "genuine issues of material fact exist as to causation with respect to plaintiffs' claim for future royalties."[1702]

A final opinion of note, also having its origins in the breach of a license agreement, provided a cautionary tale for plaintiffs able to prove liability but not the quantum of their actual damages.[1703] The case leading to it was brought to vindicate the rights of a plaintiff that had entered into a five-year agreement with the United States Army to commercialize an energy bar distributed to soldiers as part of their rations; that agreement also granted the plaintiff a license to use the Army's registered HOOHA! mark. Based on the Army's unilateral decision in the agreement's third year to eliminate its support for sales of the bars, its notice to the plaintiff that it would not renew the agreement, and an eight-month period of radio silence on its part during which the plaintiff

1700. *Id.* at 284 (second alteration in original) (quoting Lach v. Fleth, 64 A.2d 821, 827 (Pa. 1949)).

1701. *Id.* at 285-86 (citations omitted).

1702. *Id.* at 286.

1703. *See* D'Andrea Bros. v. United States, 109 Fed. Cl. 243 (2013).

sought to discuss the termination, the court determined that the Army had breached its obligations under the agreement.[1704]

Unfortunately for the plaintiff, however, the trial record demonstrated that the plaintiff had encountered great difficulty making a profit even before its receipt of the notice of nonrenewal and the Army's subsequent breach of the agreement. The low likelihood of the plaintiff turning the corner had the agreement run its full five-year term led the court to find that:

> [T]he evidence established that the government's decision to abandon the HooAH! name, although it unreasonably undermined the parties' intent under the [agreement] and thus breached the implied covenant of good faith and fair dealing, had no practical impact on plaintiff's declining sales in the commercial market. . . .
>
> Taken together, the evidence showed that by the time of the breach in 2007, plaintiff had less than two years . . . within which to recoup its investment, regardless of the breach. At that time, plaintiff's efforts to commercialize the HooAH! bar, by its own admissions, were failing, and plaintiff itself recognized that it would need more time to recoup these losses and make the HooAH! brand successful. . . . While [the Army] unreasonably failed to cooperate with plaintiff . . . , the government cannot be held responsible for plaintiff's decision to undertake a business venture that ultimately, regardless of the government's actions, failed. Plaintiff's goal of becoming the fourth most popular energy bar in five years had failed, not because of the government's actions, but because plaintiff found it impossible to build a brand within the limited time provided under the [parties' agreement].[1705]

b. Statutory Damages

The Lanham Act contemplates awards of statutory damages under two circumstances. First, Section 35(c)(1) provides that a counterfeiting victim may elect such an award of "not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just";[1706] moreover, "if the court finds that the use of the counterfeit mark was willful," Section 35(c)(2) authorizes an award of "not more than $2,000,000 per counterfeit mark," subject to the same conditions as those in Section 35(c)(1).[1707] Second, Section 35(d) authorizes a prevailing plaintiff in a cybersquatting action

1704. *Id.* at 252-55.

1705. *Id.* at 266.

1706. 15 U.S.C. § 1117(c)(1) (2012).

1707. *Id.* § 1117(c)(2).

"to recover, instead of actual damages and profits, 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."[1708]

Awards of statutory damages made infrequent appearances in the case law over the past year, but there were exceptions to this general rule.[1709] Having found as a matter of law that the defendants before it had trafficked in two different models of sunglasses bearing counterfeit imitations of the plaintiffs' marks, one New York federal district court noted that Section 35(c)(1) provided little guidance on how the quantum of statutory damages should be calculated.[1710] Like other courts before it, though, it turned to interpretations of the corresponding provision of the Copyright Act[1711] for inspiration and therefore took into account the following factors:

> (1) the expenses saved and the profits reaped; (2) the revenues lost by the plaintiff; (3) the value of the [mark]; (4) the deterrent effect on others besides the defendant; (5) whether the defendant's conduct was innocent or willful; (6) whether [the] defendant has cooperated in providing particular records from which to assess the value of the infringing material produced; and (7) the potential for discouraging the defendant.[1712]

Considering the two models of sunglasses at issue to be a single good for purposes of Section 35(c)(1), the court initially found that the plaintiffs had failed to offer any evidence under the first two factors "beyond making a general statement that [the plaintiffs] suffer[] 'direct monetary loss anytime third-parties sell goods bearing counterfeit . . . marks [of the plaintiffs].'"[1713] Although the plaintiffs additionally declined to try to establish the willfulness of the defendants' conduct under the fifth factor, they did prove that their marks were valuable under the third factor by documenting its $224.4 million investment in the development and promotion of the marks during the year in which the complaint

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1708. *Id.* § 1117(d).

1709. *See, e.g.*, Lorillard Tobacco Co. v. Ahmad's Pizza, Inc., 866 F. Supp. 2d 872, 880 (N.D. Ohio 2012) (awarding, without extended explanation, minimum statutory damages of $1,000 per mark infringed by defendant's counterfeit imitations); Coach, Inc. v. Goodfellow, 717 F.3d 498, 501 (6th Cir. 2013) (referring to, but otherwise not addressing, jury's award of $240,000 for each of twenty-one registered marks counterfeited by defendant).

1710. *See* Coach, Inc. v. Horizon Trading USA Inc., 908 F. Supp. 2d 426 (S.D.N.Y. 2012).

1711. *See* 17 U.S.C. § 504(c) (2012).

1712. *Horizon Trading*, 908 F. Supp. at 437 (quoting Union of Orthodox Jewish Congregations of Am. v. Am. Food & Beverage Inc., 704 F. Supp. 2d 288, 291 (S.D.N.Y. 2010) (citation omitted) (quoting Gucci Am., Inc. v. Duty Free Apparel, Ltd., 315 F. Supp. 2d 511, 520 (S.D.N.Y. 2004))).

1713. *Id.*

was filed.[1714] With respect to the sixth factor, the defendants did not produce records that might have permitted a valuation of their goods, but they did admit to having sold "thousands of Infringing Products."[1715] Finally, the court found in an application of the seventh factor that "a large award is necessary to deter the defendants specifically from continuing their infringing business practices,"[1716] a conclusion driven in part by evidence that the defendants were actively misappropriating a third party's mark in addition to those of the plaintiffs.[1717] Under these circumstances, "an award of $100,000 per mark per type of good is appropriate and just."[1718]

On the cybersquatting front, one plaintiff successfully demonstrated via the defendants' failure to respond to the complaint that they had violated the ACPA.[1719] The absence of opposition to the plaintiff's proposed default judgment, however, did not mean that the plaintiff was entitled to the $100,000 award of statutory damages it requested from the court. Rather, according to the court, "Defendants provided false contact information to the domain name registrar, but Plaintiff produces no additional evidence to support a maximum statutory damages award."[1720] As a consequence, the court found, "$50,000 is an appropriate award."[1721]

c. Punitive Damages

The Lanham Act does not expressly provide for punitive damages, but a prevailing counterclaim plaintiff prosecuting a false advertising claim under Section 43(a) successfully secured an award of them from a Mississippi state-court jury.[1722] The trial court reduced the award from $25,000 to $0, however, not because of the lack of federal statutory authority for it, but instead because the counterclaim defendant's net worth mandated the reduction under Mississippi law.[1723] The Supreme Court of Mississippi affirmed, in the process faulting the counterclaim plaintiff for not

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1714. *Id.*

1715. *Quoted in id.*

1716. *Id.* at 438.

1717. As the court explained its logic on this point, "[a]lthough the Court has no occasion to consider the validity of [the third party's] mark, it raises a concern that defendants' use of potentially infringing marks may not be confined to those belonging to [the plaintiffs]." *Id.*

1718. *Id.*

1719. *See* Wecosign, Inc. v. IFG Holdings, Inc., 845 F. Supp. 2d 1072 (C.D. Cal. 2012).

1720. *Id.* at 1086.

1721. *Id.*

1722. *See* Coleman & Coleman Enters. v. Waller Funeral Home, 106 So. 3d 309 (Miss. 2012).

1723. Miss. Code § 11-1-65(3)(a)(iv) (Supp. 2012).

addressing the issue at trial: "Because [the counterclaim plaintiff] failed to adduce proof of [the counterclaim defendant's] net worth during the punitive phase, it cannot now complain of the reduced verdict."[1724]

A challenge to a jury's award of punitive damages under Maryland law similarly bore fruit.[1725] Although the counterclaim plaintiff's entitlement to the award in the first place rested on a rather slender reed—the counterclaim defendant's failure to conduct a trademark availability search until a week after it had applied to register its own mark—the court did not question the jury's finding that the counterclaim defendant had engaged in "extreme recklessness and utter disregard for" the counterclaim plaintiff's rights.[1726] Instead, based on the counterclaim plaintiff's recovery of only a single dollar in compensatory damages, the court held that the jury's award of $265,035 violated the Fourteenth Amendment's guarantee of due process.

To reach this conclusion, it invoked the three factors identified by the Supreme Court in *BMW of North America, Inc. v. Gore*,[1727] as relevant to the inquiry:

> To determine whether a punitive damages award is reasonable, the Court considers: (1) the degree of reprehensibility of the defendant's conduct; (2) the difference between the actual or potential harm suffered (compensatory damages) and the punitive award; and (3) the difference between the punitive award and civil penalties in comparable cases.[1728]

The court concluded that the first of these factors favored the counterclaim defendant because the counterclaim plaintiff was not physically harmed, the counterclaim defendant's conduct did not present a threat to the health and safety of others, only one mark was infringed, and "there was no evidence that [the counterclaim defendant] acted with intentional malice, trickery, or deceit."[1729] The counterclaim defendant also benefitted from the court's application of the second factor, because "a 265,035:1 ratio, without aggravating factors from the first *Gore* prong, weighs heavily against finding that the award satisfies due process."[1730] Because the parties agreed that the third factor was neutral, the court held that it would "grant [the counterclaim defendant] a new

1724. *Coleman & Coleman*, 106 So. 3d at 320.

1725. *See* Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468 (D. Md. 2012).

1726. *Id.* at 492 (quoting Dennis v. Balt. Transit Co., 56 A.2d 813, 817 (Md. 1948)).

1727. 517 U.S. 559 (1996).

1728. *Coryn Grp. II*, 868 F. Supp. 2d at 492.

1729. *Id.* at 493.

1730. *Id.* at 494.

trial on punitive damages unless [the counterclaim plaintiff] accepts a remittance to a modest award of exemplary damages," which the court set at $50,000.[1731]

d. Accountings of Profits

i. Plaintiffs' Entitlement to Accountings of Profits

The great divide among courts on the issue of whether willful misconduct is a prerequisite for an accounting of the profits of a defendant found liable for violating the Lanham Act continued over the past year. As it historically has been, the majority rule was that a showing of this sort was indeed necessary for the remedy. As the Tenth Circuit explained, "[u]nder the Lanham Act, plaintiffs must show either actual damages or willful action on the part of the defendant as a prerequisite to recover disgorgement of profits.[1732] The First Circuit's treatment of the issue was consistent: "While damages in trademark or false advertising cases can be awarded without any special showing of scienter or equitable factors, our cases usually require willfulness . . . to allow . . . a recovery of the defendant's profits."[1733]

Another court applying the rule took a more tempered approach:

> Generally, a court may award recovery of a defendant's profits "on a discretionary basis upon a finding that the defendant acted in bad faith." Such an award is justified by three rationales: (1) to deter a willful wrongdoer from doing so again; (2) to prevent the defendant's unjust enrichment; and (3) to compensate the plaintiff for harms caused by the infringement. In determining the appropriateness of an award of profits, a court must also consider other factors, such as "(1) the degree of certainty that the defendant benefit[t]ed from the unlawful conduct; (2) availability and adequacy of other remedies; (3) the role of a particular defendant in effectuating the [wrongdoing]; (4) plaintiff's laches; and (5) plaintiff's unclean hands." The district court has discretion to "assess [ ] the relative importance of these factors and

1731. *Id.* (internal quotation marks omitted).

1732. Klein-Becker USA, LLC v. Englert, 711 F.3d 1153, 1161 (10th Cir. 2013). Despite this apparently strict standard, the court declined to disturb an accounting ordered below, observing with respect to actual damages that the defendant's own proposed findings of fact before the district court acknowledged that his conduct had undermined the plaintiff's reputation and goodwill and concluding with respect to willfulness that "[b]ecause [the plaintiff] properly established that [the defendant] had appropriated its registered mark, we agree with the district court that willfulness may be inferred." *Id.* at 1162.

1733. Fishman Transducers, Inc. v. Paul, 684 F.3d 187, 191 (1st Cir. 2012).

> determin[e] whether, on the whole, the equities weigh in favor of an accounting."[1734]

Although the conduct of the defendants before the court was sufficiently egregious to warrant a trebling of the plaintiff's actual damages and an award of the plaintiff's attorneys' fees, the court nevertheless declined to order an accounting of the defendants' profits. The basis of that decision was that the plaintiff and the defendants were not in direct competition: Although the plaintiff sold a chemical component used by third parties in the manufacture of nutritional supplements, the defendants sold finished supplements they advertised (falsely) as having the same component as the one sold by the plaintiff. According to the court, this meant that if any parties were entitled to an accounting, they were the third-party customers of the plaintiff, rather than the plaintiff itself.[1735]

In contrast, Fourth Circuit federal district courts identified bad-faith misconduct as only one of the "six nonexclusive factors" governing the inquiry into whether an accounting was appropriate in that jurisdiction.[1736] As one explained, those factors were:

> (1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the conduct unprofitable, and (6) whether it is a case of palming off.[1737]

Although prevailing on the merits of its infringement claim, the counterclaim plaintiff before that court succeeded in securing an award of only one dollar in compensatory damages from a jury. Seeking to increase its recovery, the counterclaim plaintiff filed a post-verdict motion inviting the court to order an accounting, but the court declined the invitation. Despite the jury's finding that the counterclaim defendant was liable for willful infringement because it failed to conduct a trademark availability search and because it continued to use its mark after becoming aware of the counterclaim plaintiff's objections, the court concluded that there was an absence of evidence that the counterclaim defendant had

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1734. Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404, 431 (S.D.N.Y. 2013) (alterations in original) (quoting Viacom Int'l Inc. v. Fanzine Int'l, Inc., No. 98 Civ. 7448 (RCC), 2001 WL 930248, at *5 (S.D.N.Y. Aug. 16, 2001); George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1540 (2d Cir. 1992)).

1735. *Id.* at 431.

1736. *See, e.g.*, Djarum v. Dhanraj Imps., 876 F. Supp. 2d 664, 670 (W.D.N.C. 2012).

1737. Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468, 490 (D. Md. 2012) (quoting Synergistic Int'l, LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006)). The court's statement of the six factors actually occurred in its holding that the counterclaim plaintiff was entitled to an award of actual damages, but court cited approvingly to its earlier discussion of the factors when considering the accounting remedy. *See id.* at 495.

intended to trade on the counterclaim plaintiff's goodwill.[1738] It also found that the counterclaim plaintiff had "lost no sales," but instead had "continued to earn a substantial profit."[1739] Because injunctive relief adequately protected the counterclaim plaintiff's interests, because an accounting "might hinder innovation," and because "[t]his was not a case of palming off," the third, fifth, and the sixth factors also favored the counterclaim defendant.[1740] As a consequence, and although the counterclaim plaintiff's timely challenge to the counterclaim defendant's infringement meant that the fourth factor favored an accounting, that consideration was not enough, in and of itself, to carry the day.[1741]

A holding that a prevailing plaintiff must prove willful misconduct obviously does not resolve the independent issue of what standard of proof—clear and convincing evidence or a mere preponderance of the evidence—applies to that inquiry. The First Circuit tackled this question in an appeal in which the district court had instructed the jury that the plaintiff was required to prove willfulness by clear and convincing evidence.[1742] The court held that the instruction was erroneous because "[t]he ordinary rule in civil cases is proof by a preponderance of the evidence, and the text of section [35] does not prescribe a different burden of proof."[1743] It therefore held it appropriate to adopt "the ordinary preponderance standard where, as here, the statutory language does not call for more."[1744] Despite this initial victory, however, the plaintiff still went home empty-handed, as the court held that, whatever the proper standard of proof might be, the plaintiff still had not satisfied it.[1745]

1738. *Id.*

1739. *Id.* at 496.

1740. *Id.*

1741. *Id.*

1742. *See* Fishman Transducers, Inc. v. Paul, 684 F.3d 187 (1st Cir. 2012).

1743. *Id.* at 192 (citation omitted).

1744. *Id.* at 193.

1745. *Id.* at 193-94.

The gravamen of the plaintiff's complaint was that the defendants had falsely represented that guitars they sold featured "Fishman pickups" produced by the plaintiff. Although the falsity of the representation was undisputed, the court concluded from the appellate record that:

> [T]he maker of the guitar, orally represented to [one of the defendants] that it included a "Fishman-type" pickup and in a product specification sheet noted that the guitars had a Fishman pickup. [That defendant] relayed this information to [the lead defendant] before he went on-air [and repeated it]. Nothing indicates that defendants were any more than negligent in passing along that representation. In particular, no evidence indicated that the defendants had knowledge of the infringement or were reckless in failing to learn of it. When told of the error, [the first defendant] promptly stopped claiming that its pickups were Fishman products.

Id. at 194.

A final notable opinion addressing the availability of the accounting remedy arose in the context of a discovery dispute.[1746] The action was one in which the plaintiff sought to hold the defendant accountable under a contributory infringement theory for the sale at the defendant's flea market of goods bearing counterfeit imitations of the plaintiff's marks. To support its request for an accounting, the plaintiff sought to discover the defendant's tax returns, only to have the court sustain the defendant's refusal to produce them. The primary reason for this was that the defendant's income consisted of rental revenues, rather than royalties on sales by the tenants renting space from it. Apparently placing on the plaintiff the burden of apportioning its revenues between infringing and noninfringing sources, the court held that "[n]o doubt a lax flea market over time can attract more and more counterfeiting vendors and thus more rental fees. But sifting the flecks of 'counterfeit income' from the rental stream would be, on its face, a speculative mirage."[1747] In the final analysis, the plaintiff was not entitled to an accounting because "even a direct-infringement plaintiff must initially prove an infringing defendant's sales before the burden shifts to the defendant to prove deductible costs. [The plaintiff] can't even do that here, because the only thing [the defendant] sold is rental space."[1748]

ii. The Accounting Process

Addressing the admissibility of an expert witness report, one court offered the following summary of the rules governing the accounting process:

> Under the Lanham Act, a trademark owner is entitled to recover profits that an infringer obtained by willfully violating the owner's rights. To do so, the plaintiff must prove the amount of the defendant's revenues from infringing sales. Once the plaintiff has met this burden, the burden shifts to the defendant to prove any costs or deductions it claims should be subtracted from the infringing revenues. Put another way, the infringer's profits are calculated as the gross sales of infringing goods minus the costs that the infringer proves are attributable to the production and sale of those goods. The infringer bears the burden of establishing costs or expenses and must prove both that it has borne the particular cost or expense but also that the cost or expense is attributable to its unlawful sales. Every infringer shoulders the burden of

1746. *See* Coach, Inc. v. Hubert Keller, Inc., 911 F. Supp. 2d 1303 (S.D. Ga. 2012).

1747. *Id.* at 1309.

1748. *Id.* at 1309-10.

> demonstrating a sufficient nexus between each expense claimed and the sales of the unlawful goods.[1749]

The issue before the court was whether the report, which was proffered by an expert for a pair of counterclaim defendants accused of trade dress infringement, properly calculated the overhead attributable to the production of the goods alleged to infringe. The counterclaim plaintiff argued that, because sales of the allegedly infringing goods constituted only 4 percent of the counterclaim defendants' revenues, it was inappropriate to allow the deduction of any overhead, but the court disagreed. It concluded that the expert had properly employed a two-step methodology: (1) he had determined which overhead expenses were actually implicated by the production of the accused goods and others falling into the same category; and (2) he had opined that the counterclaim defendants were entitled to deduct a percentage of that overhead equal to the percentage of the overall revenues in that category generated by sales of the accused goods.[1750] Under these circumstances, the court concluded that the expert's methodology "does not appear so unreasonable on the basis of the record as it has been developed thus far to warrant excluding the report."[1751]

Other defendants, consisting of terminated franchisees who had continued to use the marks of their franchisors, the plaintiffs, for a single day following their expulsion from the plaintiffs' system, also were the beneficiaries of a favorable order.[1752] The court issuing it did so on the plaintiffs' motion for summary judgment, which sought an accounting of the defendants' profits on that day. The court found that the plaintiffs had introduced "uncontradicted evidence" that the defendants' holdover store "had sales of $4,300.69" on the key date,[1753] and it also held that "[w]hen a plaintiff seeks an award based on an infringer's profits, the plaintiff is required only to prove the defendant's sales, and the burden is on the defendant to prove all costs or deductions."[1754] In response to the plaintiffs' motion, the defendants did not apportion their claimed expenses to their single day of infringement; rather, they set forth their expenses for the entire year, which suggested that they had suffered a net loss of $151,868.19. This might have led to the grant of the plaintiffs' motion, but the court concluded

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1749. Lee Valley Tools, Ltd. v. Indus. Blade Co., 288 F.R.D. 254, 267-68 (W.D.N.Y. 2013) (footnote omitted) (citations omitted) (internal quotation marks omitted).

1750. *Id.* at 268-69.

1751. *Id.* at 269.

1752. *See* Vino 100, LLC v. Smoke on the Water, LLC, 864 F. Supp. 2d 269 (E.D. Pa. 2012).

1753. *Id.* at 288.

1754. *Id.*

instead that the defendants' showing created a factual issue "as to whether defendants experienced any profits . . . on the one day in issue . . . . This, in turn, creates a genuine issue of fact as to whether plaintiffs have suffered any compensable 'damage' within the meaning of [Section 35]."[1755]

In contrast, some opinions provided cautionary tales for defendants failing to substantiate their claimed deductions, including one from the Tenth Circuit.[1756] Through PayPal records, the plaintiff in the appeal before that court established that the defendant had enjoyed $673,988.17 in sales of goods bearing marks that infringed those of the plaintiff; in light of the defendant's admission that he also had sold the goods through other channels, that revenue figure was likely low, but it nevertheless served as a starting point in the accounting process for both the district court and the Tenth Circuit. Unfortunately for the defendant, it also served as an ending point. As the appellate court explained:

> For his part, [the defendant] failed to meet his Lanham Act burden of establishing any "cost or deduction" to be subtracted from the sales numbers established by [the plaintiff]. At the bench trial for damages [sic], [the defendant] made no effort to present evidence showing such offsets. Although evidence showed that [the defendant] incurred unspecified costs associated with his purchases of the [challenged] products, he failed to provide any records . . . . This made it impossible for the district court to determine whether subtracting those costs from the sales figures presented by [the plaintiff] would have produced an accurate measure of [the defendant's] profits.
>
> Thus, the district court did not err when it set the profits award at $673,988.17—the total sales established by [the plaintiff] minus the total offsets established by [the defendant], which were nonexistent.[1757]

The same methodology appeared in opinions awarding default judgments.[1758] Thus, for example, one prevailing plaintiff adduced declaration testimony that the defendants had enjoyed at least $25,000 in revenue from four different customers.[1759] Crediting this testimony, the court remarked that:

1755. *Id.*

1756. *See* Klein-Becker USA, LLC v. Englert, 711 F.3d 1153 (10th Cir. 2013).

1757. *Id.* at 1163.

1758. *See, e.g.*, Djarum v. Dhanraj Imps., Inc., 876 F. Supp. 2d 664, 670 (W.D.N.C. 2012) (ordering, as part of default judgment, accounting in the amount of the plaintiff's "reasonable estimate of Defendants' gross sales based upon the amount of infringing goods that were imported by Defendants for sale").

1759. *See* Wecosign, Inc. v. IFG Holdings, Inc., 845 F. Supp. 2d 1072 (C.D. Cal. 2012).

> Given that Defendants have frustrated Plaintiff's ability to determine with any precision the amount of their sales and considering the circumstances of Defendants' operation, [which the court found to be infringement and a violation of the ACPA] the Court concludes that Plaintiff has established $25,000 as an appropriate measure of Defendants' profits."[1760]

e. Adjustments of Awards of Damages and Accountings of Profits

Section 35 permits equitable augmentations—even to the point of trebling—of awards of monetary relief, and some state statutory causes of action either authorize or make mandatory the same remedy.[1761] Successful invocations of that mechanism are rare, but one prevailing plaintiff managed the feat over the past year after tagging its opponents with a finding that they falsely claimed that their nutritional supplements contained a folate identical to one sold by the plaintiff.[1762] The court reached its initial damages calculation by multiplying the defendants' sales by the plaintiff's profit margin. The court identified several reasons why it was appropriate to increase that initial figure, the first of which was that "[i]f the plaintiff were awarded only its lost royalties, it would be no different from effectively forcing [the plaintiff] to license its product to [the defendants], which [the plaintiff] affirmatively declined to do."[1763] Another was that "[the defendants'] staggering volume of [unlawfully promoted] sales—resulting in $50.2 million of profit—suggests that a similar volume of sales of . . . higher priced products [such as those sold by one of the plaintiff's downstream customers] would have resulted in even greater royalties for [the plaintiff] than are captured in the damages calculation."[1764] Finally:

> [The lead defendant's] very presence as a competitor in the . . . market, as well as [the plaintiff's] concomitant loss of likely market growth and customers, are not accounted for in [the plaintiff's] lost profits calculation. That is, [the lead defendant's] infringement enabled the company to gain a foothold in the lucrative nutritional supplement market, an opportunity whose profits funded [the defendants']

1760. *Id.* at 1084.

1761. *See, e.g.*, Djarum v. Dhanraj Imps., Inc., 876 F. Supp. 2d 664, 671 (W.D.N.C. 2012) (exercising discretion, in context of default judgment, to treble accounting of defendants' profits under Section 35 and noting in dictum mandatory trebling mechanism under North Carolina law).

1762. *See* Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404 (S.D.N.Y. 2013).

1763. *Id.* at 430.

1764. *Id.*

> development of a cost-effective folate supplement that, if properly labeled, may compete with . . . goods [made from the plaintiff's folate component]. Thus, [the lead defendant's] rise as a legitimate competitor today was premised on the production and false advertising of a willfully infringing product prior to this action.
>
> Because the intangible benefits that accrued to [the lead defendant] as a result of its Lanham Act violations are thus not fully reflected in a calculation of [the plaintiff's] damages, the Court will treble the lost profits damages award.[1765]

In contrast, another opinion reflected the general judicial reluctance to pull the trigger on augmented awards of monetary relief under Section 35.[1766] The plaintiff's case generally had gone well, and, indeed, it had demonstrated on a motion for summary judgment that the defendant had trafficked in cigarettes bearing counterfeit imitations of the plaintiff's registered mark for the same goods. Despite this success, though, its request for a trebled accounting of the defendant's profits went up in smoke with the failure of its attempted showing that the defendant had willfully engaged in sales of the challenged cigarettes. The plaintiff previously had advised the defendant of the presence in the marketplace of unauthorized goods bearing its marks, but this did not satisfy the court, at least as far as the plaintiff's motion for summary judgment was concerned:

> It is a true statement that [the plaintiff] warned the defendant about the existence of counterfeit products in the marketplace generally. However, this puts the defendant in no different a position than if it had not received this warning. Counterfeiting is illegal and prevalent. Therefore, assuming the defendant had not been warned by [the plaintiff] and then asserted ignorance of counterfeit cigarettes in the nationwide cigarette market, this Court would simply have imputed constructive notice to the defendant.
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> . . . .
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> This analysis would change if [the plaintiff] had detected increased counterfeiting in the areas surrounding the [defendant's business], and alerted the defendant to this activity. [The plaintiff], however, insists that it only alerted the defendant to counterfeiting in the marketplace generally.[1767]

1765. *Id.* at 430-31 (citation omitted) (internal quotation marks omitted).

1766. *See* Lorillard Tobacco Co. v. Ahmad's Pizza, Inc., 866 F. Supp. 2d 872 (N.D. Ohio 2012).

1767. *Id.* at 880 & n.2 (footnote omitted).

f. Attorneys' Fees

Awards of attorneys' fees to prevailing parties in trademark and unfair competition litigation[1768] are left to the discretion of trial courts,[1769] and there are a number of mechanisms authorizing the exercise of that discretion in addition to agreements between the parties.[1770] 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 to reimburse the expenses of frivolous appeals.[1771] 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.[1772] Similarly, courts may impose awards of fees in the form of sanctions under Rule 11 of the Federal Rules of Civil Procedure,[1773] or, in the case of discovery violations, under Rule 37(a)(5)(C).[1774] Federal courts likewise have the inherent power to award fees if bad-faith litigation practices by the parties justify them.[1775] 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,"[1776] 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.[1777]

1768. Nonprevailing parties are in a uniquely poor position to seek recovery of their fees. *See, e.g.*, 1-800 Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229, 1256 (10th Cir. 2013) ("We deny [the plaintiff's] request for attorney fees in responding to what it incorrectly describes as [the defendants'] frivolous appeal on this issue.").

1769. *See* Coleman & Coleman Enters. v. Waller Funeral Home, 106 So. 3d 309, 318 (Miss. 2013) ("An award of attorneys' fees is reviewed by this Court for an abuse of discretion.").

1770. For an example of an opinion addressing the issue of the proper quantum of an award of fees in the context of an indemnification agreement, see *Fendi Adele S.R.L. v. Burlington Coat Factory Warehouse Corp.*, 867 F. Supp. 2d 427 (S.D.N.Y. 2012).

1771. Fed. R. App. P. 38.

1772. 28 U.S.C. § 1927 (2012).

1773. Fed. R. Civ. P. 11.

1774. *See* R.F.M.A.S., Inc. v. So, 271 F.R.D. 13, 52-53 (S.D.N.Y. 2010).

1775. *See, e.g.*, San Juan Prods., Inc. v. San Juan Pools, Inc., 849 F.2d 468, 476 (10th Cir. 1988).

1776. 15 U.S.C. § 1117(a) (2012).

1777. *Id.* § 1117(b).

i. Eligibility of Prevailing Parties for Awards of Attorneys' Fees

(A) Awards in Favor of Prevailing Plaintiffs

The rule that a prevailing plaintiff seeking an award of fees must have actually prevailed proved no obstacle to a pair of plaintiffs who lost three of their five causes of action at the summary judgment stage of the case before prevailing in a jury trial on their remaining two claims, one of which was brought under the Lanham Act.[1778] The defendants argued that this mixed outcome precluded reimbursement of the plaintiffs' fees, but the court disagreed. It held that "[a] party prevails for purposes of an attorneys' fee award if the party has 'achieved a material alteration in the legal relationship of the parties that is judicially sanctioned.'"[1779] In an application of this standard, it concluded that:

> Plaintiffs are prevailing parties in this action. Plaintiffs sought both damages and permanent injunctive relief in their Complaint. The jury verdict in Plaintiffs' favor on one of their Lanham Act claims. The Court agreed with and adopted the jury's findings, made additional findings regarding the propriety of injunctive relief on the Lanham Act claim, and entered a permanent injunction against all Defendants. The Court also awarded to Plaintiffs each Defendant's net profits based on Plaintiffs' Lanham Act claim, and monetary judgments were entered against Defendants as a result. Plaintiffs therefore have obtained judicially sanctioned material alterations in their legal relationships with all Defendants, through both monetary judgments and permanent injunctive relief. The fact that Plaintiffs prevailed on only two of their five claims, and on only one of their Lanham Act claims, may affect the amount of any attorneys' fee award, but it does not deprive Plaintiffs of prevailing party status.[1780]

In cases in which the identity of the prevailing party was not at issue, one approach taken by courts awarding fees to prevailing plaintiffs was to focus on the egregiousness of their opponents' prelitigation misconduct. As the Supreme Court of Mississippi explained in affirming an award of fees under Section 35 arising from the defendant's false advertising:

1778. *See* Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc., 915 F. Supp. 2d 1179 (D. Nev. 2013).

1779. *Id.* at 1183-84 (quoting Klamath Siskiyou Wildlands Ctr. v. United States Bureau of Land Mgmt., 589 F.3d 1027, 1030 (9th Cir. 2009)).

1780. *Id.* at 1184 (citations omitted).

> The prevailing party bears the burden of demonstrating the exceptional nature of the case by clear and convincing evidence. An exceptional case is one where the violative acts can be characterized as malicious, fraudulent, deliberate, or willful. The necessary showing demands a high degree of culpability on the part of the infringer, for example bad faith or fraud.[1781]

The Sixth Circuit court took this approach in declining to disturb as an abuse of discretion the imposition of fees against a defendant operating a flea market at which goods bearing counterfeit copies of the plaintiff's marks were sold.[1782] One of the court's reasons was the defendant's failure to litigate the issue of contributory liability; another was a jury finding in a subsequent trial on the proper quantum of monetary relief that the defendant had acted willfully in failing to police his vendors. Citing evidence of the defendant's actual knowledge of the misconduct occurring on his premises, the court noted that, despite that knowledge:

> [The defendant] continued to facilitate the infringing activity by providing space and facilities at his flea market to infringing vendors. The district court was well within its discretion in finding that [the defendant's] intentional, deliberate, or willful ignorance of actual notice of infringing activity made out an "exceptional case," permitting [an] award of attorneys' fees to the prevailing party under the Lanham Act.[1783]

In another example of a case in which the nature of the defendant's pre-litigation infringement was the basis of an award of fees, the plaintiff operated a motorcycle club that extended licenses to use its marks to its active and retired members.[1784] The defendant was a retired member of the plaintiff's club, who had begun his own motorcycle club under a mark closely similar to the plaintiff's primary mark; he designed his mark, he testified, by using the plaintiff's mark as his "inspiration."[1785] According to the court, the defendant "admits he uses the plaintiff's marks in creating his own club, in derogation of the license and in bad faith. He has clearly created exceptional circumstances warranting an award of attorney's fees."[1786]

1781. Coleman & Coleman Enters. v. Waller Funeral Home, 106 So. 3d 309, 319 (Miss. 2013) (quoting Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co., 550 F.3d 465, 491 (5th Cir. 2008)).

1782. *See* Coach, Inc. v. Goodfellow, 717 F.3d 498 (6th Cir. 2013).

1783. *Id.* at 506.

1784. *See* Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506 (S.D. W. Va. 2012).

1785. *Id.* at 545.

1786. *Id.* at 551.

In contrast, some defendants found themselves tagged with fee awards based on their litigation-related conduct as well as the unlawfulness of the practices that resulted in them being sued in the first place. Thus, for example, one court relied on the full panoply of conduct by a group of defendants when finding an award of the plaintiffs' fees appropriate.[1787] That conduct included the defendants' sale of clothing bearing the name of the late reggae musician Bob Marley despite: (1) the defendants' knowledge that the plaintiffs held the license to use the name in connection with those goods; (2) the defendants' attempt to falsify some relevant documents while seeking the spoliation of others; and (3) the defendants' threat to flood the market with unauthorized goods and to use the proceeds to finance their defense of the litigation. The jury hearing the case found that the defendants' actions had been willful, and the court was not inclined to disagree; an award of fees followed.[1788]

A different group of defendants subjected to the same treatment falsely advertised that their nutritional supplements contained only a particular isomer of a particular compound when the isomer and a stereoisomer of it were present in equal amounts.[1789] Beyond that, the court found, "[the defendants'] defense—premised as it was on a post-hoc rationalization of [their] willfully infringing conduct—smacked of disdain for this court."[1790] Chief among the evidence driving the court's umbrage on this point was that the defendants' arguments at trial "directly conflicted with FDA guidance" and were inconsistent with both the defendants' advertising of other compounds and their internal communications concerning the one that was at issue. In the final analysis:

> The glaring conflicts between [the defendants' witnesses'] private exchanges and their public testimony convinces the Court that [the lead defendant's] labeling practices and litigation strategy were nothing short of deliberately misleading. In light of this conduct, the Court finds that this case is an "exceptional" one justifying the award of attorneys' fees.[1791]

A combination of intentional infringement and dubious conduct during litigation also proved to be the ticket to a successful fee petition by two prevailing plaintiffs following a

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1787. *See* Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc., 915 F. Supp. 2d 1179 (D. Nev. 2013).

1788. *Id.* at 1187.

1789. *See* Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404 (S.D.N.Y. 2013).

1790. *Id.* at 433.

1791. *Id.* at 433-34.

bench trial on their claims of infringement and likely dilution.[1792] According to the court, there were two prerequisites for a finding that the case was an "exceptional" one within the meaning of Section 35: (1) the defendants must have engaged in deliberate and willful infringement; and (2) the defendants must have acted in bad faith.[1793] The plaintiffs satisfied the first of these requirements by pointing out admissions against interest by the defendants that they were aware of the plaintiffs' rights and that the marks and trade dresses used by the parties were similar.[1794] They satisfied the second by relying on the defendants' untimely and inaccurate discovery responses, their destruction of goods in violation of a court order, and discrepancies and a lack of transparency in their trial testimony;[1795] as the court summarized its findings under the second prong of the analysis, "[t]he defendants' conduct at trial combined with their actions during discovery establishes their bad faith at all phases of litigation."[1796] That the plaintiffs were unable to demonstrate actual damage from the defendants' conduct did not affect the plaintiffs' entitlement to reimbursement of their fees.[1797]

Other courts were less receptive to fee requests by prevailing plaintiffs,[1798] and, indeed, even findings of willful misconduct did not necessarily result in the grant of plaintiffs' fee petitions.[1799] In one case proving this point, a jury found that two defendants had willfully engaged in unfair competition with the plaintiffs.[1800] Denying the plaintiffs' fee petition as to those defendants (but sustaining it as to others), the court concluded that the evidence of one defendant's culpability was relatively weak, as was the

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1792. *See* Lorillard Tobacco Co. v. Cal. Imps., LLC, 886 F. Supp. 2d 529 (E.D. Va. 2012).

1793. *Id.* at 538.

1794. *Id.* at 539.

1795. *Id.* at 540-41.

1796. *Id.* at 541.

1797. *Id.*

1798. *See, e.g.*, Coach, Inc. v. Horizon Trading USA Inc., 908 F. Supp. 2d 426, 437-38 (S.D.N.Y. 2012) (declining to award fees to prevailing plaintiffs on ground that $100,000 award of statutory damages against defendants found liable for trafficking in goods bearing counterfeit imitations of plaintiffs' marks "sufficiently advances the goals of deterrence and compensation in this case"); Lorillard Tobacco Co. v. Ahmad's Pizza, Inc., 866 F. Supp. 2d 872, 882 (N.D. Ohio 2012) (concluding, on plaintiff's motion for summary judgment, that factual disputes precluded a finding that the defendant's willfulness rendered action an exceptional one as a matter of law).

1799. *See, e.g.*, Coryn Grp. II, LLC v. O.C. Seacrets, Inc., 868 F. Supp. 2d 468, 499 (D. Md. 2012) (denying fee petition against counterclaim defendant found by jury to have willfully infringed on grounds that the counterclaim defendant had adopted its mark without an intent to infringe and that it had multiple bases for disputing counterclaim plaintiff's claims).

1800. *See* Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc., 915 F. Supp. 2d 1179 (D. Nev. 2013).

plaintiffs' showing of monetary damage arising from that defendant's actions. The other defendant in question escaped the obligation to reimburse the plaintiffs' fees based on the fact that the court had ordered that defendant to disgorge its profits and because of what the court deemed to be "some of the novel legal questions presented in this case."[1801]

(B) Awards in Favor of Prevailing Defendants

Prevailing defendants are not entitled to reimbursement of their fees merely because they did, in fact, prevail.[1802] Nevertheless, like losing defendants, losing plaintiffs can be tagged with awards of fees for litigation-related misconduct. The Eighth Circuit ratified this approach in a case appearing to cry out for it:

> "When a plaintiff's case is groundless, unreasonable, vexatious, or pursued, it is exceptional," and the district court is justified in awarding attorney fees to a defendant. . . .
>
> The district court determined that [the plaintiff's] claim of trademark infringement met this standard after seven days of testimony. The district court focused on the fact that [the plaintiff] went to great lengths to manufacture evidence in support of its claim, such as creating a false website developed with images from [the defendant's] website, contacting longtime . . . customers [of the defendant] to create confusion with those customers, and making misrepresentations at trial and in [its principal's] deposition testimony. In light of these findings, which [the plaintiff] does not contest, we cannot find an abuse of discretion in the award of attorneys' fees to [the defendant], as these actions demonstrate [the plaintiff's] claim of trademark infringement is groundless and unreasonable.[1803]

ii. Calculation of Attorneys' Fees

The issue of the appropriate quantum of fee awards produced both light and heat. Most courts confronted it by initially calculating a "lodestar" amount, a calculation that required the multiplication of the number of hours the prevailing party's counsel reasonably invested in the matter by reasonable hourly

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1801. *Id.* at 1186-87.

1802. *See, e.g.*, Balsley v. LFP, Inc., 691 F.3d 747, 774 (6th Cir. 2012) (affirming denial of defense fee petition under Ohio law based on district court's finding that plaintiffs had not known their claims were groundless).

1803. B & B Hardware, Inc. v. Hargis Indus., 716 F.3d 1020, 1027 (8th Cir. 2013) (quoting Scott Fetzer Co. v. Williamson, 101 F.3d 549, 555 (8th Cir. 1996)), *petition for cert. filed*, No. 13-352 (U.S. Sept. 18, 2013), *later proceedings*, 2014 WL 102375 (U.S. Jan. 13, 2014).

rates for that counsel.[1804] One court held that "the lodestar figure is presumptively reasonable"[1805] and, additionally, that:

> Application of the lodestar method in a trademark infringement case may properly result in an attorneys' fee award that is even larger than the award of the infringer's profits because "when a trademark in infringed, trademark owners have more at stake than just the damages or loss of profits in that case. Their failure to enforce their rights may result in the weakening of these rights over time."[1806]

Nevertheless, both that and other courts reaching an initial lodestar number then invoked additional factors to inform their final decision, of which the following were representative examples:

> (1) the time and labor involved, (2) the novelty and the difficulty of the questions involved, (3) the skill requisite to perform the legal service properly, (4) the preclusion of other employment by the attorney due to acceptance of the case, (5) the customary fee, (6) whether the fee is fixed or contingent, (7) time limitations imposed by the client or the circumstances, (8) the amount involved and the results obtained, (9) the experience, reputation, and ability of the attorneys, (10) the "undesirability" of the case, (11) the nature and length of the professional relationship with the client, and (12) awards in similar cases.[1807]

The dollar figures set out in some fee petitions passed muster.[1808] For example, one prevailing plaintiff came away with every cent for which it asked after the court determined that the defendants' misconduct had unnecessarily driven up the investment required to prosecute the action.[1809] That misconduct included: (1) the defendants' claim no longer to have relevant records, which forced the plaintiff to secure them from a third

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1804. *See, e.g.*, Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc., 915 F. Supp. 2d 1179, 1187 (D. Nev. 2013); Who Dat Yat Chat, LLC v. Who Dat, Inc., 838 F. Supp. 2d 516, 518-19 (E.D. La. 2012).

1805. Partners for Health & Home, L.P. v. Seung Wee Yang, 488 B.R. 431, 438 (Bankr. C.D. Cal. 2012) .

1806. *Id.* (quoting Tamko Roofing Prods., Inc. v. Ideal Roofing Co., 282 F.3d 23, 61 (1st Cir. 2002).

1807. Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc., 915 F. Supp. 2d 1179, 1188 (D. Nev. 2013) (quoting Kerr v. Screen Extras Guild, Inc., 526 F.2d 67, 70 (9th Cir. 1975)); *see also Partners for Health & Home*, 488 B.R. at 438 n.1 (identifying identical factors); *Who Dat Yat Chat*, 838 F. Supp. 2d at 518-19 n.1 (same).

1808. *See, e.g.*, Wecosign, Inc. v. IFG Holdings, Inc., 845 F. Supp. 2d 1072, 1086 (C.D. Cal. 2012) (entering default judgment granting entirety of fees requested by prevailing plaintiff); Coleman & Coleman Enters. v. Waller Funeral Home, 106 So. 3d 309, 318 (Miss. 2013) (declining to disturb trial court's acceptance of plaintiff's documentation of fees).

1809. *See Partners for Health & Home*, 488 B.R. at 439.

party; (2) the defendants' failure to comply with their discovery obligations; (3) the erroneous representation by the defendants' counsel to the plaintiff's counsel that the continued pursuit of the case violated an automatic bankruptcy stay; (4) the defendants' assertion of facts unsupported by the record in opposition to the plaintiff's motion for summary judgment; (5) the lead defendant's misleading discovery responses; and (6) the defendants' expansion of their infringing conduct to Korea, which forced the plaintiff to seek and obtain an extraterritorial preliminary injunction.[1810] The court's generosity went so far as to order the defendants to reimburse the plaintiff for certain out-of-pocket expenses incurred by its counsel that did not qualify as taxable costs.[1811]

In many cases, however, the concept of reasonableness incorporated into both prongs of this inquiry gave courts considerable latitude to adjust those figures. For example, one court chose not to sign off on the numbers recited in a fee petition arising from a successful motion to compel by the National Football League and several of the NFL's codefendants.[1812] Whether because they were discounted or because the plaintiff did not object to them, the court was unconcerned with the rates charged by the NFL's lawyers.[1813] Nevertheless, and although the NFL also discounted the hours of attorney time for which it sought reimbursement, the court balked at the involvement of six lawyers in the prosecution of what it considered to be a routine motion.[1814] It therefore held that "[r]ather than award the NFL Parties fees for six attorneys on one motion, the Court finds it reasonable to grant the NFL Parties fees for the work performed by their local counsel only, and thus, avoid compensating the NFL Parties for over-duplication of work."[1815] The ultimate fee award therefore was

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1810. *Id.*

1811. As the court explained, "[r]easonable out-of-pocket expenses normally charged to a client may be recoverable as attorney fees even if not taxable pursuant to 28 U.S.C. § 1920, so long as those expenses are customarily charged to the client." *Id.* at 440.

1812. *See Who Dat Yat Chat*, 838 F. Supp. 2d at 519-22.

1813. After discounts, those rates were $325 per hour for a lawyer with twenty-eight years of experience, $250 per hour for a lawyer with sixteen years of experience, $200 per hour for two lawyers with nine and ten years of experience, and $175 per hour for two lawyers with three years of experience each. *Id.* at 519-20.

1814. On this point, the court held that:

> The NFL Parties do not address why *six attorneys* were assigned to this one motion to compel. The Court finds that the NFL Parties' allocation of attorney resources was duplicative and amounted to an overuse of resources—especially considering the fact that the motion to compel was not overly complex. When a party chooses to have more than one attorney represent it in a lawsuit, as the NFL Parties have in this case, the opposing party is not required to pay for duplicative work performed by the attorneys.

Id. at 521.

1815. *Id.*

$7,162.50, rather than the $28,865 sought.[1816] The court did not, however, see fit to adjust this lodestar amount further.[1817]

Some courts addressed a final issue associated with the calculation of fees, which was that of apportionment. That issue arose in one case from the successful prosecution of two of five causes of action set forth in the plaintiffs' complaint.[1818] Of the two left standing by the time the case reached trial, the first was for false endorsement under the Lanham Act, while the other was for tortious interference under Nevada law; the other three had been dismissed as a matter of law. With respect to apportionment generally, the court observed that:

> [T]he Court does not completely agree with Plaintiffs that apportionment between the successful Lanham Act and the other claims is impossible. Plaintiffs' claims for relief involve a common core of facts, and thus much of Plaintiffs' counsels' time was undoubtedly devoted to the litigation as a whole. Discovery, in particular, is not amenable to apportionment of facts. However, the legal theories and various issues that arose with respect to the claims were quite distinct, as evidenced by the summary judgment briefing and the Court's Order on summary judgment. . . . [F]ollowing summary judgment and the Court's Oder [sic] . . . , only two claims remained for trial, only one of which was a Lanham Act case. Consequently, although an exact apportionment is impossible, the Court will apportion Plaintiffs' claims.[1819]

In undertaking the apportionment, the court declined to accept the defendants' suggestion that it simply divide the number of hours invested by plaintiffs' counsel by five and use the resulting figure as a benchmark. It explained that:

> Most of the fees related to discovery and much of the other work through summary judgment would have been incurred as part of counsels' pursuit of the overall litigation. Although the Court cannot put an exact percentage on it, based on the Court's familiarity with the issues in the case and the relative time and resources devoted to the various claims in filings and arguments before the Court, the Court will apportion sixty percent of the hours charged [through summary judgment] as reasonably expended on the case as a whole and the Lanham Act specifically.[1820]

1816. *Id.*

1817. *Id.* at 520-21.

1818. *See* Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc., 915 F. Supp. 2d 1179 (D. Nev. 2013).

1819. *Id.* at 1189.

1820. *Id.*

The court's analysis was similarly imprecise with respect to the two of the plaintiff's Lanham Act and Nevada claims that made it to trial, although it apportioned 70 percent of the plaintiffs' fees to the former on the ground that "the [federal] unfair competition claim predominated both in terms of evidence presented and arguments made regarding jury instructions and related issues."[1821]

The issue of apportionment similarly took center stage in a case brought to enforce an indemnification agreement between a retailer, which had been found liable for selling various goods bearing counterfeit marks, and one of its suppliers.[1822] Although the supplier was the source of only 5.73781 percent of the goods in question, the retailer argued that the supplier was responsible for 100 percent of the retailer's investment into the defense of the case. Comparing the value of all the goods at issue to those provided by the supplier, the court found that "[the retailer's] assertion that its defense against [the trademark owner's] . . . claims would have proceeded identically had the controversy involved goods worth only $119,857, rather than goods worth $2,088,898, to be neither plausible nor reasonable."[1823] The better approach, the court held, was that "absent a more convincing explanation of why [the supplier] should be required to shoulder 100% of the legal costs involved in this multi-year and highly complex litigation, attorneys' fees should be assessed proportionately."[1824] The supplier therefore was responsible for only 5.73781 percent of the fees and costs associated with the defense of the underlying action.[1825]

g. Taxation of Costs

The prevailing party in litigation under the Lanham Act is ordinarily entitled to taxation of its costs as a matter of right under Section 35. What constitutes a taxable cost is defined by federal statutory law,[1826] and, as a consequence, that issue rarely rears its head in reported opinions. Rather, courts routinely apply the statutory standard to hold that "[s]ervice of the summons and complaint, photocopying and document processing costs, postage, messenger, and delivery costs, travel costs, investigators,

1821. *Id.* at 1189-90.

1822. *See* Fendi Adele S.R.L. v. Burlington Coat Factory Warehouse Corp., 867 F. Supp. 2d 427 (S.D.N.Y. 2012).

1823. *Id.* at 435.

1824. *Id.*

1825. *Id.* at 436.

1826. *See* 28 U.S.C. § 1920 (2012).

deposition-related expenses, and telephone charges are recoverable costs."[1827]

Nevertheless, a dispute over the rights to sell a particular brand of wine in North Carolina led the Fourth Circuit to examine the extent to which the expenses associated with the discovery of electronically stored information (ESI) are taxable to the losing party.[1828] Although it ultimately prevailed on summary judgment, the defendant lost a motion to compel en route to its victory on the merits. The resulting order required the defendant to invest $111,047.75 in the production of a variety of ESI, and the defendant subsequently sought to recover that figure as part of its taxable costs. The district court refused to find that the defendant's request covered "fees for exemplification and the costs of making copies of any materials where the copies are necessarily obtained for use in the case,"[1829] and the Fourth Circuit affirmed. It might be true, the appellate court acknowledged, that the ordinary meaning of "making copies" was "expansive."[1830] Nevertheless, the defendant's use of electronic tools to identify, screen, and process its responsive documents was equivalent to undertaking those tasks manually at an earlier point in history. It was apparent to the court, however, that "[n]one of the steps that preceded the actual act of making copies in the pre-digital era would have been considered taxable"[1831] and that the extraction of text and metadata did not qualify as exemplification.[1832] As a consequence, it affirmed the district court's conclusions that "only the conversion of native files to TIFF and PDF formats, and the transfer of files onto CDs, constituted 'making copies' under [28 U.S.C.] § 1920(4), and that none of [the defendant's] expenses constituted '[f]ees for exemplification.'"[1833] As a consequence, the defendant's taxable costs were properly limited to $568.59.[1834]

1827. Partners for Health & Home, L.P. v. Seung Wee Yang, 488 B.R. 431, 440-41 (Bankr. C.D. Cal. 2012).

1828. *See* Country Vintner of N.C., LLC v. E. & J. Gallo Winery, Inc., 718 F.3d 249 (4th Cir. 2013).

1829. *See* 28 U.S.C. § 1920(4).

1830. *Country Vintner of N.C.*, 718 F.3d at 259.

1831. *Id.* at 260 (quoting Race Tires Am., Inc. v. Hoosier Tire Corp., 674 F.3d 158, 169 (3d Cir. 2012)).

1832. *Id.* at 261-62.

1833. *Id.* at 262 (second alteration in original) (quoting 28 U.S.C. 1920(4)).

1834. *See id.* at 254.

D. The Relationship Between Courts and the United States Patent and Trademark Office

1. Judicial Review of, and Deference to, United States Patent and Trademark Office Determinations

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 also may have an opportunity to defer to the USPTO if the parties are engaged in ongoing litigation before the Board, and one moves the court to stay its proceedings in favor of allowing the Board to take the first bite at the apple. Finally, litigants often encourage courts to defer to actions taken by examining attorneys in processing applications filed by one of the parties, or, less commonly, by a third party.[1835]

The leading example of an opinion addressing the first of these scenarios came from the Eighth Circuit.[1836] In the appeal producing it, the plaintiff had prevailed in an opposition to an application to register the defendant's mark and, not surprisingly, sought to take advantage of its initial victory in a subsequent infringement action. The district court, however, prevented the plaintiff from presenting evidence of the Board proceeding to the jury hearing the case, and the Eighth Circuit declined the plaintiff's invitation to overturn that determination:

> We agree with the district court's analysis and add that over the seven-day trial, the jury was presented with evidence regarding likelihood of confusion as it pertains to the [Eighth Circuit] factors under which the jury decided the claim of trademark infringement. Much of that factual evidence was also presented to the TTAB in the registration action, and thus the probative value of the TTAB's ultimate conclusion is minimal. Accordingly, we hold that the district court did not abuse its discretion in excluding the TTAB's decision from the evidence presented to the jury.[1837]

1835. *See*, *e.g.*, Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506, 536 (S.D. W. Va. 2012) (citing, without elaboration, deference properly paid to USPTO's issuance of registration to plaintiff).

1836. *See* B & B Hardware, Inc. v. Hargis Indus., 716 F.3d 1020 (8th Cir. 2013), *petition for cert. filed*, No. 13-352 (U.S. Sept. 18, 2013), *later proceedings*, 2014 WL 102375 (U.S. Jan. 13, 2014).

1837. *Id.* at 1027.

Several opinions addressed the third of the scenarios described above.[1838] In the most notable of them, the lead defendant owned a federal registration of its mark, which it acquired only after overcoming the USPTO's citation to the plaintiff's prior-registered mark.[1839] In response to the plaintiff's motion for summary judgment, the defendants argued that the withdrawal of the citation constituted "a potent administrative confirmation of [their] position."[1840] The court disagreed:

> Defendants offer no authority squarely on point; their passing reference to the principle that courts defer to agency interpretations of the statutes they enforce is inapposite, as there is no dispute of statutory interpretation here. Nor have defendants shown that the examining attorney reviewed all—or indeed, any—of the evidence offered now, which some courts find necessary before giving a PTO decision evidentiary value. Finally, they articulate no preclusion argument. Given defendants' failure to develop any reason why their registration has probative value [in the likelihood-of-confusion context], I do not consider it any further.[1841]

On the flip side of the issue, it was the counterclaim plaintiffs in a different action that sought to invoke favorably the determination by a USPTO examining attorney that the counterclaim defendants' mark was confusingly similar to their own.[1842] There were several reasons why the court declined to give the ex parte rejection of the counterclaim defendants' application significant weight. One was that "in the end, the Court is not bound by such an initial determination, and is obligated to ultimately render its own decision on the merits."[1843] A second was that "[t]he deference due to the USPTO's decision is limited because it was not a final decision of the USPTO, and that preliminary decision was made without the benefit of the discovery in this case . . . ."[1844] Finally, and of greatest consequence, the counterclaim plaintiffs had admitted in the course of discovery that confusion was unlikely between the parties' marks.[1845]

1838. *See, e.g.*, E. W., LLC v. Rahman, 896 F. Supp. 2d 488, 499 (E.D. Va. 2012) (finding plaintiff's mark suggestive as a matter of law based in part on defendants' successful registration of identical mark without showing of secondary meaning).

1839. *See* Goya Foods, Inc. v. Orion Distribs., Inc., 916 F. Supp. 2d 177 (D.P.R. 2012).

1840. *Quoted in id.* at 181-82.

1841. *Id.* at 182 (citations omitted).

1842. *See* Lebewohl v. Heart Attack Grill LLC, 890 F. Supp. 2d 278 (S.D.N.Y. 2012).

1843. *Id.* at 292 (quoting Real News Project Inc. v. Indep. World Television Inc., No. 06-cv-4322, 2008 WL 2229830, at *10 n.14 (S.D.N.Y. May 27, 2008)) (internal quotation marks omitted).

1844. *Id.*

1845. *Id.* at 292-93.

2. Judicial Authority Over Federal Registrations and Applications

Section 37 of the Act provides that "[i]n any action involving a registered mark the court may determine the right to registration, order the 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."[1846] As one court pointed out, however, Section 37 does not give federal courts carte blanche to alter or invalidate registrations as those courts see fit; rather, only those grounds expressly recognized by the Act can be invoked as causes of action brought under Section 37.[1847] The plaintiff learning this lesson had previously opposed an application filed by the defendant, but it had dismissed its opposition as part of a settlement agreement. Although the defendant later breached the agreement, the plaintiff learned of the breach only after the defendant's application matured into a registration and the registration passed its fifth anniversary of issuance. Seeking to revive its original challenge to the defendant's filing, the plaintiff pointed out that it had only dismissed that challenge based on the defendant's anticipated compliance with the parties' agreement. The court declined to accept the plaintiff's argument on this point on the ground that the Act's incontestability provisions barred the revival of the plaintiff's challenge, and it also rejected the plaintiff's theory that the defendant should be unable to invoke the incontestability of its registration because of a possible error in the state of incorporation recited in the defendant's original application. According to the court:

> Because the mark has become incontestable, Plaintiff may only seek to cancel the mark [sic] pursuant to [Section 33(b)]. Plaintiff, however, fails to plead any of [the] enumerated defenses to incontestability [recognized by that section]; an "inconsistency" in a filing with the USPTO . . . is not a recognized defense.[1848]

In reaching the proper conclusion on the merits, the court did so for the wrong reason. It is Section 14,[1849] and not Section 33(b), that defines the circumstances under which a registration can be cancelled after its fifth anniversary; moreover, the five-year statute of limitations implemented by the former statute comes

1846. 15 U.S.C. § 1119 (2012).

1847. See AFFCO N.Z., Ltd. v. Am. Fine Foods Corp., 913 F. Supp. 2d 1331(S.D. Fla. 2012).

1848. *Id.* at 1341.

1849. 15 U.S.C. § 1064 (2012).

into play automatically, whether or not the registrant has filed a declaration or affidavit of incontestability.[1850]

Applications of Section 37 by courts of general jurisdiction all too often are occasioned by allegations of the fraudulent procurement or maintenance of registrations,[1851] and such was the case in an appeal to the Eleventh Circuit that led to the reversal of a finding of fraud as clearly erroneous.[1852] That proceeding arose out of the rather byzantine relationship between a Catholic religious order and a non-Catholic religious order, which may or may not have had a common origin. The counterclaim defendant owned four registrations, each of which had matured from an application containing the required sworn averment that the counterclaim defendant enjoyed the exclusive right to use the applied-for mark. Based on contacts between the parties over the years, as well as Supreme Court authority on the subject of the active inducement of utility patent infringement,[1853] the district court found after a bench trial that those sworn averments were necessarily fraudulent because the counterclaim defendant and its signatory had been willfully blind to the counterclaim plaintiff's rights.[1854]

In reversing, the Eleventh Circuit held that:

> An applicant commits fraud when he knowingly makes false, material representations of fact in connection with an application for a registered mark. Fraud further requires a purpose or intent to deceive the PTO in the application for the mark. The party seeking cancellation on the basis of fraud must prove its claim by clear and convincing evidence. This is

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1850. *See generally* Imperial Tobacco Ltd. v. Philip Morris, Inc., 899 F.2d 1575, 1578 n.6 (Fed. Cir. 1990) ("[S]ection [14] is not dependent on the filing of a declaration under section 15 which provides incontestable rights of use . . . ."); W. Worldwide Enters. Grp. v. Qingdao Brewery, 17 U.S.P.Q.2d 1137, 1139 (T.T.A.B. 1990) ("[A] registration that is over five years old may be cancelled solely on the grounds set forth in Section 14[3], irrespective of whether or not the owner of the registration has filed an affidavit under Section 15.").

1851. State trademark acts often have similar mechanisms for the cancellation of registrations issued under those acts. *See, e.g.*, Aegis Food Testing Labs., Inc. v. Aegis Scis. Corp., 913 F. Supp. 2d 742, 747-48 (D.S.D. 2012) (holding on defense motion to dismiss that counterclaim plaintiff had adequately pleaded challenge to counterclaim defendant's Nebraska, Iowa, Illinois, South Dakota, and Texas registration based on alleged prior use of confusingly similar marks but also that counterclaim plaintiff challenge to the same registrations as fraudulently procured failed to plead fraud with particularity).

1852. *See* Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes & of Malta v. Fla. Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, the Ecumenical Order, 702 F.3d 1279 (11th Cir. 2012).

1853. *See* Global-Tech Appliances, Inc. v. SEB S.A., 131 S. Ct. 2060, 2068 (2011).

1854. *See* Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes & of Malta v. Fla. Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, the Ecumenical Order, 816 F. Supp. 2d 1290 (S.D. Fla. 2011), *aff'd in part, rev'd in part, and vacated in part*, 702 F.3d 1279 (11th Cir. 2012).

> necessarily a heavy burden, and any doubt must be resolved against the charging party.[1855]

Based on the district court's factual finding that the signatory on the counterclaim defendant's applications was personally unaware of the counterclaim plaintiff's use of its mark, the Eleventh Circuit concluded that "[t]his fact alone compels reversal of the fraud finding, as [the signatory] could not have intended to deceive the PTO in attesting to an oath that he believed was entirely accurate";[1856] moreover, even if the signatory had been aware of that use, "[i]f the declarant subjectively believes the applicant has a superior right to use the mark, there is no fraud."[1857] Finally, the district court's reliance on case law from the utility patent context was misplaced because that court had failed to "exercise caution before importing standards from one area of intellectual-property law into another"[1858] and because "[the counterclaim plaintiff] does not make an argument to otherwise justify the district court's use of this standard."[1859]

Different challengers prosecuting fraudulent procurement claims also faced uphill battles,[1860] including a group of defendants before a New York federal district court.[1861] There was no dispute that the plaintiff's principal was aware of the defendants' use of a closely similar mark at the time he signed an application to register the plaintiff's version of the mark; indeed, the parties had a long-standing business relationship both before and after the

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1855. *Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes & of Malta*, 702 F.3d at 1289 (citations omitted) (internal quotation marks omitted).

1856. *Id.* at 1291.

1857. *Id.* at 1292. On this issue, the court concluded from the trial record that:

> Here, the [counterclaim plaintiff] did not put forth any evidence to establish that [the signatory]—or [the counterclaim defendant], for that matter—knew or believed that [the counterclaim plaintiff] had a superior right to the marks at issue. Even assuming knowledge of [the counterclaim plaintiff] as of 1983, [the counterclaim defendant's] relevant service mark registrations provide that the marks were first used in commerce in 1926 and 1927. The bare knowledge that [the counterclaim plaintiff] existed as of 1983 does not undermine [the counterclaim defendant's] claim to be the senior user of those marks because, even knowing of [the counterclaim plaintiff's] existence, [the counterclaim defendant] could justifiably believe that its marks were superior based on their first use dating back to the 1920s. In any event, [the counterclaim plaintiff] failed to proffer any evidence that [the signatory] (or [the counterclaim defendant]) believed that [the counterclaim plaintiff] had a right to use [its] marks in commerce. This is fatal to its claim of fraud.

Id. (citations omitted) (footnote omitted).

1858. *Id.* at 1291.

1859. *Id.*

1860. *See, e.g.*, Lovely Skin Inc. v. Ishtar Skin Care Prods. LLC, 105 U.S.P.Q.2d 1427, 1433 (D. Neb. 2012) (referring to, but not identifying, factual disputes that precluded grant of defendant's motion for summary judgment on fraudulent procurement claim).

1861. *See* Haggar Int'l Corp. v. United Co. for Food Indus. Corp., 906 F. Supp. 2d 96 (E.D.N.Y. 2012).

applications were filed, under which the plaintiff distributed the defendants' products. That knowledge, however, was not enough to satisfy the court's test for fraud:

> For [the defendants] to show that [the plaintiff] committed fraud by asserting ownership of the [applied-for] mark[] . . . to the USPTO, [the defendants] must prove, by clear and convincing evidence, that [the plaintiff] deliberately and deceitfully misrepresented itself to be the owner of the mark[]. Thus, if [the plaintiff] had "at least 'color of title' to the mark," it did not commit fraud by asserting ownership.[1862]

Specifically, the court found after a bench trial that the scienter of the plaintiff's principal at the time he executed the applications in question was, at a minimum, in dispute. After reviewing a variety of doctrinal tests for allocating ownership rights between manufacturers and distributors, the court determined that six of those factors were relevant to the parties' relationship: (1) which party originated the mark and first applied it to the associated goods; (2) which party's name appeared with the mark; (3) which party maintained the quality and uniformity of the associated goods; (4) with which party the public identified the product and to whom purchasers made complaints; (5) which party paid for the advertising and promotion of the associated goods; and (6) which party possessed the goodwill associated with the mark.[1863] Of those factors of which there was record evidence,[1864] the third, the fourth, and the sixth favored the plaintiff, while the defendants failed to prove by the required clear and convincing evidence that the first and second factors favored them.[1865] The plaintiff's colorable claim of actual ownership therefore weighed against a finding of fraud, as did its signatory's lack of knowledge of trademark law and the defendants' failure to object when notified of the plaintiff's intent to register the mark.[1866]

The court was no more receptive to a second fraud-based challenge asserted by the defendants, which was that the plaintiff had misstated the date of first use of its mark in its application. As the court summarized the defendants' showing on this issue, "[i]t is undisputed that in its application, [the plaintiff] represented that it first used the [applied-for] mark in commerce on September 1, 1985, and the evidence suggests that the actual date of first use

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1862. *Id.* at 108 (quoting Yocum v. Covington, 216 U.S.P.Q. 210, 216-17 (T.T.A.B. 1982)).

1863. *Id.* at 112.

1864. The trial record did not contain evidence or testimony on the fifth factor, namely, which party had paid to advertise or promote the sale of goods bearing the mark. *Id.* at 125.

1865. *Id.* at 113-25.

1866. *Id.* at 126.

was later, in 1986."[1867] Nevertheless, that showing fell short for two reasons, the first of which was that the plaintiff's counsel, and not the plaintiff's signatory, had inserted the incorrect date,[1868] which precluded a finding that the signatory had "knowingly stated a false date of first use with [an] intent to deceive."[1869] The second reason was that the incorrect date had not been material to the USPTO's decision to issue the registration: "The distinction between 1985 and 1986 only becomes relevant and material if the USPTO had to determine which of two companies had the superior claim because of first use in the United States."[1870]

Finally, the court also rejected the defendants' claim that the plaintiff had fraudulently procured its registration by submitting specimens that did not refer to the lead defendant. This line of attack originated in the plaintiff's filing of specimens that *did* have such a reference in support of an earlier application to register the same mark; that application lapsed after the plaintiff failed to respond to the USPTO's request for confirmation that the plaintiff actually owned the mark. Notwithstanding the history of the earlier application, the court was unimpressed with the defendants' argument that the plaintiff necessarily intended the second set of specimens to deceive the office into issuing the plaintiff a registration. As it pointed out, the parties' business relationship had ended the month before the plaintiff filed its second application, which meant that "it would have been improper for [the plaintiff] to submit bags that included [the lead defendant's] name when it applied for registration of the mark [the second time]."[1871] Under these circumstances, "the defendants have failed to prove by 'clear and convincing' evidence that the omission of [the lead defendant's] name from the specimen bags submitted in support of [the plaintiff's second] application was knowingly fraudulent."[1872]

Another popular basis for fraud-based attacks on the validity of registrations is the theory that a mark was not in use in connection with all the goods and services recited in an application to register it. As one defendant with a counterclaim for cancellation learned the hard way, however, a failure to demonstrate the inaccuracy of the averment of use will render an inquiry into scienter irrelevant.[1873] While filing a post-registration

1867. *Id.* (citations omitted).

1868. *Id.* at 127.

1869. *Id.* at 128.

1870. *Id.* at 127.

1871. *Id.* at 129.

1872. *Id.*

1873. *See* Pure Fishing, Inc. v. Redwing Tackle, Ltd., 888 F. Supp. 2d 726 (D.S.C. 2012).

declaration of ongoing use under Section 8 of the Act,[1874] the plaintiff registrant deleted a number of items from the registration's identification of goods. To the defendant, the amendment was a smoking gun that established the inaccuracy of a statement of use filed by the registrant during the application process that included each of the deleted goods. Adopting wholesale the test for fraud articulated by the Federal Circuit in *In re Bose Corp.*,[1875] the court accorded the amendment no such significance. Instead, it credited declaration testimony from the plaintiff's officers that the mark had, in fact, been used in connection with each of the goods in the statement of use. Because the record demonstrated an absence of falsity in the first instance, the court declined to entertain the defendant's theory that the plaintiff's trademark counsel had acted with an intent to deceive the USPTO when she filed the statement of use; rather, "the lack of evidence to show that the mark was not in use undermines [the defendant's] claim that the [statement of use] was filed with a reckless disregard for the truth."[1876]

As always, some claims of fraudulent procurement bore fruit. One such claim came in a case in which the parties claimed the rights to the same mark for the same goods.[1877] Although the defendants had sold the mark to the plaintiff in 2003, the lead defendant later filed an application to register the mark containing the required averment that, to the best of his knowledge, no other party enjoyed the right to use the mark in commerce. The plaintiff neglected to oppose the application, but it later sought the cancellation of the resulting registration in a district court action in which both it and the defendants moved for summary judgment on the merits of the plaintiff's fraudulent procurement claim. The test applied by the court began in promising fashion for the defendants, with the court noting that, "[i]n order to prevail, Plaintiff must prove by clear and convincing evidence that Defendants "'knowingly ma[de] false, material representations of fact' and intended to deceive the Patent and Trademark Office";[1878] what's more, "[t]he oath is phrased in terms of a subjective belief, such that it is difficult [. . .] to prove [. . .] fraud so long as the

1874. 15 U.S.C. § 1058 (2012).

1875. 580 F.3d 1240, 1245 (Fed. Cir. 2009) ("[A] trademark [registration] is obtained fraudulently under the Lanham Act only if the applicant or registrant knowingly makes a false, material representation with the intent to deceive the PTO").

1876. *Pure Fishing*, 888 F. Supp. 2d at 736.

1877. *See* E. W., LLC v. Rahman, 896 F. Supp. 2d 488 (E.D. Va. 2012).

1878. *Id.* at 507 (alteration in original) (quoting Resorts of Pinehurst, Inc. v. Pinehurst Nat'l Corp., 148 F.3d 417, 420 (4th Cir. 1998) (quoting Metro Traffic Control, Inc. v. Shadow Network Inc., 104 F.3d 336, 340 (Fed. Cir. 1997))).

affiant or declarant has an honestly held, good faith belief."[1879] Nevertheless, the court's opinion then took a different tact: "It is . . . well established that an applicant for a registration of a trademark has a duty of candor in his communications with the PTO. Consequently, there is no presumption of validity attached to a PTO registration where pertinent information is not presented to the PTO."[1880]

Whether the court's ultimate finding of fraud as a matter of law was driven by this standard is an open question. On the one hand, the summary judgment record was sufficiently replete with undisputed evidence of a long-standing business relationship between the parties and the lead defendant's awareness of the plaintiff's use of the mark "well before [the lead defendant] filed his application [for a] trademark registration"[1881] that such a finding could have resulted under *any* test for fraudulent procurement. On the other hand, however, the lead defendant's testimony that he believed the earlier transaction merely authorized the plaintiff to use the mark under license (as opposed to an outright assignment of the mark from the defendants to the plaintiff) ordinarily would have created a dispute of material fact on the issue. The court's dismissal of that testimony suggests that the putative duty of candor it had recognized was indeed responsible for the outcome:

> Even viewing the evidence in a manner most favorable to the Defendants, *i.e.*, that [the lead defendant] truly believed this licensing arrangement to be the case when he submitted the application, [his] statement that no other person had the right to use the mark in commerce would still constitute a false and misleading statement.[1882]

Finally, one case arising in the Southern District of West Virginia presented a rare example of a party invoking Section

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1879. *Id.* at 507 (alteration in original) (quoting *Resorts of Pinehurst Nat'l Corp.*, 148 F.3d at 420 (quoting 5 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 31:76, at 31-116 to 31-117 (4th ed. 1998)).

1880. *Id.* at 508 (citations omitted).

1881. *Id.* at 509.

1882. *Id.*

Here, of course, the court erred. Assuming the transaction between the parties was indeed a license and not an assignment of the mark from the defendants to the plaintiff, any use of the mark by the plaintiff would have inured to the benefit of the defendants under Section 5 of the Lanham Act, 15 U.S.C. § 1055 (2012). Under those circumstances, the plaintiff's use of the mark would not in any way have been inconsistent with the lead defendant's averment of an exclusive right to use the applied-for mark; instead, as far as the relationship between the plaintiff and the defendants is concerned, that averment would have been entirely correct: "The USPTO accepts applications by parties who claim to be owners of marks through use by controlled licensees, pursuant to a contract or agreement." TMEP § 1201.03(f) (2013); *accord* Pneutek, Inc. v. Scherr, 211 U.S.P.Q. 824, 833 (T.T.A.B. 1981).

2(b)'s prohibition on the registration of depictions of the American flag in an infringement and unfair competition action.[1883] The challenged registration, which was owned by the plaintiff, covered a composite mark comprising, among other elements, a stylized bald eagle gripping a stylized American flag and a battle axe. Seeking to invalidate the registration, the defendant argued that it had been issued in violation of Section 2(b), but the court found that the registered mark was a bit too stylized to fall within the statute's scope. Specifically, it found, "a mark that contains an American flag is not automatically in violation of that provision,"[1884] and, in fact, "[t]he American flag contained in the plaintiff's registered mark has significant features that are missing or changed: it has a square shape, there are no stars, and there are less then thirteen stripes."[1885] Because the registration of such a modified flag satisfied the USPTO's internal regulations on the issue,[1886] and because "[t]he USPTO's determination is also entitled to some degree of deference," the registration had not been issued improperly.[1887]

E. Constitutional Matters

1. Article III Cases and Controversies

Both Article III of the U.S. Constitution and the federal Declaratory Judgment Act require federal courts acting under their authority to find the existence of an "actual controversy" before proceeding.[1888] According to the Supreme Court in *MedImmune, Inc. v. Genentech, Inc.*,[1889] whether a particular dispute rises to this level properly should turn on "whether the facts alleged, under all the circumstances, show that there is a substantial controversy . . . of sufficient immediacy and reality."[1890] As usual, applications of this standard produced varying results.

1883. *See* Bros. of the Wheel M.C. Exec. Council, Inc. v. Mollohan, 909 F. Supp. 2d 506 (S.D. W. Va. 2012).

1884. *Id.* at 535.

1885. *Id.* at 536.

1886. *See* TMEP § 1204.01(b), at 1200-152 to 1200-153 (8th ed. 2001).

1887. *Bros. of the Wheel*, 909 F. Supp. 2d at 356.

1888. U.S. Const. art. III, § 2, cl. 1; 28 U.S.C. § 2201 (2012).

1889. 549 U.S. 118 (2007).

1890. *Id.* at 127 (alteration in original) (quoting Md. Cas. Co. v. Pac. Coal & Oil Co., 312 U.S. 270, 273 (1941)) (internal quotation marks omitted).

a. Opinions Reaching or Affirming Findings of Actionable Cases and Controversies

Ongoing infringement litigation between two parties will usually result in an actionable case and controversy, and that was the finding after a plaintiff brought a declaratory judgment action for noninfringement and then sought the dismissal of the plaintiff's counterclaim for cancellation of a number of state registrations owned by the plaintiff.[1891] The gravamen of the plaintiff's motion to dismiss was that its complaint had not put the registrations into play, but that argument failed to convince the court. The court pointed out that the plaintiff itself had asserted the existence of an Article III case and controversy under federal law and that the defendant had interposed an infringement claim under both federal and state law in response. From these competing claims, the court concluded that "[b]oth parties are asking the court to declare their rights and responsibilities as to their marks and to the other party."[1892] As a consequence, their claims "provide subject matter jurisdiction and establish a case or controversy."[1893]

A different federal district court entertaining a declaratory judgment action for noninfringement found an actionable case and controversy based on a series of contacts between the parties that included threats of civil and criminal proceedings by representatives of the defendants.[1894] The first was delivered telephonically after the plaintiffs disseminated a flyer promoting their sale of goods bearing marks claimed by one of the defendants and was accompanied by the suggestion that the plaintiffs take a license from the defendants. Another followed in writing when the negotiations for such a license failed, leading the plaintiffs to discontinue the flyer. When the plaintiffs thereafter sought declaratory relief on the theory that the marks in question had been abandoned, the court declined to dismiss the action, at least where the branded goods listed in the flyer were concerned. According to its reading of the complaint and an affidavit submitted by the plaintiffs' principal:

> Plaintiffs clearly had the intention and ability to sell and market those particular items, as reflected in the flyers themselves, which contain a picture of the item and provide a price and contact information to make a purchase. Indeed, [the] affidavit reflects that [the lead plaintiff] had been

1891. *See* Aegis Food Testing Labs. v. Aegis Scis. Corp., 913 F. Supp. 2d 742 (D.S.D. 2012).

1892. *Id.* at 745.

1893. *Id.* at 746.

1894. *See* Bill's Birds, Inc. v. Trademarketing Res. Inc., 920 F. Supp. 2d 357 (E.D.N.Y. 2013).

> marketing them for some time, and that [it] stopped all sales once he received the call from [one of the defendants].[1895]

That was not the only example of an aggressively worded demand letter creating federal-subject jurisdiction under the Declaratory Judgment Act. Specifically, a missive from one soon-to-be-named-as-a-defendant correspondent "threatened to 'hold [the plaintiff] responsible and liable for its tortious and unlawful conduct' if [the plaintiff] did not comply [with] [the lead defendant's] demands by December 9, 2011."[1896] The letter in question additionally "accused [the plaintiff] of false advertising, listed specific statements and addressed in detail why those statements were false and misleading."[1897] 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."[1898]

Another finding that a case and controversy existed arose from a prior undertaking between the parties that obligated the defendant to amend a registration it owned in the Saudi Arabian trademark office.[1899] The plaintiff discovered that the defendant had violated that provision of the agreement when its own application was rejected in Saudi Arabia because of the defendant's still-intact registration. When the plaintiff filed suit to enforce the earlier undertaking, the defendant improbably moved to dismiss the action on the ground that the plaintiff was merely complaining about an administrative action by a foreign government. The court was unswayed, holding instead that "Plaintiff does not seek a declaration . . . that Saudi Arabian officials erred when they denied Plaintiff's trademark application. [Plaintiff's complaint] prays for an interpretation of the [past] Undertaking and [a] declaration that Defendant 'is forever barred from challenging or hindering [Plaintiff's rights] in the Middle East.'"[1900] The defendant's motion therefore was without merit: "Because Defendant continues to use its mark in Saudi Arabia, in contravention of the Undertaking, the controversy is definite and concrete."[1901]

1895. *Id.* at 363.

1896. Transfresh Corp. v. Ganzerla & Assoc., 862 F. Supp. 2d 1009, 1021 (N.D. Cal. 2012).

1897. *Id.*

1898. *Id.*

1899. *See* AFFCO New Zealand, Ltd. v. Am. Fine Foods Corp., 913 F. Supp. 2d 1331 (S.D. Fla. 2012).

1900. *Id.* at 1339.

1901. *Id.*

Finally, a potential plaintiff that sends a draft complaint to a competitor accompanied by a demand letter that itself was preceded by at least two others should not be surprised if the competitor successfully establishes the existence of an actionable case and controversy in a responsive declaratory judgment action.[1902] As a court addressing just such a scenario explained, "[t]he nature of Defendants' allegations clearly invokes the Lanham Act, and the significance of the federal law issue to the case weighs in favor of the court exercising its discretion to decide this declaratory judgment action."[1903] In particular, it held, "Plaintiff was entitled to bring this declaratory judgment action in federal court rather than wait to see if Defendants ever made good on their threats to sue."[1904]

b. Opinions Reaching or Affirming Findings of No Actionable Cases and Controversies

Although ongoing litigation between parties can increase the chances of a declaratory judgment plaintiff successfully establishing the existence of an actionable case and controversy, that rule can carry reduced force where opposition proceedings are concerned. In one case demonstrating this point, the defendant had opposed six of the plaintiff's applications, in the process asserting that "persons in the relevant channel of trade and the public viewing [the plaintiff's] mark . . . will mistakenly assume that [the plaintiff's] Goods and Services are associated, endorsed by, affiliated with, or in some other way related to or sponsored by [the defendant], to the detriment of [the defendant]."[1905] When counsel for the defendant indicated in the course of settlement negotiations that her client's concerns could not be addressed by the abandonment of the plaintiff's applications, the plaintiff sought declaratory relief on the ground that the combination of that comment and the pendency of the oppositions called into question the plaintiff's right to use its marks. The court took a different view of defense counsel's remarks, considering them to be an "isolated and rather general comment that defendant objected to plaintiff's use of its mark"; because, whether considered by itself or in conjunction with the oppositions, that comment did not create a substantial controversy of sufficient immediacy and reality to warrant the issuance of declaratory relief, the plaintiff's complaint was dismissed.[1906]

1902. *See* Am. Univ. Sys., Inc. v. Am. Univ., 858 F. Supp. 2d 705 (N.D. Tex. 2012).

1903. *Id.* at 712.

1904. *Id.*

1905. *Quoted in* 1-800-Flowers.com Inc. v. Edible Arrangements LLC, 905 F. Supp. 2d 451 (E.D.N.Y. 2012).

1906. *Id.* at 458.

A different opinion made the point that, even if a case and controversy existed as to some marks in which the defendants in the action claimed protectable rights, that circumstance did not in and of itself allow the plaintiffs to sweep other marks claimed by the defendants into the case.[1907] The complaint driving that result identified a number of marks originally belonging to the defendants but which the plaintiffs averred had been abandoned. In granting the defendants' motion to dismiss, the court found the plaintiffs' amended complaint fatally deficient as to those marks because "Plaintiffs' intention to market and sell items [bearing those marks] is very attenuated, and . . . the amended complaint reflects a mere desire to one day do so, as opposed to a definite intent or ability to take immediate action, and thus an actual controversy is not yet ripe."[1908]

2. The First Amendment

Over the past two decades, defendants' claims to be engaged in free speech protected by the First Amendment to the United States Constitution[1909] have led numerous courts to apply the test first articulated by the Second Circuit in *Rogers v. Grimaldi*.[1910] Under the holding of that opinion, the title of an artistic work is protected expression unless the plaintiff can prove one of two circumstances: (1) the title has no artistic relevance to the underlying work whatsoever; or, (2) if the title has some artistic relevance, it explicitly misleads as to the source or the content of the work.[1911] *Rogers* has become sufficiently well accepted that its relevance in challenges to titles is no longer seriously disputed. Rather, the question in recent years is increasingly whether *Rogers* applies with equal force to artistic *content*.

The most high-profile opinion to answer this question affirmatively came in a case in which the plaintiff did not place the issue into dispute.[1912] That plaintiff was the owner of the LOUIS VUITTON mark for handbags, and it objected to dialogue in the motion picture *The Hangover: Part II* describing an alleged knock-off of one of its bags as a "Lewis Vuitton." Granting a defense motion to dismiss, the court had little difficulty determining that the first prong of *Rogers* was satisfied:

1907. *See* Bill's Birds, Inc. v. Trademarketing Res. Inc., 920 F. Supp. 2d 357 (E.D.N.Y. 2013).

1908. *Id.* at 363.

1909. U.S. Const. amend. I.

1910. 875 F.2d 994 (2d Cir. 1989).

1911. *Id.* at 999.

1912. *See* Louis Vuitton Mallatier S.A. v. Warner Bros. Entm't Inc., 868 F. Supp. 2d 172 (S.D.N.Y. 2012).

> [The character] Alan's terse remark . . . to "[be] [c]areful" because his bag "is a Lewis Vuitton" comes across as snobbish only because the public signifies Louis Vuitton—to which the [non-Vuitton] bag looks confusingly similar—with luxury and a high society lifestyle. His remark also comes across as funny because he mispronounces the French "Louis" like the English "Lewis," and ironic because he cannot correctly pronounce the brand name of one of his expensive possessions, adding to the image of Alan as a socially inept and comically misinformed character.[1913]

In contrast, an application of the second *Rogers* factor proved more problematic. According to the plaintiff, the proper focus of that factor was whether the "Lewis Vuitton" reference was explicitly misleading as to the source or content of the non-Louis Vuitton bag shown onscreen; in contrast, the defendant argued that the perceived source or content of the overall film was what was at stake. The court resolved the question in the defendant's favor. Surveying the legal landscape, it concluded that "*Rogers* and the cases adopting its holding have consistently framed the applicable standard in terms of confusion as to the defendant's artistic work."[1914] It then elaborated on this point:

> It is not a coincidence that courts frame the confusion in relation to the defendant's artistic work, and not to someone else's. This narrow construction of the Lanham Act accommodates the public's interest in free expression by restricting its application to those situations that present the greatest risk of consumer confusion: namely, when trademarks are used to dupe consumers into buying a product they mistakenly believe is sponsored by the trademark owner. When this concern is present it will generally outweigh the public's interest in free expression. However, if a trademark is not used, in any direct sense, to designate the source or sponsorship of the defendant's work, then the consumer interest in avoiding deception is too slight to warrant application of the Lanham Act.[1915]

Because the plaintiff failed to allege that the defendant's use was explicitly misleading in the sense deemed necessary by the court, the plaintiff's complaint was fatally defective as a matter of law; moreover, even if it was not, the defendant still would be entitled to judgment as a matter of law on the ground that "when First Amendment values are involved, courts should narrowly construe

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1913. *Id.* at 178 (third and fourth alterations in original) (citation omitted).

1914. *Id.* at 179.

1915. *Id.* at 180 (alteration omitted) (citations omitted) (internal quotation marks omitted).

the Lanham Act and 'weigh the public interest in free expression against the public interest in avoiding customer confusion.'"[1916]

Rogers proved to be an equally effective get-out-of-jail-free card in a second case against the same defendant, this one arising out of the Batman film *The Dark Knight Rises*.[1917] The plaintiff owned a federal registration of the CLEAN SLATE mark for a software product, which, as described by the court, "protects the security of computer networks by erasing all evidence of user activity so that subsequent users see no evidence of a previous user's activity, meaning that each new user starts his or her computer activity with a 'clean slate.'"[1918] That mark, the plaintiff alleged, was infringed by four references in the film to a fictional software product known by the same name under development by the equally fictional Rykin Data Corporation; online promotional materials for the film recited that "'Clean Slate' is the informal name for Rykin Data's primary service, in which the corporation will amass personal histories (specifically off the Internet) and destroy it [sic] permanently."[1919]

The plaintiff claimed to be a victim of reverse confusion, but the court was so skeptical that it granted a defense motion to dismiss for failure to state a claim. The court held that the first prong of the *Rogers* analysis was satisfied by the plaintiff's own allegation that "[p]art of the plot of The Dark Knight Rises involves Batman's promise to another character, Selina Kyle, to procure a software program called CLEAN SLATE that will erase a person's criminal history from every computer database in the world."[1920] It then held that the defendant was entitled to prevail under the second prong of *Rogers* as well, because "the fact that it has to be *explicitly* misleading makes this a high bar"[1921] and because "[t]here is no affirmative statement here that would indicate that [the plaintiff] sponsored or endorsed the use of 'clean slate' in *The Dark Knight Rises*."[1922] With the court additionally rejecting the argument that *Rogers* had no applicability to allegations of reverse confusion, the plaintiff's complaint was fatally defective.[1923]

1916. *Id.* at 181 (quoting Cliff's Notes, Inc. v. Bantam Doubleday Dell Publ'g Grp., 886 F.2d 490, 494 (2d Cir. 1989)).

1917. *See* Fortres Grand Corp. v. Warner Bros. Entm't, Inc., 947 F. Supp. 2d 922 (N.D. Ind. 2013).

1918. *Id.* at 924.

1919. *Quoted in id.* at 925.

1920. *Quoted in id.* at 932.

1921. *Id.*

1922. *Id.*

1923. *Id.* at 932-33.

Invocations of the *Rogers* test in the context in which it was originally articulated, namely, challenges to the titles of creative works, also proved successful. For example, the developer and the distributor of a video game sold under the name *Sins of a Solar Empire: Rebellion* successfully moved for the dismissal of a complaint filed against them by the owners of the federally registered REBELLION mark for videogames and related goods and services.[1924] As a threshold matter, the court rejected the plaintiffs' arguments that the defendants were ineligible for the protection of *Rogers* because they used the challenged phrase as a trademark as well as a title and because the phrase was not a direct reference to the plaintiffs.[1925] Turning to the first of the two *Rogers* factors, it found that "the word REBELLION has some artistic relevance to Defendants' computer game because within the game, players may choose to align with 'loyalist' or 'rebel' factions in the context of a civil war."[1926] It then determined with respect to the second that:

> Plaintiffs' argument that Defendants willfully attempted to capitalize on the reputation of Plaintiffs is unpersuasive; because the *Rogers* test governs this dispute, factors that might establish likelihood of confusion—such as the Defendants' intent—are irrelevant. Nothing on the face of the pleadings indicate that Defendants engaged in overt misrepresentation by using the term REBELLION in the title of their computer game.[1927]

Dismissal was therefore appropriate on the ground that "Plaintiffs' Complaint and its exhibits establish that Defendants' use of REBELLION is expressive speech and is protected under the First Amendment."[1928]

The defendant in a challenge to the use of *Haunting of Winchester House* as the title of movie, similarly benefitted from an application of the *Rogers* test, albeit on a motion for summary judgment rather than one to dismiss.[1929] The plaintiff owned the federally registered WINCHESTER MYSTERY HOUSE mark, which it used in connection with various goods and services associated with a 160-room Victorian-style mansion built by the heiress to the Winchester Repeating Arms Company. The mansion was rumored to be haunted, and that rumor formed the basis of

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1924. *See* Rebellion Devs. Ltd. v. Stardock Entm't, Inc., 107 U.S.P.Q.2d 2160 (E.D. Mich. 2013).

1925. *Id.* at 2163.

1926. *Id.* at 2164.

1927. *Id.* at 2165.

1928. *Id.*

1929. *See* Winchester Mystery House, LLC v. Global Asylum, Inc., 148 Cal. Rptr. 3d 412 (Ct. App. 2012).

the movie's plot, which the defendant described in the following manner: "A family moves into the 160 room mansion to act as caretakers, but when a malevolent force abducts their daughter they discover why the house deserves its reputation as one of the most haunted places in America."[1930] According to the movie, the surfeit of spirits in residence at the mansion included the heiress, her (fictional) daughter and brother, and the ghosts of all those killed by firearms manufactured by her family business.

Neither the California trial court assigned to the case nor the court of appeals of that state accepted the plaintiff's argument that the title of the defendant's film infringed the plaintiff's mark. After rather conspicuously announcing that it was not bound by the Ninth Circuit's endorsement of *Rogers*,[1931] the appellate court nevertheless followed suit and held that the trial court properly had entered summary judgment in the defendant's favor. With respect to the first prong of the *Rogers* analysis, it held that "both the title 'Haunting of Winchester House' and the Victorian-style mansion on the DVD cover have some artistic relevance to the underlying work. Caretakers move into the house built by Sarah Winchester, and her ghost and the ghosts of those killed by Winchester weapons are characters in the film."[1932] It then held in an application of *Rogers*'s second prong that the defendant's use did not explicitly mislead as to the source or content of the movie. Instead, as to the film's source, "[t]here is no suggestion that the film was authorized, endorsed, or produced by plaintiff";[1933] moreover, as to its content, "the film's setting is the house built by Sarah Winchester and it is haunted by the ghosts associated with her."[1934]

In contrast, opinions disposing of false advertising claims under the First Amendment did not perceive the need to invoke the *Rogers* test, with the most significant of those coming from the Second Circuit.[1935] The appeal before that court arose from a scientific, peer-reviewed study sponsored by one of the defendants, a manufacturer of a surfactant used to increase the functionality of the lungs of premature infants. Dissatisfied with the study's conclusions, the plaintiff, also a manufacturer of pulmonary surfactants, filed suit against multiple defendants, including the one sponsoring the study and the physicians conducting it. As described by the Second Circuit, the plaintiff's objections were not

1930. *Quoted in id.* at 416.

1931. *Id.* at 420.

1932. *Id.*

1933. *Id.* at 422.

1934. *Id.*

1935. *See* ONY, Inc. v. Cornerstone Therapeutics, Inc., 720 F.3d 490 (2d Cir. 2013).

grounded in any inaccuracies in the data underlying the study but instead in the conclusions drawn from those data.[1936]

The district court held that the plaintiff's various false advertising causes of action failed to state claims on which relief could be granted, and the Second Circuit affirmed the dismissal of the complaint at the pleadings stage. The appellate court began its analysis with the admonitions that "we have been careful not to permit overextension of the Lanham Act to intrude on First Amendment values"[1937] and that "academic freedom is 'a special concern of the First Amendment.'"[1938] After further observing that "statements of pure opinion—that is, statements incapable of being proven false—are protected under the First Amendment,"[1939] the court tackled the plaintiff's claims head-on:

> Where, as here, a statement is made as part of an ongoing scientific discourse about which there is considerable disagreement, the traditional dividing line between fact and opinion is not entirely helpful. It is clear to us, however, that while statements about contested and contestable scientific hypotheses constitute assertions about the world that are in principle matters of verifiable "fact," for purposes of the First Amendment and the laws relating to fair competition and defamation, they are more closely akin to matters of opinion, and are so understood by the relevant scientific communities. In that regard, it is relevant that plaintiff does not allege that the data presented in the article were fabricated or fraudulently created. If the data were falsified, the fraud would not be easily detectable by even the most informed members of the relevant scientific community. Rather, plaintiff alleges that the inferences drawn from those data were the wrong ones, and that competent scientists would have included variables that were available to the defendant authors but that were not taken into account in their analysis. But when the conclusions reached by experiments are presented alongside an accurate description of the data taken into account and the methods used, the validity of the authors' conclusions may be assessed on their face by other members of the relevant discipline or specialty.
>
> We therefore conclude that, to the extent a speaker or author draws conclusions from non-fraudulent data, based on accurate descriptions of the data and methodology underlying

1936. *Id.* at 498.

1937. *Id.* at 496 (quoting Boule v. Hutton, 328 F.3d 84, 91 (2d Cir. 2003) (internal quotation marks omitted).

1938. *Id.* (quoting Keyishian v. Bd. of Regents of the Univ. of the State of N.Y., 385 U.S. 589, 603 (1967)).

1939. *Id.*

> those conclusions, on subjects about which there is legitimate ongoing scientific disagreement, those statements are not grounds for a claim of false advertising under the Lanham Act.[1940]

Rogers also played no role in a false advertising action brought by members of the "birther" movement against the owner of *Esquire* magazine and a contributor to a blog associated with the magazine.[1941] The gravamen of the plaintiffs' claims was that a satirical post on the magazine's website falsely announced that the lead plaintiff had withdrawn from sale his book allegedly documenting the non-citizenship of President Obama because, according to the posting, the lead plaintiff recognized that the matter had been resolved for "anybody with a brain" and that "at the end of the day, bullshit is bullshit."[1942] The lead plaintiff responded to the posting in part by describing it as "a very poorly executed parody,"[1943] and this assessment came back to bite the plaintiffs when the defendants moved to dismiss the complaint for failure to state a claim under the First Amendment and the District of Columbia Anti-SLAPP Act,[1944] the latter of which the court interpreted as "protect[ing] speech relating to issues of public interest such as qualifications for public office."[1945] In granting the defendants' motion, the court held that:

> The [posting] contained an expression of views that communicated to members of the public in connection with an issue of public interest, *i.e.*, the dispute over whether President Obama qualifies by birthright to be President of the United States. Having become such well-known proponents on the issue, Plaintiffs cannot complain that the very intensity of their advocacy also became part of the public debate. Those who speak with loud voices cannot be surprised if they become part of the story.
>
> . . . .
>
> . . . Because later it became inconvenient to treat the [post] as satire cannot erase Plaintiffs' own contemporaneous admission that it was so intended.[1946]

The First Amendment received equally enthusiastic, albeit equally *Rogers*-less, receptions in right-of-publicity actions brought

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1940. *Id.* at 497-98.

1941. *See* Farah v. Esquire Magazine, Inc., 863 F. Supp. 2d 29 (D.D.C. 2012), *aff'd*, 736 F.3d 528 (D.C. Cir. 2013).

1942. *Quoted in id.* at 33.

1943. *Quoted in id.* at 34.

1944. D.C. Code § 16-5501 *et seq.* (West 2013)

1945. *Farah*, 863 F. Supp. 2d at 35.

1946. *Id.* at 37.

under state law.[1947] These included a case filed by wrestling celebrity Terry Gene Bollea (better known as Hulk Hogan).[1948] The target of the plaintiff's common-law right-of-publicity cause of action under Florida law was a sex tape featuring the plaintiff and a "woman that was not his wife," excerpts of which the defendants had posted online. The court denied the plaintiff's bid for preliminary injunctive relief, in substantial part because "[i]n all but the most exceptional circumstances, an injunction restricting speech pending final resolution of constitutional concerns is impermissible."[1949] It elaborated on this point with the following observations:

> Plaintiff has failed to satisfy his heavy burden to overcome the presumption that the requested preliminary injunction would be an unconstitutional prior restraint under the First Amendment. Plaintiff's public persona, including the publicity he and his family derived from a television reality show detailing their personal life, his own book describing an affair he had during his marriage, prior reports by other parties of the existence and content of the Video . . . all demonstrate that the Video is a subject of general interest and concern to the community.
>
> As such, Defendants' decision to post *excerpts* of the Video online is appropriately left to editorial discretion, particularly when viewed in connection with a request for a prior restraint.[1950]

As always, for almost every reported opinion in which the invocation of the First Amendment successfully fended off a finding of unfair competition, there was another in which free-speech principles failed to carry the day.[1951] For example, although use of the *Rogers* framework almost inevitably results in a defense victory, that result did not hold in a case in which the producers and distributors of the motion picture *The Hobbit: An Unexpected Journey* sought a temporary restraining order and preliminary injunction against the distribution of the defendants' *Age of*

1947. *See, e.g.*, Lohan v. Perez, 924 F. Supp. 2d 447, 454 (E.D.N.Y. 2013) (granting motion to dismiss New York right-of-publicity causes of action on ground that one-line reference to plaintiff's name in hip-hop song was protected speech under First Amendment).

1948. *See* Bollea v. Gawker Media, LLC, 105 U.S.P.Q.2d 1496 (M.D. Fla. 2012).

1949. *Id.* at 1497.

1950. *Id.* at 1498 (citations omitted).

1951. *See, e.g.*, Yeager v. AT&T Mobility LLC, 104 U.S.P.Q.2d 1165, 1168 (E.D. Cal. 2012) (rejecting First Amendment challenge to jury finding that defendant had violated plaintiff's right of publicity by using his name in a press release and noting that "[g]iven the nature of the press release as at least minimally promotional, and the use of plaintiff's name and accomplishment as a framing device for defendant's newly developed service enhancement, which it was announcing in a competitive environment in the hope of obtaining free media coverage, the press release here qualifies as commercial speech").

Hobbits film, which the defendants argued was a fictional account of life among a diminutive race of paleolithic hominids in Indonesia.[1952] The California federal district court hearing the action applied the Ninth Circuit's version of *Rogers*, which it treated as an affirmative defense and interpreted as requiring consideration of "(1) whether the [plaintiff's] mark has acquired meaning beyond its source-identifying function; (2) whether the use of the mark in the title has at least minimal artistic relevance to the underlying work; and (3) whether the title explicitly misleads consumers as to source or function."[1953] The results of an application of the first factor favored the defendant as "[t]he term ['Hobbit'] may not be integral to the public's vocabulary, but it has gained some measure of use as a term to refer to small creatures, such as the small human sub-species discovered in Indonesia."[1954] Nevertheless, the second factor favored the plaintiff, because "to succeed on this prong, [the defendant] must . . . show that the use of the term in the title in some way relates to or references the trademarked term . . ." and because "[i]n fact, [the defendant] asserts just the opposite: that the film title in no way relates to the [plaintiffs'] hobbits."[1955] Finally, the defendant's showing under the third prong was equally deficient on the ground that its use created a likelihood of confusion under the standard Ninth Circuit test for infringement.[1956]

Moreover, the Third Circuit the relatively rare step of affirmatively rejecting *Rogers* in a right-of-publicity action brought by former Rutgers University quarterback Ryan Hart against Electronic Arts.[1957] The game at issue was *NCAA Football*, of which the court noted that "[i]n no small part, the . . . franchise's success owes to its focus on realism and detail—from realistic sounds, to game mechanics, to team mascots."[1958] During his collegiate career, Hart wore a number 13 jersey, was six-feet, two-inches tall, and weighed 197 pounds; not coincidentally:

> [I]n *NCAA Football 2006*, Rutgers' quarterback, player number 13, is 6'2" tall, weighs 197 pounds and resembles Hart. Moreover, while users can change the digital avatar's appearance and most of the vital statistics (height, weight,

1952. *See* Warner Bros. Entm't v. Global Asylum, Inc., 107 U.S.P.Q.2d 1910 (C.D. Cal. 2012), *aff'd*, No. 13-5532, 2013 WL 5814731 (9th Cir. Oct. 30, 2013).

1953. *Id.* at 1923.

1954. *Id.*

1955. *Id.* at 1924.

1956. *Id.*; *see also id.* at 1915-22.

1957. *See* Hart v. Elec. Arts, Inc., 717 F.3d 141 (3d Cir. 2013).

1958. *Id.* at 146.

> throwing distance, etc.), certain details remain immutable: the player's home state, home town, team, and class year.[1959]

Conceding for the purposes of a motion for summary judgment that it had violated Hart's right of publicity under New Jersey law, Electronic Arts successfully convinced the federal district court hearing the case that its conduct fell within the scope of the First Amendment. The Third Circuit, however, reversed this disposition in an opinion that took aim at the Ninth Circuit's practice of applying *Rogers* to protect the content of video games.[1960] According to the Third Circuit, the danger of *Rogers* was best illustrated by Electronic Arts' statement that "[b]ecause, as a former college football player, Hart's likeness is not 'wholly unrelated' to *NCAA Football* and the game is not a commercial advertisement for some unrelated product, Hart . . . does not try to meet the . . . test."[1961] The court responded by holding that:

> Effectively, [Electronic Arts] argues that [Hart] should be unable to assert a claim for appropriating his likeness as a football player precisely because his likeness was used for a game about football. Adopting this line of reasoning threatens to turn the right of publicity on its head.
>
> [Hart's] career as a collegiate football player suggests that the target audience for his merchandise and performances (e.g., his actual matches) would be sports fans. It is only logical, then, that products appropriating and exploiting his identity would fare best—and thereby would provide ne'er-do-wells with the greatest incentive—when targeted at the sports-fan market segment. Given that [Hart] played intercollegiate football, however, products targeting the sports-fan would, as a matter of course, relate to him. Yet, under [Electronic Arts'] approach, all such uses would be protected. It cannot be that the very activity by which [Hart] achieved his renown now prevents him from protecting his hard-won celebrity. We decline to endorse such a conclusion and therefore reject the *Rogers* test as inapplicable.[1962]

What, then, was the proper test? The court held that it was whether the defendant's use was a transformative one. Borrowing

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1959. *Id.*; *see also id.* at 166 ("[B]ased on the combination of both the digital avatar's appearance and the biographical and identifying information—the digital avatar does closely resemble the genuine article. Not only does the digital avatar match [Hart] in terms of hair color, hair style and skin tone, but the avatar's accessories mimic those worn by [Hart] during his time as a Rutgers player. The information, as has already been noted, also accurately tracks [Hart's] vital and biographical details.").

1960. *See* E.S.S. Entm't 2000, Inc. v. Rock Star Videos, Inc., 547 F.3d 1095, 1096-98 (9th Cir. 2008).

1961. *Hart*, 717 F.3d at 157.

1962. *Id.* at 157-58.

from Supreme Court of California authority, it held the relevant inquiry to be:

> Whether the celebrity likeness is one of the 'raw materials' from which an original work is synthesized, or whether the depiction or imitation of the celebrity is the very sum and substance of the work in question. We ask, in other words, *whether the product containing a celebrity's likeness is so transformed that it has become primarily the defendant's own expression rather than the celebrity's likeness*. And when we use the word "expression," we mean expression of something other than the likeness of the celebrity.[1963]

Because the summary judgment record did not establish as a matter of law that either the "off-the-rack" version of Hart's avatar or the ability of end users to alter the avatar brought the avatar within the scope of a transformative use,[1964] summary judgment of nonliability had been inappropriate.[1965]

The absence of transformative use also was the key to the dismissal by a California federal district court of First Amendment concerns in a case in which the defendant was accused of violating the post-mortem right of publicity of noted inventor and architect R. Buckminster Fuller.[1966] The plaintiff's complaint targeted the defendants' sale under the BUCKYBALL mark of a desk toy comprising "round rare earth magnets that can be combined to form various shapes"; those shapes included a molecule named after Fuller, namely buckminsterfullerene.[1967] In denying the defendants' motion to dismiss, the court noted that in most cases in which the transformative use card was played, "the product being sold is the defendant's expressive work itself (which incorporates the plaintiff's image)—not some other product for which the plaintiff's name or image is used only in . . . marketing."[1968] In contrast, "[t]he situation here is markedly different. . . . Plaintiff's allegation is not that the product itself misappropriates Mr. Fuller's name or likeness . . . , but rather that his name and identity are being used to sell an unrelated product."[1969] The court identified two reasons why the transformative use doctrine was inapplicable under these circumstances, the first of which was that "[t]he simple use of a

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1963. *Id.* at 160 (alteration in original omitted) (quoting Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797, 810 (Cal. 2001)).

1964. *Id.* at 165-70.

1965. *Id.* at 170.

1966. *See* Estate of Fuller v. Maxfield & Oberton Holdings, LLC, 906 F. Supp. 2d 997 (N.D. Cal. 2012).

1967. *Id.* at 1002.

1968. *Id.* at 1005.

1969. *Id.* at 1005-06.

name is not an act of expression in the way that the creation or alteration of an image is, and a name cannot be transformed while remaining recognizable in the way that an image can."[1970] The second was that "Defendant has not cited, and the Court is aware of, no authority establishing that there is any First Amendment protection for the use of a celebrity's name, transformed or otherwise, to sell an unrelated product."[1971]

Although not expressly doing so under the rubric of the First Amendment, a different California federal district court also rejected a defense claim of transformative use.[1972] The preliminary injunction record before that tribunal established that the plaintiff, Barry Diller, was a well-known executive and entrepreneur in the entertainment industry and that the defendants had launched a business under the BARRY DRILLER mark that was directly competitive with a business back by the plaintiff. The defendants did not seriously contest the plaintiff's prima facie showing of liability, but instead argued that their conduct was a permissible transformative use of the plaintiff's name, especially in light of a particular graphic appearing on their site. The court disagreed:

> Here, Defendants argue that the graphic of the young, fit, shirtless man holding a drill sufficiently transformed Plaintiff's appearance to constitute a protected "transformative use" of Plaintiff's identity. . . . [H]owever, Defendants have misapprehended Plaintiff's claim, which is based upon Defendants' use of the phrase "Barry Driller" as a confusingly similar variant of Plaintiff's name, not Defendants' graphic as compared to Plaintiff's appearance. Viewed properly, Defendants' inclusion of an "r" in Plaintiff's last name comes nowhere close to transforming Plaintiff's name into Defendants' "own expression rather than [Plaintiff's] likeness."[1973]

The court did, however, reference the First Amendment in its analysis of whether the public interest favored the entry of preliminary injunctive relief: "In a trademark infringement case, First Amendment interests are usually not implicated because infringement is based on the use of a trademark, not as a communicative message."[1974]

Two opinions rejected claims of First Amendment protection in cases challenging the registration of domain names. In the first

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1970. *Id.* at 1006.

1971. *Id.*

1972. *See* Diller v. Barry Driller Inc., 104 U.S.P.Q.2d 1676 (C.D. Cal. 2012).

1973. *Id.* at 1683 (third alteration in original) (quoting Hilton v. Hallmark Cards, 599 F.3d 894, 909 (9th Cir. 2009)).

1974. *Id.* at 1684.

case, a Nevada federal district court declined to allow the First Amendment to derail its issuance of a preliminary injunction against two defendants who had registered multiple domain names based on the plaintiffs' personal names.[1975] The issue arose in the context of whether the public interest would benefit from the entry of the interlocutory relief sought by the plaintiffs, and it was resolved in their favor. According to the court, "the injunction clearly does not implicate Defendant[s'] First Amendment rights. The injunction does not prevent Defendants from publishing opinions on other blogs, but instead precludes [the lead defendant] from registering or using domain names that consist of Plaintiffs' full names."[1976]

In the second case, the plaintiff had registered domain names incorporating the word "trump" and then filed a declaratory judgment action against celebrity real estate developer and hotelier Donald J. Tump, who owned several federal registrations of his surname covering various goods and services.[1977] Among other strategies to escape liability under the ACPA, the plaintiff argued that his registration of the domain names qualified for the protection of the First Amendment. The court disagreed, finding that "[t]he Domain Names provide no commentary or criticism of [Trump] or any other topic. The Domain Names appear to identify [Trump], or an authorized user of the TRUMP mark, as the source of the websites, likely to promote [Trump's] business interests in the locations indicated in the Domain Names."[1978] It then entered summary judgment in Trump's favor with the observation that "the court emphasizes that it is not questioning Plaintiff's First Amendment rights to comment upon and criticize [Trump] and his businesses. However, he may not do so by using [Trump's] mark to confuse people into visiting his websites."[1979]

F. Procedural Matters

1. Standing

a. Opinions Reaching or Affirming Findings of Standing

i. Infringement

On its face, the cause of action for infringement of a registered mark recognized by Section 32(1) of the Lanham Act is limited to

1975. *See* Randazza v. Cox, 920 F. Supp. 2d 1151 (D. Nev. 2013).

1976. *Id.* at 1159.

1977. *See* Web-Adviso v. Trump, 927 F. Supp. 2d 32 (E.D.N.Y. 2013).

1978. *Id.* at 47-48.

1979. *Id.* at 48.

"a civil action *by the registrant*,"[1980] but courts have not always applied the statute's express language literally. One that did not over the past year entertained a Section 32 claim brought by a mere licensee of the registered marks at issue.[1981] The license was exclusive in nature, and that made all the difference in the world to the issue of the licensee's standing to bring the action. Specifically, the license granted the licensee not only the exclusive right to use the licensed marks but also the exclusive right to bring suit to protect that right. Because "[a]n exclusive licensee may have a property interest in the [licensed] trademark and standing to enforce it,"[1982] the court found that the license's recitations established the plaintiff's standing as a matter of law.[1983]

ii. False Advertising

As always, the proper standard for the evaluation of claims of standing in false advertising actions proved to be more a subject of judicial debate than the relevant standard in the infringement context. In an opinion subsequently accepted by the Supreme Court for review, the Sixth Circuit attempted to bring some clarity to the issue by rejecting the proposition that a counterclaim plaintiff lacking standing to bring an antitrust cause of action necessarily also lacked standing to accuse the counterclaim defendant of false advertising.[1984] The gravamen of the counterclaim plaintiff's allegations under Section 43(a) was that the counterclaim defendant had falsely represented to the trade that the counterclaim defendant's sale of remanufactured toner cartridges originally produced by the counterclaim plaintiff violated the counterclaim plaintiff's intellectual property rights. The district court considered the counterclaim plaintiff's inability to aver actual damage to be fatal to its cause of action, but the court of appeals disagreed. Unconcerned with the lack of a competitive relationship between the parties, it held that "a Lanham Act claimant need not demonstrate actual losses as a result of the defendant's misleading . . . advertisements, only a 'likelihood of injury and causation.'"[1985]

1980. 15 U.S.C. § 1114(1) (2012) (emphasis added).

1981. *See* Drew Estate Holding Co. v. Fantasia Distrib., Inc., 875 F. Supp. 2d 1360 (S.D. Fla. 2012).

1982. *Id.* at 1366.

1983. *Id.* at 1367.

1984. *See* Static Control Components, Inc. v. Lexmark Int'l, Inc., 697 F.3d 387 (6th Cir. 2012), *cert. granted*, 133 S. Ct. 2766 (2013).

1985. *Id.* at 410 (quoting Frisch's Rests., Inc. v. Elby's Big Boy of Steubenville, Inc., 670 F.2d 642, 650 (6th Cir. 1982) (quoting Johnson & Johnson v. Carter-Wallace, Inc., 631 F.2d 186, 190 (2d Cir. 1980))).

The absence of direct competition also was no obstacle to a Section 43(a) false advertising cause of action brought in the Southern District of New York.[1986] The plaintiff produced a folate product featuring a particular percentage of stereoisomers, which it sold to third parties that incorporated the folate into nutritional supplements sold by the third parties. Rather than competing with the plaintiff, the defendant sold its own finished supplements, which it manufactured using a folate acquired from a Chinese source; that folate, however, featured a different percentage of stereoisomers than the plaintiff's folate. The gravamen of the plaintiff's complaint was that the defendants had advertised their finished products as having been made from folate featuring the same ratio of stereoisomers as the plaintiff's folate, and that was enough for the court to conclude that the plaintiff had standing to pursue its claim:

> Although [the plaintiff] and [the defendant] are not direct competitors, insofar as [the plaintiff] does not produce finished consumer products, [the plaintiff] and [the defendant] both produce competing sources of folate for use in dietary supplements. Accordingly, [the plaintiff's] "stake in the [folate] market gives it a reasonable interest to be protected against the alleged false advertising."[1987]

In contrast, an Arizona federal district court applied the Ninth Circuit's requirement for Section 43(a) that the plaintiff's alleged injury be "'competitive,' or harmful to the plaintiff's ability to compete with the defendant,"[1988] but that stricter standard ultimately posed no obstacle to the plaintiff before the court, a manufacturer of dietary supplements containing turkesterone. According to the complaint, the defendant also manufactured dietary supplements, which it allegedly falsely advertised as delivering effective doses of turkesterone; that false advertising, the complaint further averred, had diverted sales from the plaintiff to the defendant. The defendant moved to dismiss the plaintiff's false advertising cause of action on the theory that the parties' products could be considered "competitive" only if they were identical and advertised as such, but the court found that argument "unsupported" and "unavailing."[1989] Rather, it concluded,

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1986. *See* Merck Eprova AG v. Brookstone Pharms., LLC, 920 F. Supp. 2d 404 (S.D.N.Y. 2013).

1987. *Id.* at 416 (seventh alteration in original) (quoting Johnson & Johnson v. Carter-Wallace, Inc., 631 F.2d 186, 190 (2d Cir. 1980)).

1988. *See* Thermolife Int'l LLC v. Gaspari Nutrition, Inc., 871 F. Supp. 2d 905, 908 (D. Ariz. 2012) (quoting TrafficSchool.com, Inc. v. Edriver Inc., 653 F.3d 820, 826 (9th Cir. 2011) (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).

1989. *Id.* at 909 n.2.

"Plaintiff's allegations that both Plaintiff and Defendant sold dietary supplements containing similar ingredients, serving similar purposes, and targeting a specific audience (here, competitive and amateur bodybuilders) is sufficient to allege direct competition and justify the presumption of competitive injury at the motion to dismiss stage."[1990]

Nevertheless, some applications of the rule that direct competition is a prerequisite for standing under Section 43(a) were very much to plaintiffs' detriment.[1991] One case featuring such an outcome had its origins in a dispute over ornamental Christmas light strands advertised as "always lit," a reference to the ability of the strands to remain illuminated even if one or more of the LED bulbs incorporated into them burned out.[1992] The complaint in the matter averred that the plaintiff manufactured "always lit" strands and at one point in time had sold those strands to one of the defendants, which had then sold them to another defendant, Ace Hardware, which had sold them to end consumers. The complaint also averred that the first defendant had begun selling strands sourced from another manufacturer to Ace, which advertised the new strands as "always lit," just as it had once advertised the Plaintiff's' strands. Even if it accepted these averments as true, the court held, they failed to establish the plaintiff's standing. Rather, "[t]o the contrary, [the plaintiff's] complaints establish that the parties operate at different levels of the distribution chain, and therefore they are not competitors."[1993] As a consequence, the plaintiff had failed to state a claim on which relief could be granted under federal law,[1994] even if, as the court held on a motion for reconsideration, competition between the parties was not a prerequisite for standing under Illinois law.[1995]

b. Opinions Reaching or Affirming Findings of No Standing

i. False Advertising

If the Sixth Circuit and other courts declined to restrict standing in false advertising actions to plaintiffs bringing suit

1990. *Id.*

1991. *See*, *e.g.*, Two Moms & A Toy, LLC, 898 F. Supp. 2d 1213, 1218-19 (D. Colo. 2012) (dismissing federal cause of action for false advertising based on plaintiff's failure to aver competitive relationship between parties).

1992. *See* Marvellous Day Elec. (S.Z.) Co. v. Ace Hardware Corp., 900 F. Supp. 2d 835 (N.D. Ill. 2012), *vacated in part*, No. 11 C 8756, 2013 WL 2356008 (N.D. Ill. May 18, 2013).

1993. *Id.* at 841.

1994. *Id.* at 842.

1995. Marvellous Day Elec. (S.Z.) Co. v. Ace Hardware Corp., No. 11 C 8756, 2013 WL 2356008, at *3 (N.D. Ill. May 18, 2013).

against their competitors, an Iowa federal district court did apply such a rule.[1996] The plaintiff in the action leading to that result was a producer of transgenic corn seeds that objected to the refusal to purchase its seeds by an operator of grain warehouses and milling facilities. The plaintiff's complaint was replete with various causes of action, and among them was a claim that the defendant had engaged in false advertising by posting signs advising potential suppliers that it would not accept the plaintiff's seeds. Attempting to escape Eighth Circuit authority requiring the parties to be competitors for such a claim to lie,[1997] the plaintiff argued in response to the defendant's motion for summary judgment that "[the defendant] is expressly in the business of promoting a competing seed product and incentivizing growers to plant a product that competes with [the plaintiff's] products."[1998] The court credited the defendant's showing that the referenced incentive program involved only soybeans, rather than corn, and it therefore held that the defendant's signs were nonactionable as a matter of law:

> Although the case law from this circuit on the question is not extensive, it is clear that the Eighth Circuit Court of Appeals understands the 'commercial competition requirement of a [Section 43(a)] claim to involve a much less attenuated competitive relationship between the parties than the one on which [the plaintiff] relies.[1999]

One complaint otherwise targeting the defendant's alleged copying of the configuration of the plaintiff's digital thermometer and the packaging for that device included a false advertising claim built around the theory that the defendant's advertisements—which made no direct references to the plaintiff or its product—were inherently misleading.[2000] In granting the defendant's motion for summary judgment, the court identified four reasons why the plaintiff's claim of damage to its commercial and pecuniary interests and to its reputation fell short: (1) the plaintiff's practice of distributing its goods through private label retailers meant that it had no reputation in the marketplace; (2) "[the plaintiff] has offered no evidence that purchasers of thermometers are repeat customers such that past experiences with products are likely to affect future purchasing decisions";

1996. *See* Syngenta Seeds, Inc. v. Bunge N. Am., Inc., 906 F. Supp. 2d 827 (N.D. Iowa. 2012).

1997. *See* Aviation Charter, Inc. v. Aviation Research Grp./US, 416 F.3d 864, 871 (8th Cir. 2005) ("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.").

1998. *Quoted in Syngenta Seeds*, 906 F. Supp. 2d at 834.

1999. *Id.*

2000. *See* Medisim Ltd. v. BestMed LLC, 910 F. Supp. 2d 591 (S.D.N.Y. 2012).

(3) to the extent that the plaintiff claimed that consumers would hold the plaintiff accountable for deficiencies in the defendant's thermometers, such a claim was "a backdoor attempt to introduce a trade dress argument"; and (4) the plaintiff had in any case failed to prove the inferiority of the defendant's thermometers.[2001] As a consequence, the plaintiff had failed as a matter of law to prove either the damage or the causation required to establish its standing.[2002]

ii. Right of Publicity

A motion to dismiss post-mortem right of publicity claims brought under California law led to mixed results, but those results largely favored the plaintiff—indeed, the only ground on which the defendants could claim victory was raised sua sponte by the court, rather than by the defendants.[2003] The plaintiff was the estate of Buckminster Fuller, which objected to the defendant's sale of an office toy under the BUCKYBALL mark. The defendant moved to dismiss the complaint on a variety of grounds, but one it didn't raise was that California did not recognize the common-law cause of action asserted as one of the four counts in the plaintiff's complaint. That oversight notwithstanding, the court dismissed that count on its own initiative with the explanation that "[a]s there is no dispute that Mr. Fuller passed away some years ago, Plaintiff cannot possibly prevail on a common law claim that requires the person whose identity is being used to be living."[2004]

Nevertheless, the court did the defendant no favors after that point. With respect to the plaintiff's statutory right-of-publicity cause of action (which *was* available on a post-mortem basis),[2005] the defendant invoked the protection of a public affairs, or "newsworthiness," exception written into the statute.[2006] Rejecting the defendant's bid for the exception's protection, the court held that "the use of information which may itself be said to be 'newsworthy,' and thus potentially fall within the exception, is 'not automatically privileged,' and is not protected under the statutory public affairs exception when used in an advertisement."[2007] In particular, "the defense simply does not apply when Defendant is

2001. *Quoted in id.* at 617.

2002. *Id.* at 617-18.

2003. *See* Estate of Fuller v. Maxfield & Oberton Holdings LLC, 906 F. Supp. 2d 997 (N.D. Cal. 2012).

2004. *Id.* at 1008.

2005. *See* Cal. Civil Code § 3344.1 (West 2012).

2006. *See id.* § 3344.1(j).

2007. *Fuller*, 906 F. Supp. at 1010 (quoting Abdul-Jabbar v. Gen. Motors Corp., 85 F.3d 407, 416 (9th Cir. 1996)).

using the information to sell a product, rather than to inform or entertain."[2008]

An additional argument by the defendant fared no better. To memorialize its rights under the California statute, the plaintiff was required to register the names for which it sought protection, which included "Bucky Fuller." Because this registered name was not identical to the defendant's BUCKYBALL mark, the defendant asserted that the plaintiff's rights did not reach its use. The court was not impressed, observing that "Defendant's argument is tantamount to a claim that the registered name, and only the registered name, without being altered in any way or combined with any other terms, can be protected . . . ."[2009] The better approach, it held, was to refer to a jury the question of whether the defendant's use of a variation on the plaintiff's name violated the statute.[2010]

A Georgia federal district court declined to allow a nonprofit voluntary professional association of physicians to prosecute a right-of-publicity cause of action under the common law of that state on behalf of the association's members.[2011] The court acknowledged that:

> The vindication of legal rights by representative associations has several virtues to commend it: it may "promote adversarial intensity"; "guard against the hazard of litigating a case to the damages stage only to find the plaintiff lacking detailed records or the evidence necessary to show the harm with sufficient specificity"; or "hedge against any risk that the damages recovered by the association will fail to find their way into the pockets of the members on whose behalf injury is claimed."[2012]

Nevertheless, it also noted "the requirement that associational standing give way when discrete, individualized inquiries are necessitated—a prudential rather than constitutional requirement—counsels the courts to focus on 'matters of administrative convenience and efficiency' when the issue is raised."[2013] That potential claims by the association's members required just such "discrete, individualized inquiries" was apparent in the requirement under Georgia law that the court address the issue of whether the association's members had consented to the defendants' use of their identities: "[B]ecause the

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2008. *Id.* (citation omitted).

2009. *Id.* at 1011.

2010. *Id.*

2011. *See* Rivell v. Private Health Care Sys., Inc., 887 F. Supp. 2d 1277 (S.D. Ga. 2012).

2012. *Id.* at 1289 (quoting United Food & Commercial Workers Union Local 751 v. Brown Grp., 517 U.S. 544, 556 (1996)).

2013. *Id.* (quoting *Brown Grp.*, 517 U.S. at 557).

issue of consent is particularized and fact-intensive it is not apt for singular determination in a case involving scores of plaintiffs."[2014]

2. Personal Jurisdiction

Assuming that a nonresident defendant has not waived the issue,[2015] an evaluation of the propriety of an exercise of personal jurisdiction over it by the courts of a particular state traditionally has turned on whether: (1) the forum state's long-arm statute confers personal jurisdiction over the defendant; and (2) an exercise of jurisdiction would comport with the Due Process Clauses of the Fifth and Fourteenth Amendments.[2016] If the reach of the state long-arm statute in question is coextensive with due process, then only the constitutional analysis need take place.[2017] That analysis itself turns on the two factors of whether: (1) the nonresident defendant has minimum contacts with the forum state; and (2) an exercise of personal jurisdiction would offend traditional notions of fair play and substantial justice.[2018] There are two ways in which these general standards may be satisfied. First, an exercise of general personal jurisdiction may be appropriate if "a nonresident defendant is domiciled in the forum state or his activities in the forum are 'substantial' or 'continuous

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2014. *Id.* at 1291.

2015. For an example of a federal district court opinion holding that a group of defendants waived their objections to an exercise of personal jurisdiction over them in Delaware by filing suit against the plaintiff in Delaware state court, see *Capriotti's Sandwich Shop, Inc. v. Taylor Family Holdings, Inc.*, 857 F. Supp. 2d 489, 501 (D. Del. 2012) ("Defendants 'can claim no unfairness based upon this court's exercise of jurisdiction over [them], since one who enjoys the full benefits of access to a forum's courts as a plaintiff may not simultaneously claim immunity from that forum's authority as defendant.'" (alteration in original) (quoting Marron v. Whitney Grp., 662 F. Supp. 2d 198, 201 (D. Mass. 2009)).

2016. *See generally* Asevedo v. NBCUniversal Media, LLC, 921 F. Supp. 2d 573, 581 (E.D. La. 2013); Mrs. United States Nat'l Pageant, Inc. v. Miss United States of Am. Org., LLC, 875 F. Supp. 2d 211, 219 (W.D.N.Y. 2012).

2017. *See, e.g.*, Cmty. Trust Bancorp, Inc. v. Cmty. Trust Fin. Corp., 692 F.3d 469, 471 (6th Cir. 2012) (Kentucky long-arm statute coextensive with due process); *see also Asevedo*, 921 F. Supp. 2d at 581 (Louisiana long-arm statute); Fraserside IP L.L.C. v. Netvertising Ltd., 902 F. Supp. 2d 1165, 1172 (N.D. Iowa 2012) (Iowa long-arm statute); Floyd's 99 Holdings, LLC v. Jude's Barbershop, Inc., 898 F. Supp. 2d 1202, 1206 (D. Colo. 2012) (Colorado long-arm statute); Lianyungang FirstDart Tackle Co. v. DSM Dyneema B.V., 871 F. Supp. 2d 482, 487 (E.D.N.C. 2012) (North Carolina long-arm statute); Xcentric Ventures LLC v. Mediolex Ltd., 104 U.S.P.Q.2d 1500, 1503 (D. Ariz. 2012) (Arizona long-arm statute); Frito-Lay N. Am., Inc. v. Medallion Foods, Inc., 867 F. Supp. 2d 859, 864 (E.D. Tex. 2012) (Texas long-arm statute); L & A Designs, LLC v. Xtreme ATVs, Inc., 860 F. Supp. 2d 1196, 1198 (D. Or. 2012) (Oregon long-arm statute); Advanced Skin & Hair, Inc. v. Bancroft, 858 F. Supp. 2d 1084, 1087 (C.D. Cal. 2012) (California long-arm statute); Am. Univ. Sys., Inc. v. Am. Univ., 858 F. Supp. 2d 705, 710 (N.D. Tex. 2012) (Texas long-arm statute).

2018. *See generally Asevedo*, 921 F. Supp. 2d at 581; *Floyd's 99 Holdings*, 898 F. Supp. 2d at 1206.

and systematic.'"[2019] Second, an exercise of specific personal jurisdiction is appropriate if the plaintiff's cause of action arises directly out of, or relates to, the defendant's forum-based contacts.[2020]

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.[2021]

Whatever the mechanism employed, the plaintiff must establish a prima facie case that an exercise of personal jurisdiction is appropriate, at which point the burden shifts to the defendant to defeat jurisdiction by showing that its exercise would be unfair or unreasonable.[2022]

a. Opinions Exercising, or Affirming the Exercise of, Personal Jurisdiction Over Defendants

Some cases presented easy opportunities for the exercise of personal jurisdiction.[2023] In one, the American Veterinary

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2019. Facebook, Inc. v. Pedersen, 868 F. Supp. 2d 953, 957 (N.D. Cal. 2012) (quoting Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316, 1320 (9th Cir. 1998)).

2020. Genzyme Corp. v. Shire Human Genetic Therapies, Inc., 906 F. Supp. 2d 9, 19 (D. Mass. 2012); *see also Frito-Lay N. Am.*, 867 F. Supp. 2d at 865 ("Specific jurisdiction exists where the plaintiff alleges a cause of action which grows out of or relates to a contact between the defendant and the forum state.").

2021. Fed. R. Civ. P. 4(k)(2); *see generally* Fraserside IP L.L.C. v. Netvertising Ltd., 902 F. Supp. 2d 1165, 1181 (D. Iowa 2012) ("Rule 4(k)(2) permits 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.").

2022. Asevedo v. NBCUniversal Media, LLC, 921 F. Supp. 2d 573, 588 (E.D. La. 2013).

2023. *See, e.g.*, H-D Mich., LLC v. Hellenic Duty Free Shops S.A., 694 F.3d 827, 835-41 (7th Cir. 2012) (holding that successor in interest to licensee was bound by predecessor's agreement to exercise of personal jurisdiction by courts of forum state); Fru Veg Mktg., Inc. v. Vegfruitworld Corp., 896 F. Supp. 2d 1175, 1181 (S.D. Fla. 2012) (holding that defendants' shipment of goods bearing allegedly infringing mark into Florida satisfied requirements of Florida long-arm statute and due process); Pumponator Inc. v. Water Sports, LLC, 868 F. Supp. 2d 742, 752 (N.D. Ill. 2012) (holding that defendants' shipment of water pumps with allegedly infringing trade dress into Illinois satisfied requirements of Illinois long-arm statute and due process); *Frito-Law N. Am.*, 867 F. Supp. 2d at 867-68 (holding that defendant's shipment of tortillas chips with allegedly infringing trade dress to

Association, an Illinois nonprofit corporation, sought to escape being haled into court in Massachusetts, but the facts quickly stacked up against it.[2024] Those facts included the Association's 1,876 regular dues-paying members in the state, its regular solicitation of members and organizations for conferences and seminars there, and its pursuit of grants and donations from Massachusetts residents. They also included the Association's maintenance of a Massachusetts-specific IRS employer identification number and its provision of scholarships, research funding, and job placement services. That the state of Massachusetts had effectively delegated responsibility for accreditation and standards to the Association was the icing on the cake as far as the court was concerned. It therefore held on the Association's motion to dismiss that the plaintiffs' allegation of general personal jurisdiction was well-taken.[2025]

In contrast, two Oregon-based plaintiffs failed to establish the propriety of an exercise of general personal jurisdiction arising from an individual Connecticut resident's activities in their state, but they did successfully establish the existence of specific personal jurisdiction over her.[2026] The key to that success was the Supreme Court's holding in *Calder v. Jones*[2027] that a defendant may be found to have purposefully directed its activities toward a forum state for due process purposes if: (1) the defendant has committed an intentional act; (2) that intentional act is expressly aimed at the forum state; and (3) the act has caused harm that the defendant knows is likely to be suffered in the forum state.[2028] The court found it was "clear" that the first of these requirements was satisfied based on allegations that the individual defendant had intentionally designed websites for the lead defendant featuring infringing copies of the plaintiff's marks and had embedded additional copies of the marks into sites as metatags.[2029] Whether the second and third prongs of the analysis also weighed in the plaintiff's favor presented a "more difficult question,"[2030] but the court ultimately found that they did. That finding was based on the active nature of the lead defendant's website, which allowed

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Wal-Mart with knowledge that they would be sold in Texas satisfied requirements of Texas long-arm statute and due process); Advanced Skin & Hair, Inc. v. Bancroft, 858 F. Supp. 2d 1084, 1089-92 (C.D. Cal. 2012) (holding that defendant's coordination of shipments of goods bearing allegedly infringing mark satisfied requirements of California long-arm statute and due process).

2024. *See* Lyons v. Gillette, 882 F. Supp. 2d 217 (D. Mass. 2012).

2025. *Id.* at 225.

2026. *See* L & A Designs, LLC v. Xtreme ATVs, Inc., 860 F. Supp. 2d 1196 (D. Or. 2012).

2027. 465 U.S. 783 (1984).

2028. *See id.* at 789-90.

2029. *L & A Designs*, 860 F. Supp. 2d at 1200.

2030. *Id.*

California residents to place orders through it, as well as references to the plaintiff on the site, from which it was "apparent that [the individual defendant] intended to use [the plaintiffs'] trademark to take away customers from [the plaintiffs] for financial gain."[2031] Moreover, an exercise of personal jurisdiction was constitutionally reasonable even though the District of Connecticut was available as an alternative forum.[2032]

Calder also proved to be the ticket for an exercise by an Arizona federal district court of specific personal jurisdiction over a pair of foreign defendants.[2033] The gravamen of the Arizona-based plaintiff's claims against those defendants was that they controlled a website displaying the plaintiff's marks and on which consumers were permitted to post copyrighted material belonging to the plaintiff. In denying the defendants' motion to dismiss, the court breezed over declaration testimony by a principal of the lead defendant that the website was "not specifically directed at Arizona companies."[2034] That testimony, it noted, did nothing to contradict the plaintiff's averments that the defendants' conduct was intentional, that the parties were in direct competition in the same relatively specialized field, and that the defendants had acted with knowledge that the plaintiff would suffer harm in Arizona.[2035] Moving on to the issue of the reasonableness of an exercise of jurisdiction over the defendants, the court found that "[t]he defendants have not presented any evidence or specific facts showing the extent of the burden they would suffer," that the state of Arizona had an interest in the matter's resolution, or that the court's familiarity with the matter would serve the plaintiff's interest in securing "efficient and convenient" relief.[2036] These considerations were not outweighed by the absence of any allegation by the plaintiff that "Defendants themselves ever made contact with Arizona by phone calls, letters, or physical trips" or their argument that "foreign sovereignty interests would be implicated by the District of Arizona's exercise of jurisdiction."[2037]

Applications of other state long-arm statutes rested on *Calder*-like analyses but did not mention that opinion by name.[2038] One

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2031. *Id.* at 1201.

2032. *Id.* at 1202.

2033. *See* Xcentric Ventures LLC v. Mediolex Ltd., 104 U.S.P.Q.2d 1500 (D. Ariz. 2012).

2034. *Quoted in id.* at 1503.

2035. *Id.* at 1504.

2036. *Id.* at 1505.

2037. *Id.*

2038. *See, e.g.*, Mrs. United States Nat'l Pageant, Inc. v. Miss United States of Am. Org., LLC, 875 F. Supp. 2d 211, 224 (W.D.N.Y. 2012) (exercising personal jurisdiction over nonresident defendants on ground that "the defendants' allegedly wrongful activities in the case at bar caused an injury within this state, which was reasonably foreseeable by the defendants").

court following this approach invoked the Michigan long-arm statute[2039] to exercise specific personal jurisdiction over a nonresident of that state.[2040] The plaintiff was the successor to a Michigan-based group of lawyers who used the 4MYCHILD mark in connection with a marketing plan to identify potential medical malpractice clients. Although once affiliated with the plaintiff's predecessor, the Pennsylvania-based defendant, itself a law firm, eventually broke its ties with that predecessor and began using the 4MYBABY mark in connection with a competitive program. That led to an infringement suit and settlement agreement, which, the plaintiff alleged in a second suit in the Eastern District of Michigan, had been violated by the defendant. Although the settlement agreement was negotiated in Pennsylvania, that did not stop the court from exercising specific personal jurisdiction over the defendant, because, in the court's view, the "mosaic of activities" underlying the defendant's relationship with the plaintiff and with the plaintiff's predecessor did the job.[2041] Among other components of that mosaic was the defendant's allegedly infringing use of the 4MYBABY mark, of which the court remarked that:

> [The defendant] committed an act in Pennsylvania whose effects were felt in Michigan. By starting the 4MyBaby program, [the defendant] allegedly infringed on the trademark of [the plaintiff's predecessor] and caused damage to the 4MyChild program in Michigan. . . . If [the defendant] had not infringed the trademark, no settlement agreement would have emerged.[2042]

b. Opinions Refusing to, or Affirming the Refusal to, Exercise Personal Jurisdiction Over Defendants

Although the Supreme Court's *Calder* analysis may have led some courts to exercise specific personal jurisdiction over particular defendants, that was not universally the case.[2043] For example, a Colorado federal district court noted that "the mere fact that an out-of-state defendant has committed a business tort that causes economic injury to a forum resident does not necessarily

2039. Mich. Comp. Laws § 600.715 (West 1996).

2040. *See* Children's Legal Servs., PLLC v. Shor Levin & Derita, PC., 850 F. Supp. 2d 673 (E.D. Mich. 2012).

2041. *Id.* at 684.

2042. *Id.*

2043. *See, e.g.*, Fraserside IP L.L.C. v. Netvertising Ltd., 902 F. Supp. 2d 1165, 1175 (N.D. Iowa 2012) (At best, all [the plaintiff] has established, for jurisdictional purposes, is that the . . . defendants intentionally continued to infringe [the plaintiff's] copyrights and trademarks even after they were made aware of them . . . . That alone is insufficient to establish the express-aiming prong of the *Calder* effects test.").

establish that the defendant engaged in the constitutionally required minimum contacts with the forum state."[2044] Rather, the plaintiff "must show that there was 'something more by way of minimum contacts' than the mere foreseeability of economic injury; '[t]hat "something more" is the requirement that the defendant have "expressly aimed" his activities at the forum state such that the forum is the "focal point" of the tort and injury.'"[2045] In the case before the court, the only allegation to this effect was that one of the defendants had had his photograph taken in one of the plaintiff's Colorado barbershops before returning to Michigan and participating in the opening of barbershops in that state that allegedly infringed the plaintiff's trade dress. Because neither that defendant's visit to the plaintiff's shop nor the photograph was a sufficient basis for a finding that the defendants had generally targeted the plaintiff in Colorado, an exercise of specific personal jurisdiction would be inappropriate.[2046]

Facebook also fell victim to a restrictive application of *Calder* after it filed suit in California against the Norwegian-based users of the FACEPORN mark, which they used in connection with "a website featuring pornographic content that allows its users to create profiles, join groups, upload photos and video, and conduct live chats" and which was accessible at the *www.faceporn.com*, *www.faceporn.net*, and *www.faceporn.org* domains.[2047] After service of its complaint under the Hague Convention failed to trigger an answer from the defendants, Facebook sought a default judgment, only to have the court sua sponte request briefing on Facebook's claim that the defendants were properly subject to an exercise of specific personal jurisdiction under California law. Accepting Facebook's argument that *Calder* was the appropriate framework, the court determined with respect to *Calder*'s first and third requirements that the defendants "acted intentionally in registering [their] internet domains . . . and in operating the Faceporn website through those domains, the contents of which allegedly infringe Facebook's registered marks"[2048] and that "defendants likely knew that any harm suffered by Facebook would be suffered in California, as Facebook's principal place of business is in California."[2049] As to the second, however:

2044. Floyd's 99 Holdings, LLC v. Jude's Barbershop, Inc., 898 F. Supp. 2d 1202, 1207 (D. Colo. 2012).

2045. *Id.* (alteration in original) (quoting Allison v. Wise, 621 F. Supp. 2d 1114, 1120 (D. Colo. 2007)).

2046. *Id.* at 1212-13.

2047. *See* Facebook, Inc. v. Pedersen, 868 F. Supp. 2d 953, 956 (N.D. Cal. 2012).

2048. *Id.* at 958-59.

2049. *Id.* at 961.

> To find that a nonresident defendant expressly aimed his conduct at the forum, the Ninth Circuit requires "something more" than "simply registering someone else's trademark as a domain name and posting a website on the Internet." The "something more" that the Ninth Circuit requires is "conduct directly targeting the forum" such as running a website that appeals to, *and profits from*, an audience in the forum.[2050]

The court's show-cause order had pointed out that Facebook's allegations "did not meet the 'something more' requirement because they did not establish that Faceporn's users in California were an integral component of Faceporn's *business model and profitability*."[2051] Because Facebook's response to the order failed to provide "any additional factual allegations with respect to Faceporn's users in California or Faceporn's business model,"[2052] the defendants were not subject to an exercise of jurisdiction in that state.[2053]

In an opinion not turning on an application of *Calder*'s effects test, the Sixth Circuit reversed a Kentucky district court's decision to exercise specific personal jurisdiction over three affiliated banks, two of which were domiciled in Louisiana and the other in Texas.[2054] As the court read the appellate record, the defendants' ties to Kentucky were limited: Although they had "no officers, directors, employees, agents, or any other physical presence in Kentucky," they did have nine customers who had moved to the state after opening accounts elsewhere; of those customers, "three or four" had requested online access to their accounts on the defendants' website.[2055] Because the Kentucky long-arm statute was coextensive with due process, the court defined the relevant inquiry in the following manner:

> First, the defendant must purposefully avail himself of the privilege of acting in the forum state or causing a consequence in the forum state. Second, the cause of action must arise from the defendant's activities there. Finally, the acts of the defendant or consequences caused by the defendant must have a substantial enough connection with the forum state to make the exercise of jurisdiction over the defendant reasonable.[2056]

2050. *Id.* at 959 (quoting Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316, 1322 (9th Cir. 1998)).

2051. *Id.* at 959.

2052. *Id.*

2053. *Id.* at 961.

2054. *See* Cmty. Trust Bancorp., Inc. v. Cmty. Trust Fin. Corp., 692 F.3d 469 (6th Cir. 2012).

2055. *Id.* at 471.

2056. *Id.* (quoting S. Mach. Co. v. Mohasco Indus., 401 F.2d 374, 381 (6th Cir. 1968)).

The court then determined that the plaintiff had failed to satisfy the second of these requirements. It might be true that the defendants had processed the applications for online access by their Kentucky customers, but "[t]his activity is, at best, tangentially related to the allegation that the Defendants' use of the Plaintiffs' trademark is confusing and may lead Kentucky residents to the inaccurate conclusion that the . . . banks are affiliated."[2057] In particular, "[i]t is not enough that there be some connection between the in-state activity and the cause of action—that connection must be *substantial*."[2058] The district court's conclusion that specific personal jurisdiction existed over the defendants therefore could not stand.[2059]

A different opinion granting a motion to dismiss without consideration of the *Calder* test focused instead on the relationship between the defendants, a corporate parent and its subsidiary.[2060] The target of the plaintiff's complaint was a press release appearing on the parent's website that allegedly falsely described the effectiveness of a pharmaceutical preparation sold by the subsidiary corporation. In granting the parent's motion to dismiss, the Massachusetts federal district court assigned to the case held that the plaintiff had failed to establish that an exercise of specific personal jurisdiction over the parent was appropriate under the First Circuit's three-part test for constitutional fairness:

> First, the claim underlying the litigation must directly arise out of, or relate to, the defendant's forum-state activities. Second, the defendant's in-state contacts must represent a purposeful availment of the privilege of conducting activities in the forum state, thereby invoking the benefits and protections of that state's laws and making the defendant's involuntary presence before the state's courts foreseeable. Third, the exercise of jurisdiction must . . . be reasonable.[2061]

In particular, even if the averments in the plaintiff's complaint were taken as true, "it is uncontradicted that [the subsidiary], and not [the parent], created the press release and was responsible for its publication on [parent's] website";[2062] moreover, as to that issue, "[the plaintiff] has not pointed the court to any case finding purposeful availment where a *third*-party has disseminated

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2057. *Id.* at 472.

2058. *Id.* at 472-73.

2059. *Id.* at 473.

2060. *See* Genzyme Corp. v. Shire Human Genetic Therapies, Inc., 906 F. Supp. 2d 9 (D. Mass. 2012).

2061. *Id.* at 18 (alteration omitted) (quoting United Elec., Radio & Mach. Workers v. 163 Pleasant St. Corp., 960 F.2d 1080, 1089 (1st Cir. 1992)).

2062. *Id.* at 19.

information on a passive host's website."[2063] The plaintiff's attempt to bootstrap the defendants' corporate relationship into a finding of specific personal jurisdiction was equally unavailing, as "[t]o overcome the presumption of separate corporate identity and assert personal jurisdiction over a parent corporation based on its subsidiary's forum contacts, there must be a 'plus' factor 'beyond the subsidiary's mere presence within the bosom of the corporate family.'"[2064] With the plaintiff unable to demonstrate any such "plus" factors, which the court defined as "an agency relationship between the two corporations, a degree of control by the parent that is more than common ownership and directorship, or clear and convincing evidence that the subsidiary is not a functioning entity, but simply an empty shell," the parent was dismissed from the action.[2065]

An allegedly false press release posted on a jointly operated website also came into play in an opinion by a North Carolina federal district court granting a motion to dismiss for want of personal jurisdiction.[2066] The defendant apparently responsible for the press release was a Dutch company, which did not itself do business directly in North Carolina but which had a corporate affiliate, also named as a defendant, domiciled in the state. The plaintiff argued that the defendants presented themselves as a single entity by sharing the website on which the allegedly false press release was posted, by issuing a common annual report, and by referring to themselves using the same name: According to the plaintiff, this meant that the Dutch company could properly be haled into court in its affiliate's home state. The court sided with the Dutch parent, holding that "corporate entities that are merely 'related,' such as sister corporations or parents of subsidiaries, are not automatically subject to personal jurisdiction in the forum of the 'related entity.'"[2067] Because the Dutch company's ties to North Carolina otherwise were limited to its having filed a lawsuit in the neighboring state of Virginia, its having sold goods in Virginia and South Carolina, and the appearance of some of those goods in North Carolina markets, it could not be said to have the constitutionally mandated continuous and systematic contacts with the state.[2068]

2063. *Id.*

2064. *Id.* at 19 (quoting Donatelli v. Nat'l Hockey League, 893 F.2d 459, 465-66 (1st Cir. 1990)).

2065. *Id.*

2066. *See* Lianyungang FirstDart Tackle Co. v. DSM Dyneema B.V., 871 F. Supp. 2d 482 (E.D.N.C. 2012).

2067. *Id.* at 488.

2068. *Id.* at 489.

Allegations of personal jurisdiction in a declaratory judgment action filed in Texas against defendants domiciled in the District of Columbia and West Virginia similarly failed to survive scrutiny.[2069] Following the failure of its claim that the defendants were subject to an exercise of general jurisdiction, the plaintiff argued that, because the defendants used the marks underlying the plaintiff's request for declaratory relief in Texas, they were necessarily subject to an exercise of specific personal jurisdiction in that state. The court declined to accept that argument. Rather, it held, "Plaintiff alleges no injury arising from or directly relating to Defendants' display of the disputed marks in Texas or over the internet; nor does it allege that Defendants' conduct infringes any of its rights. Under such circumstances, the exercise of specific personal jurisdiction over either Defendant is improper."[2070]

c. Opinions Deferring or Affirming Deferral of the Resolution of the Personal Jurisdiction Inquiry

Plaintiffs responding to motions to dismiss for want of personal jurisdiction often seek leave to conduct discovery on the issue, and that strategy proved successful in some cases.[2071] One plaintiff to invoke it did so in a suit pending in Louisiana federal district court.[2072] Although unconvinced by the plaintiff's claim that specific personal jurisdiction existed over the moving defendants,[2073] a group of television media companies, the court nevertheless held that the plaintiff's showing entitled it to discovery bearing on the moving defendants' exposure to an exercise of general personal jurisdiction. In particular, the plaintiff had averred with the required "reasonable particularity" that the moving defendants "have hired numerous employees in Louisiana, produced television programs and films in Louisiana, broadcast programming into Louisiana on television and the internet, maintain affiliates in Louisiana incorporated in Louisiana, sell merchandise in Louisiana, and may own or lease property in Louisiana."[2074]

3. Federal Subject-Matter Jurisdiction

Challenges to the existence of federal subject-matter jurisdiction in reported opinions were few and far between over the

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2069. *See* Am. Univ. Sys., Inc. v. Am. Univ., 858 F. Supp. 2d 705 (N.D. Tex. 2012).

2070. *Id.* at 716.

2071. *See, e.g.*, Fraserside IP L.L.C. v. Netvertising Ltd., 902 F. Supp. 2d 1165, 1181 (D. Iowa 2012).

2072. *See* Asevedo v. NBCUniversal Media, LLC, 921 F. Supp. 2d 573 (E.D. La. 2013).

2073. *Id.* at 581-88.

2074. *Id.* at 589.

past year. Perhaps the most notable one was mounted by the Islamic Republic of Iran through a motion to vacate a default judgment of infringement and likely dilution.[2075] The basis of the motion was that the plaintiffs' claims were barred by the Foreign Sovereign Immunities Act (FSIA),[2076] under which "'a foreign state is presumptively immune from the jurisdiction of the United States courts,' and 'unless a specified exception applies, a federal court lacks subject-matter jurisdiction over a claim against a foreign state.'"[2077] Because there was no dispute that Iran had not waived its immunity, the court turned its attention to the applicability of one of the FSIA exceptions, namely, that providing for subject-matter jurisdiction in cases "in which the action is based upon . . . an act outside the territory of the United States in connection with a commercial activity of the foreign state elsewhere and that act causes a direct effect in the United States."[2078]

The gravamen of the plaintiffs' claims on the merits was that Iran had unlawfully imitated the trade dress of the plaintiffs' helicopter, but, as the court noted, "plaintiffs do not even attempt to argue that any act of legal significance happened in the United States"; rather, Iran had manufactured and promoted its helicopters within its own borders, and it was barred by federal law from selling them in the United States.[2079] These considerations led to the court disposing of each of the theories advanced by the plaintiffs as to why there had been a direct effect in the United States within the meaning of the FSIA exception. First, the plaintiffs' claim that the violation of their trademark rights in and of itself triggered the exception because "conduct that requires the participation of a series of actors and events before the harm can be felt, cannot constitute a direct effect."[2080] Second, even if the court were to credit the plaintiffs' averment that the increased supply of helicopters and parts incorporating the plaintiffs' trade dress devalued the plaintiffs' inventory and trade dress, "that would only get plaintiffs as far as establishing that financial losses occurred, which . . . does not in and of itself constitute a direct effect in the United States."[2081] Third, the plaintiffs' prospective loss of the $19.5 million default judgment

2075. *See* Bell Helicopter Textron Inc. v. Islamic Republic of Iran, 892 F. Supp. 2d 219 (D.D.C. 2012), *aff'd*, 734 F.3d 1175 (D.C. Cir. 2013).

2076. 28 U.S.C. § 1605 (2012).

2077. *Bell Helicopter*, 892 F. Supp. 2d at 225 (quoting Saudi Arabia v. Nelson, 507 U.S. 349, 255 (1993)).

2078. 28 U.S.C. § 1605(a)(2).

2079. *Bell Helicopter*, 892 F. Supp. 2d at 227.

2080. *Id.* at 228.

2081. *Id.* at 229.

originally entered by the court was "a purely financial loss, and there is no dispute that 'mere financial loss due to commercial activity abroad is not, in itself, sufficient to form a "direct effect."'"[2082] Finally, the court declined to accord dispositive or cumulative significance to the plaintiffs' argument that United States consumers had been confused by the trade dress of the Iranian-made helicopters after concluding from the only testimony proffered by the plaintiffs that the witness was not actually confused.[2083] With the court itself unable to identify anything in the record of the earlier default judgment proceeding warranting recognition of the exception,[2084] the motion to lift the default was granted and the case dismissed.[2085]

In a second case raising the issue of federal subject-matter jurisdiction, the lead defendant was a Florida corporation operating out of Miami, while the remaining defendants were companies domiciled in Colombia, Peru, and Guatemala.[2086] Among other allegations in the plaintiff's complaint was the recitation that the defendants were importing fruit into the United States using a mark confusingly similar to two marks owned by the plaintiff, which were also used in connection with fruit. According to the complaint, the defendants' conduct had produced several instances of actual confusion, which was of particular concern in light of inspections by the U.S. Department of Agriculture disclosing that some shipments of the defendants' fruit were in the early stages of decay.[2087] The defendants sought the dismissal of the complaint on the theory that the plaintiff was impermissibly relying on an extraterritorial application of the Lanham Act to create federal subject-matter jurisdiction, but the court denied the motion:

> Plaintiff is not complaining of any violations that occurred outside of the U.S.[;] instead Plaintiff is alleging that the violations occurred when the foreign corporations imported produce into the U.S., and specifically into the Southern District of Florida. Because the alleged Lanham Act violations occurred inside the U.S., subject-matter jurisdiction is clearly conferred pursuant to 28 U.S.C. § 1331 and 28 U.S.C. [§] 1338.[2088]

2082. *Id.* (quoting Millicom Int'l Cellular, S.A. v. Republic of Costa Rica, 995 F. Supp. 14, 22 (D.D.C. 1998) (citation omitted)).

2083. *Id.* at 230.

2084. *See id.* at 230-34.

2085. *Id.* at 234.

2086. *See* Fru Veg Mktg., Inc. v. Vegfruitworld Corp., 896 F. Supp. 2d 1175 (S.D. Fla. 2012).

2087. *Id.* at 1178-79.

2088. *Id.* at 1180.

4. Venue

Venue in a federal court action will properly lie in a district in which "any defendant resides, if all defendants are residents of the State in which the district is located," "in which a substantial part of the events or omissions giving rise to the claim occurred," or in which any defendant may be found, "if there is no district in which the action may otherwise be brought."[2089] A challenge to the venue chosen by a plaintiff can take the form of a motion 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,"[2090] and which is arguably a codification of the common-law doctrine of *forum non conveniens*.[2091] A venue challenge can also include a motion to transfer under 28 U.S.C. § 1404(a), which provides that "[f]or the convenience of [the] parties and the witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought."[2092]

Whether to maintain or to transfer an action in such a district or to transfer it to another one under the last of these mechanisms typically turns on the consideration of a number of factors bearing on the public interest and those of the parties. Public-interest factors can include such considerations as: (1) the enforceability of any judgment; (2) practical considerations that could make the trial easy; (3) the relative congestion of the dockets of the courts in question; (4) the local interest in resolving the litigation locally; (5) the public policies of the fora in question; and (6) the familiarity of the trial judge with the applicable state law in diversity cases.[2093] Private-interest factors can include: (1) the plaintiff's choice of forum; (2) the defendant's preferred forum; (3) the forum in which the claim arose; (4) the convenience of the parties; (5) the convenience of the witnesses to the extent that they may be unavailable in one of the fora; and (6) the location of documentary evidence.[2094] In applications of both sets of factors, "[i]f the

2089. 28 U.S.C. § 1391(b) (2012).

2090. *Id.* § 1406(a).

2091. *See generally* Sinochem Int'l Co. v. Malay Int'l Shipping Corp., 549 U.S. 422, 423 (2007) (noting that dismissal or transfer appropriate under *forum non conveniens* "when considerations of convenience, fairness, and judicial economy so warrant").

2092. 28 U.S.C. § 1404(a).

2093. Capriotti's Sandwich Shop, Inc. v. Taylor Family Holdings, Inc., 857 F. Supp. 2d 489, 498 (D. Del. 2012); *see also* Asevedo v. NBCUniversal Media, LLC, 921 F. Supp. 2d 573, 591 (E.D. La. 2013) (identifying the relative congestion of the dockets of the courts in question, the local interest in the resolution of the dispute in a local forum, the familiarity of the courts in question with the law governing the case, and the avoidance of unnecessary problems of conflict of laws as relevant public-interest factors).

2094. *Capriotti's Sandwich Shop*, 857 F. Supp. 2d at 499; *see also Asevedo*, 921 F. Supp. 2d at 591 (identifying the relative ease of access to sources of proof, the availability of

transferee court is not clearly more convenient, then the court deciding whether to transfer should respect the plaintiff's choice of venue."[2095]

a. Opinions Reaching or Affirming Findings of Proper Venue

A number of courts rejected defendants' efforts to transfer actions to putatively more convenient forums,[2096] especially those according plaintiffs' choice of forum significant weight.[2097] One court noted of that consideration that, "[t]he burden of demonstrating the desirability of transfer lies with the moving party, and in considering the motion for transfer, a court should not disturb a plaintiff's choice of forum unless the defendants make a clear and convincing showing that the balance of convenience favors defendants' choice."[2098] This proposition applied with particular force because of the court's finding that there was a material connection between the plaintiffs' preferred forum and the facts underlying the case. In particular, it found, "the Court is persuaded that New York is the focus of [the] operative facts because the allegedly infringing products are marketed and sold in New York,"[2099] even if those products had been manufactured elsewhere.[2100] Moreover, although the defendant identified potential party and non-party witnesses in its proposed forum, their convenience did not outweigh that of the New York City-based witnesses identified in the plaintiff's responsive papers. A final consideration weighing in favor of the denial of the defendant's motion was that "neither the location of relevant documents and the relative ease of access to sources of proof, nor the relative means of the parties are compelling factors where two corporations square off in the digital age."[2101]

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compulsory process to secure the attendance of unwilling witnesses, the cost of attendance for willing witnesses, and any other practical problems that might be associated with the trial of the case as private-interest factors).

2095. *Asevedo*, 921 F. Supp. 2d at 591.

2096. *See, e.g.*, Collegiate Licensing Co. v. Am. Cas. Co. of Reading, Pa., 713 F.3d 71, 79-80 (11th Cir. 2013) (affirming district court's denial of motion to transfer action brought by policyholder against insurers).

2097. *See, e.g.*, Smithfield Packing Co. v. Suarez, 857 F. Supp. 2d 581, 585 (E.D. Va. 2012) (denying motion to transfer in part because "[t]he plaintiff's forum selection is given considerable weight especially in cases where the plaintiff files this action in its home state.").

2098. Accantia Grp. Holdings v. Food Mkt. Merch., Inc., 908 F. Supp. 2d 439, 441 (S.D.N.Y. 2012) (quoting CAVU Releasing, LLC v. Fries, 419 F. Supp. 2d 388, 394 (S.D.N.Y. 2005) (citation omitted)) (internal quotation marks omitted).

2099. *Id.*

2100. *Id.* at 441-42.

2101. *Id.* at 442.

A different federal district court denied a Section 1404(a) motion to transfer after first addressing the unusual threshold question of where the plaintiffs, the sovereign Navajo Nation tribe of Native Americans and a corporation owned by it and organized under tribal law, were domiciled.[2102] The action was initiated in the District of New Mexico, and one basis for the defendants' motion was that the plaintiff's choice of that forum was entitled to less weight because it was not the plaintiff's home turf. The tribe owned four million acres of land in New Mexico, and 112,000 of its members lived in the state, but the defendants' moving papers argued that the majority of the plaintiffs' tribe and members were located outside the state, as well as that the tribe was headquartered in Arizona. Weighing these competing showings, the court invoked "the policy reason behind placing significance on the [plaintiff's] 'home forum'—that the court may presume that the chosen forum is convenient to the plaintiff."[2103] Not surprisingly, this consideration weighed in the plaintiffs' favor as "[e]ven if a tribe may have only one 'home forum,' and even if Arizona were to be deemed the Navajo Nation's 'home forum,' and even if Arizona were to be deemed the Navajo Nation's 'home forum,' for purposes of this presumption of convenience, the District of New Mexico is certainly also a forum easily deemed convenient for Plaintiffs and is not merely a forum that is largely fortuitous."[2104] The defendants were able to establish the investment required for them to litigate in New Mexico weighed "slightly" in favor of a transfer,[2105] and that the proposed transferee forum was less congested than that chosen by the plaintiffs,[2106] but their moving papers otherwise failed to identify potential party or third-party witnesses unable or unwilling to travel to New Mexico,[2107] or that the courts in both the districts in question were not "equally competent in federal question cases."[2108] The defendants' motion therefore was without merit because "[a]lthough some of the factors weigh in Defendants' favor, transferring this case ultimately would do little more than shift the balance of inconvenience from Defendants to Plaintiffs."[2109]

Courts rejecting defense motions to transfer also included a Louisiana federal district court, which denied a defense bid to have

2102. *See* Navajo Nation v. Urban Outfitters, Inc., 918 F. Supp. 2d 1245 (D.N.M. 2013).

2103. *Id.* at 1255.

2104. *Id.*

2105. *Id.* at 1259.

2106. *Id.* at 1259-60.

2107. *Id.* at 1256-59.

2108. *Id.* at 1260.

2109. *Id.* at 1261.

the case moved to California.[2110] One consideration underlying the court's denial of the defendants' motion was uncertainty over whether the case could have been filed in the proposed forum in the first place.[2111] Another was that the private-interest factors of the ease of access to sources of proof, the availability of compulsory process for unwilling witnesses, the cost of attendance for willing witnesses, and other issues associated with the easy, expeditious, and inexpensive trial of the case did not weigh strongly in favor of either forum.[2112] In addition, the court found, "[t]he public interest factors add little to the analysis and are mostly neutral in this case."[2113] Despite the fact that, as between the parties, only the plaintiff resided in the district in which the action had been filed, the defendants' motion fell short.[2114]

A different plaintiff's choice to file suit in its home forum and the neutrality of many of the relevant private and public interest factors combined to defeat another Section 1404(a) motion, this one in a trade dress and utility patent dispute.[2115] That home forum was the Eastern District of Texas, and the defendants failed to demonstrate the propriety of transferring the action to their own preferred venue, the Western District of Arkansas. The defendants' invocation of the private-interest factor of ease of access to sources of proof was unavailing "because the sources of proof originate from varied locations,"[2116] because their claim that the convenience of witnesses favored a transfer was unsupported by the names of those witnesses or explanations of their potential testimony,[2117] and because they had no greater interest than the plaintiff in having the parties' dispute decided "at home."[2118] Moreover, because the plaintiff's causes of action sounded in federal law, both courts were equally capable of evaluating them, and there were no conflict of law concerns raised by the case being heard in Texas.[2119] In contrast, the adoption by the Eastern District of Texas of local patent rules and that district's relative lack of congestion affirmatively weighed against a transfer.[2120]

2110. Asevedo v. NBCUniversal Media, LLC, 921 F. Supp. 2d 573 (E.D. La. 2013).

2111. *Id.* at 592.

2112. *Id.*

2113. *Id.* at 593.

2114. *Id.*

2115. *See* Frito-Lay N. Am., Inc. v. Medallion Foods, Inc., 867 F. Supp. 2d 859 (E.D. Tex. 2012).

2116. *Id.* at 869.

2117. *Id.* at 870-71.

2118. *Id.* at 872.

2119. *Id.*

2120. *Id.* at 871-72.

Under these circumstances, the defendants' motion to transfer was without merit.[2121]

Finally, one court took the unusual, but correct under the circumstances, step of declining to give dispositive significance to a forum-selection clause in an agreement between the parties.[2122] The plaintiff had once participated in Google's ADWORDS program, in connection with which it had executed a contract identifying "the federal or state courts of Santa Clara County, California, USA" as the proper venue for any dispute arising out of the contract.[2123] Years later, the plaintiff objected to Google's sale of the plaintiff's mark as a trigger for advertising by a competitor of the plaintiff. The plaintiff filed a complaint against Google in the Central District of California, to which Google responded with a motion to transfer the action to the Northern District of California. Google's motion was grounded in the forum-selection clause contained in its earlier agreement with the plaintiff, but the court held that the clause was insufficiently related to the plaintiff's allegations against Google to control the issue. It explained that "[t]he Agreement solely addresses *Plaintiff's* participation as a customer in [Google's] advertising program, not Plaintiff's rights or duties in regard to a third party's unlawful infringement of its trademark."[2124]

b. Opinions Reaching or Affirming Findings of Improper Venue

One set of defendants moving the court to transfer the trade dress action against them lost an initial battle but then won the war.[2125] The court invoked the "oft-repeated rule in cases of trademark infringement, dilution, or unfair competition . . . that the locus of operative facts is the initially chosen forum,"[2126] which led the defendants to argue that the rule was inapplicable because "the claims in this action are, at core, for infringement of trade dress and . . . infringement of trade dress is more akin to infringement of a design patent or a copyright, in which the operative facts relate to the design, development, and production of an infringing product."[2127] The court rejected that particular contention, but it nevertheless held that the locus of the design and development of the defendants' product was not "wholly

2121. *Id.* at 872.

2122. *See* CYBERsitter, LLC v. Google Inc., 905 F. Supp. 2d 1080 (C.D. Cal. 2012).

2123. *Quoted in id.* at 1083.

2124. *Id.* at 1085.

2125. *See* CYI, Inc. v. Ja-Ru, Inc., 913 F. Supp. 2d 16 (S.D.N.Y. 2012).

2126. *Id.* at 19, 22, 24-25.

2127. *Id.* at 19.

irrelevant" to the issue of where the parties' dispute had arisen.[2128] Other considerations weighed in favor of a transfer as well, including the defendants' showing that the plaintiffs were not domiciled in their choice of forum,[2129] that the proposed transferee forum would be more convenient for a number of witnesses,[2130] and that the defendants' documents were located in the proposed transferee forum.[2131] In the final analysis, a transfer was appropriate because:

> [T]he Court cannot discern any significant connection of this litigation to [the original forum] that is not the result of [the plaintiff's] decision to litigate here, rather than elsewhere: there is no record evidence of substantial sales in the district as compared to elsewhere, no clear indication that [there are] witnesses with unique knowledge in or near the district, and no party has its home in the district.[2132]

A different court also found a choice of forum inappropriate but for different reasons.[2133] The action was one for a declaratory judgment of noninfringement and had been filed in Texas by a domiciliary of that state against defendants located in the District of Columbia and West Virginia. Finding that the defendants were subject to an exercise of neither specific nor general personal jurisdiction in Texas, the court determined that the plaintiff's reliance on the contrary proposition as a basis for venue under sections 1391(b)(1) and 1391(b)(2) of Title 28[2134] was unavailing.[2135] Then, based on its finding in the personal jurisdiction context that "there is no allegation of conduct occurring within Texas that gave rise to this declaratory judgment action," it held that section 1391(b)(2) of the same title[2136] was equally unavailable.[2137] Rather than dismissing the action altogether, however, the court

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2128. The court identified three reasons for its conclusion on this point: (1) "proof of bad faith creates presumption of likelihood of confusion"; (2) "[the plaintiff] has alleged willfulness, which will presumably turn, in large part, on facts regarding the design and development of the accused products and packaging and the knowledge of the employees involved in that process"; and (3) "the inquiry into functionality may also relate to the design of the accused product and packaging." *Id.* at 21 (citation omitted).

2129. *Id.* at 22.

2130. *Id.* at 22-24.

2131. *Id.* at 24.

2132. *Id.* at 26.

2133. *See* Am. Univ. Sys., Inc. v. Am. Univ., 858 F. Supp. 2d 705 (N.D. Tex. 2012).

2134. 28 U.S.C. §§ 1391(b)(1), 1391(b)(2) (2012).

2135. *Am. Univ.*, 868 F. Supp. 2d at 717.

2136. 28 U.S.C. § 1391(b)(2).

2137. *Am. Univ.*, 868 F. Supp. 2d at 717.

transferred it to District of the District of Columbia "in the interest of justice."[2138]

5. Claim and Issue Preclusion

a. Claim Preclusion (Res Judicata)

One court applied a variation of res judicata principles in a case not involving the final disposition of an earlier action but instead the filing of multiple actions by multiple related plaintiffs, many of which sought to protect rights to the same marks.[2139] Confronting the baffling array of complaints on a defense motion for summary judgment, which accused the plaintiffs of impermissible claim-splitting, the court assigned to the cases, which had been consolidated prior to the trial of the first one, noted that:

> Application of the rule against claim-splitting requires that the lawsuits involve the same parties. Defendants suggest that the parties must be identical or in privity to invoke the rule against claim-splitting, and Plaintiffs propose no other approach. . . . [P]rivity exists in three narrow situations: "(1) where the non-party is the successor in interest to a party's interest in property; (2) where the non-party controlled the prior litigation; and (3) where the non-party's interests were adequately represented by a party to the original suit."[2140]

After a laborious examination of the relationships between the plaintiffs and the marks at issue in the plaintiffs' various actions, the court concluded that all but two of the plaintiffs were sufficiently related that their claims should be dismissed without prejudice. As it explained, "[a]pplication of the rule against claim-splitting is particularly warranted in a case such as this one, where the only explanation for the duplicative litigation . . . is to expand Plaintiffs' procedural rights, upset the trial schedule, harass Defendants, and avoid the requirements of [the] amendment of Plaintiffs' claims."[2141]

b. Issue Preclusion (Collateral Estoppel)

According to the Eleventh Circuit's formulation of the doctrine, "[i]ssue preclusion bars successive litigation of an issue of

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2138. *Id.*

2139. *See* S. Snow Mfg. Co. v. SnoWizard Holdings, Inc., 921 F. Supp. 2d 527 (E.D. La. 2013).

2140. *Id.* at 541-42 (quoting Meza v. Gen. Battery Corp., 908 F.2d 1262, 1265 (5th Cir. 1990)).

2141. *Id.* at 533.

fact or law actually litigated and resolved in a valid court determination essential to the prior judgment, even if the issue recurs in the context of a different claim."[2142] The occasion of this restatement of the law was an attempt by the putative owner of the claimed "ale house" mark for a drinking establishment to escape the preclusive effect of a past infringement action in which those words were found to be generic.[2143] The court held the issue to be governed by a four-part test:

> We apply issue preclusion when (1) the issue at stake is identical to the one involved in the prior litigation; (2) the issue was actually litigated in the prior suit; (3) the determination of the issue in the prior litigation was a critical and necessary part of the judgment in that action; and (4) the party against whom the earlier decision is asserted had a full and fair opportunity to litigate the issue in the earlier proceeding.[2144]

There was no apparent dispute that the second, third, and fourth requirements were met, but the plaintiff argued that the first was not. Specifically, it asserted that the relevant inquiry in the earlier litigation had been whether the claimed mark was generic in 1998, while the issue in the case before the court was whether the mark was still generic eleven years later. The court grudgingly noted that "[c]ertain issues in trademark law are more likely than others to be altered across time";[2145] in particular, "[f]act-intensive issues such as likelihood of confusion and secondary meaning may entail a wholly different inquiry due to significant intervening circumstances between two bouts of litigation."[2146] Nevertheless, the court ultimately concluded that the plaintiff's evidence—which consisted of favorable declaration testimony from two residents of areas in which the plaintiff was the only user of "ale house," "employee statements that customers routinely confuse[d] the [parties'] restaurants," an expanded number of stores, and an increased promotional spend—did not create a dispute of fact as to the continued genericness of its mark.[2147]

A panel of the Sixth Circuit hearing an appeal from the Northern District of Ohio applied a closely similar four-factor test for issue preclusion:

2142. Miller's Ale House, Inc. v. Boynton Carolina Ale House, LLC, 702 F.3d 1312, 1318 (11th Cir. 2012) (citations omitted) (internal quotation marks omitted).

2143. *See* Ale House Mgmt., Inc. v. Raleigh Ale House, Inc., 205 F.3d 137 (4th Cir. 2000).

2144. *Miller's Ale House*, 702 F.3d at 1318.

2145. *Id.* at 1319.

2146. *Id.*

2147. *Id.* at 1321.

> (1) the precise issue must have been raised and actually litigated in the prior proceedings; (2) the determination of the issue must have been necessary to the outcome of the prior proceedings; (3) the prior proceedings must have resulted in a final judgment on the merits; and (4) the party against whom estoppel is sought must have had a full and fair opportunity to litigate the issue in the prior proceeding.[2148]

The parties winding up with the short end of the stick under this standard were the plaintiffs, which manufactured paper towel dispensers and towels designed to fit into those dispensers. They objected to the defendant's sale in Ohio and Indiana of paper towels that also were designed to fit into the plaintiffs' dispensers on the theory that the appearance of those towels in dispensers bearing the plaintiff's marks violated the plaintiffs' rights to the marks. The problem with this claim from the defendant's (and ultimately the court's) perspective was that the plaintiff unsuccessfully had challenged much the same conduct by a different defendant in the Western District of Arkansas.[2149] The plaintiffs responded to the defendant's claim that the Arkansas litigation had preclusive effect by acknowledging that the second, third, and fourth of the relevant factors favored the defendant's position, but they did contest the first factor on the grounds that the two cases differed in their underlying facts, the governing law, and the claims asserted.[2150]

Addressing the plaintiffs' claim that the cases had distinguishable underlying facts, the court rejected the propositions that the intent of the defendant in each case had to be evaluated separately,[2151] that the end users of the towels in the two cases were in different geographic areas,[2152] and that circumstances might have changed in the "less than one year"

2148. Ga.-Pac. Consumer Prods. LP v. Four-U-Packaging, Inc., 701 F.3d 1093, 1098 (6th Cir. 2012) (quoting Cobbins v. Tenn. Dep't of Transp., 566 F.3d 582, 589-90 (6th Cir. 2009)).

2149. *See* Ga.-Pac. Consumer Prods. LP v. Myers Supply, Inc., No. 6:08-CV-6086, 2009 WL 1850324 (W.D. Ark. June 26, 2009), *aff'd*, 621 F.3d 771 (8th Cir. 2012).

2150. *Four-U Packaging*, 701 F.3d at 1098.

2151. On this issue, the court noted that the defendant in the Arkansas litigation had "admitted with ninety-nine percent certainty" that its towels would be installed in the plaintiffs' dispensers. *Id.* at 1099 (quoting *Myers Supply*, 2009 WL 1850324, at *4) (internal quotation marks omitted). Even if the intent of the two defendants was "arguably distinct," that difference therefore was "inconsequential." *Id.*

2152. Because in the earlier litigation the plaintiffs had adduced survey results that the Arkansas court had found unpersuasive, they commissioned a new survey that did not target Arkansas respondents but instead those in Arizona, California, Florida, Illinois, Massachusetts, Minnesota, New York, and Texas. Because the new survey did not measure the attitudes of end users in the Ohio and Indiana markets in which the defendant sold its towels, its results were not cognizable evidence that those end users had differing perceptions of the challenged conduct than did their Arkansas counterparts. *Id.* at 1100.

since the earlier suit.[2153] The court then disposed of the plaintiffs' theory that differences between Eighth Circuit and Tenth Circuit likelihood-of-confusion doctrine justified giving no weight to the outcome of the Arkansas litigation, because, as it explained, "[a]lthough the two tests are enumerated differently, their substance is largely identical."[2154] Finally, the court proved unsympathetic to the plaintiffs' argument that the Arkansas court's failure expressly to address their dilution claim while otherwise granting a defense motion for summary judgment meant that the dilution claim had never been resolved. Rather, "[b]ecause it was apparent that [the plaintiffs'] trademark-dilution claim had no basis in the facts or law, it is understandable that the [Arkansas] court did not analyze the claim separately. Nonetheless, this claim was litigated and actually decided, so its preclusive effect applies."[2155] The court therefore affirmed the holding below that, as a matter of law, all of the requirements for issue preclusion were satisfied.[2156]

The Eighth Circuit applied a substantively identical test for issue preclusion, albeit one that employed five, rather than four, factors:

> (1) the party sought to be precluded in the second suit must have been a party, or in privity with a party, to the original lawsuit; (2) the issue sought to be precluded must have been the same as the issue involved in the prior action; (3) the issue sought to be precluded must have been actually litigated in the prior action; (4) the issue sought to be precluded must have been determined by a valid and final judgment; and (5) the determination in the prior action must have been essential to the prior judgment.[2157]

The victim of the court's application of this test was a plaintiff that previously had prevailed in a likelihood-of-confusion-based opposition to an application by the defendant to register its mark. Not surprisingly, the plaintiff sought to have its earlier victory given dispositive effect in the second round between the parties, but the court declined to do so. Although the plaintiff's argument might have enjoyed some support in the court's past case law had the Trademark Trial and Appeal Board's decision been affirmed by

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2153. *Id.*

2154. *Id.* at 1101.

2155. *Id.* at 1103.

2156. *Id.*

2157. B & B Hardware, Inc. v. Hargis Indus., 716 F.3d 1020, 1024 (8th Cir. 2013) (quoting Robinette v. Jones, 476 F.3d 585, 589 (8th Cir. 2007) (quoting Anderson v. Genuine Parts Co., 128 F.3d 1267, 1273 (8th Cir. 1997))), *petition for cert. filed*, No. 13-352 (U.S. Sept. 18, 2013), *later proceedings*, 2014 WL 102375 (U.S. Jan. 13, 2014).

the Federal Circuit,[2158] the Board's status as a non-Article III tribunal prevented it from having the last word on the extent of the conflict between the parties' marks.[2159] Beyond that consideration, the plaintiff was unable to satisfy the second of the five factors listed above because the Board's multifactored test for likely confusion differed from the one extant in the Eighth Circuit, both because it employed different factors and because "it ignores a critical determination of trademark infringement, that being the marketplace usage of the marks and products."[2160]

6. Evidentiary Matters

a. Admissibility of Expert Witness Testimony

Outside the realm of survey evidence, courts generally proved receptive to the use of expert witnesses on the issue of monetary relief.[2161] One example of this phenomenon came in an action in which the plaintiff averred that the defendant had breached a license between the parties by discontinuing one of the marks covered by the license.[2162] The plaintiff sought damages in the form of the profits it would have enjoyed under the discontinued mark, and, to that end, served an expert report that relied in part on sales data from two third-parties whose goods were allegedly not directly competitive with the goods covered by the license. The trial court excluded the report on the ground that the plaintiff's expert had improperly relied on the third-party sales data when plotting the plaintiff's prospective growth in revenues, but that exclusion was overturned on appeal. According to the appellate court, the unavailability of sales figures for directly competitive products justified the expert's reliance on the third-party figures.[2163] In any case, the court concluded:

> The perceived flaws in [the] plaintiff's expert's analysis are relevant to the weight a jury should give to the expert's report and testimony; they do not present sufficient grounds for ruling that analysis inadmissible. [The expert's] analysis and conclusion should be challenged through cross-examination;

2158. *See* Flavor Corp. of Am. v. Kemin Indus., 493 F.2d 275 (8th Cir. 1974) (giving dispositive effect to prior determination of likely confusion between parties' mark in light of affirmance by Court of Customs and Patent Appeals).

2159. *B & B Hardware*, 716 F.3d at 1024.

2160. *Id.* at 1025.

2161. *See, e.g.*, Gucci Am., Inc. v. Guess?, Inc., 858 F. Supp. 2d 250, 255-56 (S.D.N.Y. 2012) (declining to exclude expert testimony of plaintiff's actual damages based on reasonable royalty rate, despite absence of prior licensing relationship between parties and undisputed fact that plaintiff would not have licensed defendants to use allegedly infringed mark).

2162. *See* Wathne Imps., Ltd. v. PRL USA, Inc., 953 N.Y.S.2d 7 (App. Div. 2012).

2163. *Id.* at 10.

the jury must decide whether or not his methodology was appropriate.[2164]

In another case presenting an expert witness report that passed muster, two plaintiffs alleging false advertising by a competitor were served with a counterclaim for trade dress infringement.[2165] Both in response to the plaintiffs' claims and in support of its own, the defendant served discovery requests bearing on the plaintiffs' sales and profits. When the defendant received an expert witness report opining on that information and supported by documentation not produced by the plaintiffs—in response to the defendants' discovery requests, the plaintiffs had produced only summaries of the information—the defendant unsuccessfully moved the court to exclude the report. The court held that the failure to produce the documentation earlier was substantially unjustified, but it identified several reasons why the defendant's requested sanction of exclusion was inappropriate: (1) the plaintiffs had not acted in bad faith;[2166] (2) the information in question was critical to the plaintiffs' case;[2167] (3) although the defendant was prejudiced, it had "done little to prevent or mitigate that prejudice"; and (4) the plaintiffs produced the missing documents "shortly after the discovery deadline and well in advance of any trial of this matter."[2168] The proper remedy therefore was to allow the defendant additional discovery at the plaintiffs' expense.[2169]

The court then turned to two additional attacks on the admissibility of the report, which were that portions of it had been prepared by a colleague of the expert and that the report relied on unverified information provided by the plaintiffs. As to the first of these issues, the court concluded that "[w]here the expert was directly involved in the research, analysis or drafting of the report, even with substantial assistance from a colleague or associate, his involvement in and knowledge of the report are matters of weight, not admissibility";[2170] nevertheless, because the expert was unfamiliar with the details of his colleague's verification of some of the data cited in the report, the court allowed the defendant to depose the expert's colleague.[2171] The court reached much the same outcome on the second issue raised by the defendant, which was

2164. *Id.*

2165. *See* Lee Valley Tools, Ltd. v. Indus. Blade Co., 288 F.R.D. 254 (W.D.N.Y. 2013).

2166. *Id.* at 261.

2167. *Id.* at 261-62.

2168. *Id.* at 262.

2169. *Id.*

2170. *Id.* at 266.

2171. *Id.*

that, although "[a]n expert report is not *per se* unreliable because it relies on some unverified or inaccurate information provided by the expert's client," the defendant was entitled to depose those of the plaintiffs' personnel responsible for generating the information in question.[2172]

Notwithstanding the general receptiveness of courts to expert reports on monetary relief, one plaintiff seeking to recover for the alleged infringement of the trade dress of its relatively expensive handbags disclosed an expert witness report on the issue of monetary relief but succeeded in getting only part of the report into evidence.[2173] That portion addressed the results of an Internet survey targeting high-income respondents who had purchased the plaintiff's products in the past. After viewing bags sold by the plaintiff, the respondents were shown examples of the defendants' much lower-priced bags and asked, "If you knew that less expensive handbags, such as the ones pictured here, were being sold, would you be any less likely to buy an authentic . . . product?"[2174] Additional questioning of those respondents giving affirmative answers yielded the results that, "12% would not buy [the plaintiff's] goods; 19% would reduce purchases by 1 to 25% per year; 25% by 26 to 50%; 17% by 51 to 75% per year; 11% would reduce purchases by more than 75% per year; and 16% did not know."[2175] A third question asked respondents, "Do you believe you have seen . . . knockoffs [of the plaintiff's goods] in public?"[2176] Coupled with the responses to his other questions, the 41 percent rate of positive responses to this inquiry led the expert to opine that "the sale of knockoffs such as [the] bags in issue in this case caused actual harm to [the plaintiff]."[2177] Rejecting the defendants' attack on this methodology, the court acknowledged the defendants' concern that "the sloppy questions are problematic and the sweeping conclusions are careless."[2178] "Nonetheless," it held, "Defendants can explore the weakness in [the] survey through . . . traditional methods such as vigorous cross examination and by presenting their own expert testimony."[2179]

The defendants had better luck challenging another portion of the same expert's report, which the court concluded was based on improper speculation. As described by the court, the report

2172. *Id.* at 267.

2173. *See* Brighton Collectibles, Inc. v. RK Tex. Leather Mfg., 923 F. Supp. 2d 1245 (S.D. Cal. 2013).

2174. *Quoted in id.* at 1258.

2175. *Id.*

2176. *Quoted in id.*

2177. *Quoted in id.*

2178. *Id.*

2179. *Id.*

assumed that "one infringing sale correlates with one transaction in which the [plaintiff's] customer would have purchased 2.06 authentic items (including handbags, wallets, jewelry, and watches)."[2180] This methodology yielded a lost-profits measure of damages in the amount of $115 million even though the defendants enjoyed collective sales of the allegedly infringing goods of only $8 million. That discrepancy caught the court's attention, and it held that the report failed to satisfy the requirements of Rule 702 of the Federal Rules of Evidence.[2181] Inexplicably quoting Section 504 of the Copyright Act,[2182] rather than Section 35 of the Lanham Act, in support of its analysis[2183] the court determined that the report "improperly equates Defendants' infringing sales with [the plaintiff's] own lost profits on a scale of 1:1."[2184] Specifically, "[a]s Defendants correctly observe, it is not plausible that every woman who bought a $20 or $50 knockoff would have paid over $200 for an authentic handbag."[2185] Because, "[w]hen deposed, [the expert] could not identify the factual basis for his assumptions or provide any assurances that his conclusion is based upon a method that is generally known in the field or that has a known margin of error that could be tested by other professionals," exclusion of his damages analysis was appropriate.[2186]

The report of another monetary relief expert met with grief at the hands of a Massachusetts district court, which concluded the report set forth neither a specific figure nor range of figures from which a jury could intelligently estimate the plaintiff's actual damages.[2187] The First Circuit held that the report's exclusion had not been an abuse of discretion because the report was based solely on the plaintiff's inability to meet its sales projections. In particular, the report failed to address "the possibility that [the plaintiff's] decline in sales was merely an ordinary year-to-year fluctuation";[2188] of equal significance, the court concluded, the report contained "no information about [the plaintiff's] profit margins of any financial information other than revenues that a jury could use to estimate lost *profits*, which is the ultimate measure of damages."[2189] The court went on to observe that:

2180. *Id.* at 1253.

2181. Fed. R. Evid. 702.

2182. 17 U.S.C. § 504 (2012).

2183. *Brighton Collectibles*, 923 F. Supp. 2d at 1253.

2184. *Id.* at 1254.

2185. *Id.* at 1255.

2186. *Id.* at 1256.

2187. *See* Fishman Transducers, Inc. v. Paul, 684 F.3d 187 (1st Cir. 2012).

2188. *Id.* at 195.

2189. *Id.*

> Economists do have means for moving from data indicating correlation to a fair inference of causation. In this case, such means may have included direct testimony from consumers, market research surveys of . . . purchasers as to their reasons for purchases, or sales data for [the plaintiff's] competitors that might show that [the plaintiff's] sales decline was unique or unusual rather than part of broader industry wide conditions. These are often difficult, time-consuming and expensive efforts; but without them, [the expert's] report was merely a basis for jury speculation and his testimony properly excluded.[2190]

Finally, two cases generated opinions addressing the admissibility of expert reports not on the issue of monetary relief but instead on the extent to which confusion was likely between the parties' marks.[2191] The witness in question in the first case had been retained by the plaintiff, and the defendants acknowledged that he was "an experienced trademark attorney,"[2192] but they questioned his credentials in the seafood industry in which the parties competed and whether his report both opined on legal issues and threatened to usurp the role of the finder of fact. The court's resolution of these issues was not an all-or-nothing affair, but instead varied depending on the particular likelihood-of-confusion factor at issue. Specifically, the report was *admissible* with respect to the following factors: (1) the strength of the plaintiff's mark because "[w]hile [the expert's] opinion includes common sense matters of fact for distinguishing various levels of strength, those facts are contextualized within a relatively unknown measurement system used to determine the conceptual and acquired strengths of a trademark";[2193] (2) whether the parties' sales efforts were the same because that portion of the report assessed agreed-upon facts based on the witness's professional experience;[2194] and (3) the relationship of the parties' goods in the minds of consumers because that portion of the report also assessed agreed-upon facts based on the witness's professional experience.[2195] The report was *inadmissible*, however, with respect to the following issues: (1) the similarity between the parties' marks because "[e]xpert assistance is not required to see such a plain observation";[2196] (2) the prices of the parties' goods and the care and attention exercised by consumers because the report's

2190. *Id.* (footnote omitted).

2191. Int'l Mkt. Brands v. Martin Int'l Corp., 882 F. Supp. 2d 809 (W.D. Pa. 2012).

2192. *Quoted in id.* at 813.

2193. *Id.* at 816.

2194. *Id.* at 819.

2195. *Id.*

2196. *Id.* at 816.

treatment of those issues was "replete with common sense opinion that does not assist a trier of fact";[2197] (3) the length of time the parties' marks had coexisted without confusion because the proffered testimony was "both an impermissible legal conclusion and not helpful";[2198] (4) the defendants' intent because that portion of the report contained "impermissible legal conclusions";[2199] (5) actual confusion because the report's recitation that "the trier of fact must determine the significance of this factor" was an impermissible legal conclusion;[2200] (6) the promotional media used by the parties because the report's treatment of that issue was both "an impermissible legal conclusion and not helpful";[2201] and (7) other potentially relevant factors, namely, the possible problem of contaminated food and the phenomenon of brand leveraging, because both were matters of common sense.[2202]

The proffered expert in the second case also was a trademark attorney opining on the ultimate issue of liability, but the court hearing that proceeding was unwilling to consider even a portion of his report into evidence.[2203] The issue arose not as a result of a motion in limine, but instead in the context of the plaintiff's motion for summary judgment, in response to which the report had been generated. The court held that the report deserved "little weight" even in the absence of briefing on its admissibility. This was because:

> Nowhere does [the defendant] or [the witness] explain who this expert is, what methods he used, or why his opinion merits consideration. If anything, what the . . . Report does is apply facts in the record to the seven-factor likelihood-of-confusion test to create a legal opinion, which the court will not consider.[2204]

b. Admissibility of Other Testimony and Evidence

The usual subjects of admissibility disputes are testimony and evidence proffered by the parties, but the Eleventh Circuit had the occasion to tackle the propriety of a district court relying on materials that the district court itself had identified through

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2197. *Id.* at 817.

2198. *Id.*

2199. *Id.* at 818.

2200. *Id.*

2201. *Id.* at 818-19.

2202. *Id.* at 820.

2203. *See* Drew Estate Holding Co. v. Fantasia Distrib., Inc., 875 F. Supp. 2d 1360 (S.D. Fla. 2012).

2204. *Id.*at 1370.

Internet research.[2205] Although identifying other reasons for vacating and remanding a bench finding of no likelihood of confusion, the appellate court noted that:

> [W]e caution the district court to limit its analysis to facts in the record and to refrain from consulting sources on the Internet that have not been cited, submitted, or recognized by the parties. Remand is proper here because it is unclear to what extent the district court relied on its own, extra-record Internet research . . . ." The websites that the district court identified were proffered by neither party, and [the plaintiff] had no opportunity to contest the validity of the information contained therein, rendering it an improper consideration in the confusion analysis."[2206]

In a more conventional dispute over the admissibility of proffered evidence, a group of defendants accused of infringement and unfair competition sought to exclude from evidence cease-and-desist letters they had received from third parties.[2207] One set of those letters documented disputes under United States law, and the court upheld that set's admission on the ground that the letters falling within it were relevant to the issue of the defendants' alleged bad faith and therefore the plaintiff's entitlement to monetary relief.[2208] Nevertheless, the plaintiff did not secure the admission of the second set of correspondence, which arose from the defendants' activities in Europe: As to that set, the court found that "the minimal probative value of the European Disputes is outweighed by the need to conserve time and avoid the presentation of cumulative evidence."[2209]

7. Extraterritorial Application of the Lanham Act

The past year was not a banner one for extraterritorial applications of the Lanham Act. In one case presenting the issue of whether such an application was appropriate, the plaintiff, a California corporation, sought preliminary injunctive relief against the use of an infringing mark in Saudi Arabia.[2210] After finding

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2205. *See* Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes & of Malta v. Fla. Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, the Ecumenical Order, 702 F.3d 1279 (11th Cir. 2012).

2206. *Id.* at 1296.

2207. *See* Gucci Am., Inc. v. Guess?, Inc., 858 F. Supp. 2d 250 (S.D.N.Y. 2012).

2208. As the court explained, "[b]ecause [the plaintiff's] claim . . . for money damages requires proof of bad faith, evidence that supports such a finding is both relevant and material. For this reason, evidence of the American Disputes—including the cease-and-desist letters—is presumptively admissible under Federal Rule of Evidence 402." *Id.* at 254.

2209. *Id.* at 255.

2210. *See* Seed Servs., Inc. v. Winsor Grain, Inc., 868 F. Supp. 2d 998 (E.D. Cal. 2012).

liability, the court held with respect to the plaintiff's proposed extraterritorial injunction that:

> To support this sort of injunction under the Lanham Act, "there are three criteria that must be considered: (1) there must be some effect on American foreign commerce; (2) the effect must be sufficiently great to present a cognizable injury to plaintiffs under the federal statute; [and] (3) the interest of and links to American foreign commerce must be sufficiently strong in relation to those of other nations."[2211]

The first and second of these factors did not occupy the court to any great extent, as it found that "[t]he crowding out of [the plaintiff's] sales to customers in Saudi Arabia meets the first factor and the monetary injury from those foregone sales meets the second factor."[2212] The court's application of the third factor was complicated by the fact that the defendants owned an Australian registration of the challenged mark. Nevertheless, because both of the named defendants were domiciled in the United States and because "the potential infringement would purposefully harm [the plaintiff's] commerce in a significant way," the "ambiguous" relative impact of a preliminary injunction on the interests of the United States and of Australia did not prevent the court from issuing the requested injunction.[2213]

8. Sanctions

A default judgment as a sanction is a drastic measure, but several plaintiffs successfully pursued it,[2214] with one in particular defending it on appeal before the Tenth Circuit.[2215] Reviewing the district court's entry of the default under a deferential abuse of discretion standard, the appellate court quoted its past authority and held that "[t]o determine if sanction such as dismissal or [a] default judgment is appropriate, courts should consider '(1) the degree of actual prejudice to the defendant; (2) the amount of interference with the judicial process; . . . [and] (3) the culpability of the litigant.'"[2216] In its consideration of these factors, the court noted that the default had been entered only after the plaintiff had filed three motions for discovery sanctions. Those motions had

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2211. *Id.* at 1006 (quoting Ocean Garden, Inc. v. Marktrade Co., 953 F.2d 500, 503 (9th Cir. 1991)).

2212. *Id.*

2213. *Id.*

2214. *See, e.g.*, Nat'l Rest. Ass'n Educ. Found. v. Shain, 287 F.R.D. 83 (D.D.C. 2012) (declining to set aside default judgment entered after defendants' deliberate and repeated failure to respond to complaint).

2215. *See* Klein-Becker USA, LLC v. Englert, 711 F.3d 1153 (10th Cir. 2013).

2216. *Id.* at 1159 (third alteration in original) (quoting Ehrenhaus v. Reynolds, 965 F.2d 916, 920 (10th Cir. 1992)) (internal quotation marks omitted).

produced orders with which the defendant did not comply, and, indeed, a magistrate judge assigned to the case found that the defendant had "deliberately withheld information and intentionally caused delay."[2217] Particularly because the defendant had had ample warning that he would be held accountable for his conduct, the sanction withstood appellate scrutiny.[2218]

More significant misconduct led to the dismissal of a case brought by a Michigan resident but lodged in the Northern District of Ohio.[2219] The defendants asserted that the plaintiff's claims were barred by laches, and a hotly contested issue implicated by that affirmative defense was the date on which the plaintiff first became aware of the defendants' alleged infringement. For much of the litigation, the plaintiff claimed that he had learned of the defendants' mark from a local postmaster two years and five months before he filed suit. That timing was significant because a two-year delay was presumed unreasonable under Ohio law, but only a three-year delay had the same effect under Michigan law; precisely how significant it was became apparent when the district court relied on Ohio law to grant summary judgment in the defendants' favor and the Sixth Circuit relied on Michigan law to vacate that disposition.[2220]

On remand, and "over four years after discovery had closed,"[2221] the plaintiff abruptly identified his lead attorney as a fact witness and, when served with a subpoena, that attorney produced a receipt proving beyond material dispute that the plaintiff had purchased a sample of the defendants' goods more than four years before the filing of the suit. Describing the receipt as containing "a wealth of information,"[2222] the court also found that it "called into question the veracity of plaintiffs' discovery responses and his deposition testimony, and led to the discovery of other evidence that had not been produced or at least identified, in discovery."[2223] Numerous other disclosures came to light during a second round of discovery ordered by the court, but perhaps the most important from the court's perspective was that a series of the plaintiff's attorneys knew of the receipt's existence yet continued to rely on their client's putative less-than-four-year

2217. *Quoted in id.* at 1158.

2218. *Id.* at 1160.

2219. *See* Laukas v. Rio Brands, Inc., 292 F.R.D. 485 (N.D. Ohio 2013).

2220. *See id.* at 492-94.

2221. *Id.* at 489.

2222. *Id.* at 489 n.1. In addition to having time and date stamps, the receipt thanked the plaintiff by name in capital letters and featured a cryptic notation in his handwriting that read "[t]his is not for the photo copy page—email pictures." *Id.*

2223. *Id.* at 489.

delay in prosecuting his case.[2224] The court summarized its findings on the issue in the following manner:

> What started with the discovery of one previously undisclosed document has led to the unearthing of compelling evidence that plaintiff:
>
> - intentionally gave false testimony in his deposition on a central issue in the case;
> - knowingly verified false and misleading discovery in order to unjustly bolster his claims;
> - failed to correct or supplement discovery responses he knew to be inaccurate;
> - failed to correct material arguments made by his counsel in this Court and on appeal that he knew were false; and
> - failed to prosecute this case in good faith by repeatedly withholding material evidence.
>
> The Court also finds that each of plaintiff's three primary litigation counsel:
>
> - knowingly offered (or allowed to be offered) vague and evasive discovery responses designed to thwart defense counsel's ability to engage in meaningful discovery;
> - knowingly offered (or allowed to be offered) arguments before this Court and on appeal that were not supported by—and contrary to—the record;
> - failed to make a reasonable effort to discover and produce evidence responsive to discovery requests;
> - failed to correct discovery responses they knew to be inaccurate, misleading or false; and
> - failed to correct deposition testimony offered by their client that they knew to be false.[2225]

These findings amply satisfied the Sixth Circuit's test for evaluating whether a default was appropriate, which took into account:

> (1) whether the party's failure is due to willfulness, bad faith or fault; (2) whether the adversary was prejudiced by the dismissed party's conduct; (3) whether the dismissed party was warned that failure to cooperate could lead to dismissal; and (4) whether less drastic sanctions were imposed or considered before dismissal was ordered.[2226]

2224. *See id.* at 496-500, 505-09.

2225. *Id.* at 489.

2226. *Id.* at 509 (quoting United States v. Reyes, 307 F.3d 451, 457 (6th Cir. 2002)) (internal quotation marks omitted).

Citing such varying authority as Federal Rules of Civil Procedure 16(f), 37(b)(2), and 37(d),[2227] as well as its "inherent power to impose sanctions to prevent abuse of the judicial process,"[2228] the court held that "[p]laintiff's claims are hereby dismissed with prejudice, and the Court awards defendants all of their attorney's fees and expenses incurred in discovery and summary judgment on the issue of laches, as well as fees and costs incurred prosecuting their motion for sanctions."[2229]

Lesser sanctions of two $750 fines were levied against an attorney for actor Lindsay Lohan in a case in which Lohan asserted a variety of claims, including one for the commercial misappropriation of her persona, arising from a single reference to her by name in the lyrics of a hip-hop song.[2230] The fines had their origin not in the meritless nature of the lawsuit—although granting the defendants' motion to dismiss, the court declined to enter sanctions for that reason[2231]—but instead because of the attorney's initial conduct in responding to the motion to dismiss and because of her misleading defense of that conduct. The initial conduct included the filing of an opposing brief, "the vast majority" of which, the court found, "appears to have been taken from other sources without any acknowledgement or identification of those sources."[2232] Lohan's attorney did not deny the accusation of plagiarism: Instead, she represented to the court that, had defense counsel consented to her doing so, she would have filed an amended brief "which would have obviated any plagiarism concerns."[2233] The evidentiary record demonstrated, however, that the proposed amended brief would have done nothing of the sort. To the contrary, "not one of the changes in the proposed amended opposition would have corrected or cured the plagiarized portions

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Of the four factors, only the third weighed in the plaintiff's favor. *Id.* at 512. Even as to that factor, however, the court concluded that:

> Here, there was no opportunity or apparent need for the Court to provide a prior warning to plaintiff and his counsel, because the discovery misconduct was not discovered until years after the close of discovery and within weeks of trial. Of course, the Court does not believe it is necessary to warn a party that the offering of knowingly false deposition testimony or evasive discovery responses, or the concealment of highly relevant discovery, might compromise one's ability to continue to litigate in federal court.

Id.

2227. *Id.* at 500-02.

2228. *Id.* at 502.

2229. *Id.* at 514.

2230. *See* Lohan v. Perez, 924 F. Supp. 2d 447 (E.D.N.Y. 2013).

2231. *Id.* at 457.

2232. *Id.* at 458.

2233. *Quoted in id.* at 459 (emphasis omitted).

of the Opposition."[2234] Under these circumstances, the court mandated payment of a total of $1,500 to its clerk within thirty days of its order.[2235]

9. Judicial Reassignment

One Eleventh Circuit opinion demonstrated that, if directed equally toward both parties to a dispute, caustic remarks by a district court judge may not mandate the dispute's reassignment to a different district court judge on remand.[2236] The parties in question were charitable organizations that weren't quite charitable enough for the liking of the district court, which, among other things, questioned whether they really were Christian charities, criticized the "unimpressive" amounts of money they raised, and accused their members of being "more interested in dressing up in costumes, conferring titles on each other and playing in a 'weird world of princes and knights' than in performing charitable acts."[2237] Although considering these observations "wholly inappropriate in the context of a judicial proceeding and a published judicial opinion,"[2238] the Eleventh Circuit did not consider them evidence of bias; rather, "the district court's remarks, though offensive to both parties, do not rise to the level of conduct that warrants reassignment to a different judge on remand."[2239] In particular, "[w]e are hard-pressed to surmise actual bias in favor of, or against, one party over the other."[2240]

In another opinion viewing claims of judicial bias with skepticism, the court rejected the defendants' argument that, because they had targeted the judge assigned to the case in a counterclaim, the judge was necessarily obligated to recuse herself.[2241] It denying the defendants' motion for recusal, the court held that "counsel cannot, for reason of disqualification, name a judge in a counterclaim for the purpose of disqualifying her from the suit. While a judge cannot act in his own case, neither may counsel file 'specious pleadings' solely for the purpose of disqualifying him."[2242] Simply put, the defendants had "failed to note any specific instances where [the judge] has shown any bias

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2234. *Id.*

2235. *Id.* at 461.

2236. *See* Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes & of Malta v. Fla. Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, the Ecumenical Order, 702 F.3d 1279 (11th Cir. 2012).

2237. *Quoted in id.* at 1297.

2238. *Id.*

2239. *Id.*

2240. *Id.*

2241. *See* Randazza v. Cox, 920 F. Supp. 2d 1151(D. Nev. 2013).

2242. *Id.* at 1160 (quoting Ely Valley Mines, Inc. v. Lee, 385 F.2d 188, 191 (9th Cir. 1967)).

or prejudice. No conflict has been alleged by defendants, and none exists."[2243]

G. Trademark-Related Transactions

1. Interpretation and Enforcement of Settlement Agreements

The issue of whether particular defendants breached particular settlement agreements arose in only two reported opinions over the past year. The first granted a motion to enforce a settlement agreement struck during a telephone conversation between the parties.[2244] Following that conversation, the plaintiffs' counsel sent an e-mail message to his counterparts on the defense side noting, among other things, that "[m]y clients have the 'green light' to the settlement discussed earlier in the afternoon."[2245] Ten days later, defense counsel reported dissatisfaction with the failure of the plaintiffs' counsel to deliver a written document memorializing the agreement and stated that "[i]f your client does, in fact desire to resolve this case as she has already agreed, please circulate a proposal at your first opportunity. If she intends to renege on her agreement, we will take the action we feel most appropriate."[2246] The second of these messages was a key factor in the entry of summary judgment in the plaintiffs' favor, for, as the court explained, "[it] confirms that the settlement offer was made and accepted. By claiming that they will be forced to take action if plaintiffs renege on their agreement, defendants acknowledged that a settlement had been reached."[2247] Beyond that, the existence of an agreement was not precluded by the absence of a signed document,[2248] by the absence of "additional[] boilerplate and conventional settlement language[] not addressed by the parties,"[2249] or by the defendants' theory that their responsive e-mail was somehow a counteroffer requiring a response by the plaintiffs.[2250]

2243. *Id.*

2244. *See* May Swimwear Corp. v. Maya Swimwear, LLC, 855 F. Supp. 2d 229 (D. Del. 2012).

2245. *Quoted in id.* at 232.

2246. *Quoted in id.*

2247. *Id.* at 235.

2248. *Id.* at 236 ("While defendants at bar assert that memorialization and execution was a prerequisite to enforcement, they point the court to no evidence suggestive of this. While the emails provided indicate that a written settlement agreement was contemplated, the emails do not suggest that enforcement was in any way contingent upon memorialization . . . .").

2249. *Id.* at 236-37.

2250. *Id.* at 237.

The second opinion was a relative nonevent.[2251] In a prior dispute between the parties to the litigation, the defendants agreed that they would discontinue their use of the plaintiffs' mark and "substantially similar variants thereof," other than in "truthful comparative statements"; they also agreed to cease their use of a particular domain name based on the plaintiffs' mark.[2252] The plaintiffs' complaint in the parties' second round of litigation alleged that the defendants had, inter alia: (1) "used [the plaintiffs'] trademarks in a prominent link block on their website on their website in order to drive Internet traffic to their website by manipulating search engines"; (2) used a new domain name that incorporated the plaintiffs' primary mark; (3) "appropriated [the plaintiffs'] trademarks by using portions of [the plaintiffs'] unique product names in the promotion and sale of [the defendants'] products"; and (4) used the plaintiffs' marks in "title tags" on the defendants' website.[2253] The defendants moved the Court to strike the plaintiffs' breach-of-contract cause of action for failure to state a claim, but the court declined to do so. As it explained, "[w]hen these facts [alleged in the complaint] and all reasonable inferences there from are viewed in the light most favorable to Plaintiffs, the Court concludes that Plaintiffs have stated a plausible claim for breach of contract."[2254]

2. Interpretation and Enforcement of Trademark Assignments

The Sixth Circuit tackled the issue of to what extent trademark rights can be jointly owned by unaffiliated parties as a result of inartfully worded assignments.[2255] One such party before the court was an individual defendant, who, along with a corporation he controlled, entered into a 1994 asset purchase agreement transferring, among other things, the rights to the AM/TEL trademark for telephone directories; the individual defendant signed the asset purchase agreement in his individual capacity and as president of his corporation, but the agreement on its face transferred the seller's goodwill only to the individual defendant's corporation. In 2002, the individual defendant's corporation sold its assets, including what had evolved into the AMTEL mark, to a third party through an agreement executed by the individual defendant only in his corporate capacity. The third

2251. *See* Tempur-Pedic Int'l Inc. v. Angel Beds LLC, 902 F. Supp. 2d 958 (S.D. Tex. 2012).

2252. *Id.* at 970.

2253. *Id.*

2254. *Id.*

2255. *See* Yellowbook Inc. v. Brandeberry, 708 F.3d 837 (6th Cir. 2013).

party then sold the assets the third party had acquired in that transaction to the plaintiff in 2007.

Litigation ensued when the individual defendant revived his original business and began in 2010 to use the AMTEL mark in direct competition with the plaintiff. The district court accepted the defendants' argument that, because the individual defendant had not signed the 2002 agreement in his individual capacity, he had retained *his* rights to the mark, even if his then-corporation had transferred *its* rights. On the plaintiff's appeal from a jury verdict in the defendants' favor, however, the Sixth Circuit rejected the defendants' theory that the mark had been jointly owned by the individual defendant and his original corporation. Its holding on this issue merits reproduction at length:

> Joint ownership is disfavored in the trademark context. By their nature, trademarks derive their value from exclusively identifying a particular business. If customers are confused about which business the mark refers to, one of the users may unfairly benefit from the goodwill of the other, or the goodwill of the mark may be dissipated entirely. Beneficial joint ownership or licensing schemes may be devised, but courts are not well placed to fill in those details, and parties (and customers) are typically best served by exclusive ownership. It is not clear what benefits there would have been to splitting ownership between [the individual defendant] and [his corporation]. Nor in practice did [the individual defendant] make any attempts to bifurcate ownership. He never used the AMTEL mark in his individual capacity or for any other businesses, but simply through [his original corporation] and in his role as its President and employee.[2256]

The final blow to the individual defendant's claim of lingering ownership rights arose from the 1994 and the 2002 asset purchase agreements. The former, the court held, had expressly assigned the goodwill of the business being acquired solely to the individual defendant's original corporation, while the latter had transferred that goodwill from the individual defendant's original corporation to the intervening third party:

> A contract that sells as an entirety the property of a corporation, including good will, passes title to the business trademarks of the corporation. A trademark is a placeholder for the accumulated goodwill of a business, which may be a significant part of the overall value. . . . We will not presume the creation of jointly owned or non-exclusively licensed

2256. *Id.* at 845-46.

> trademark rights, especially where dissipation of goodwill, and increased customer confusion, is inevitable.[2257]

As a consequence, the defendants had no rights that were enforceable against the plaintiff.

An attempt by the defendants in a different case to wriggle out from under a straightforward assignment similarly fell short.[2258] The transaction in question was set into motion by an "Agreement for Sale of Inventory/Assets," in which the defendants agreed to transfer to the plaintiff all rights, title, and interest to an unregistered trademark and trade name. That document was followed by another styled as "Articles of Sale and Transfer," which assigned the assets of the defendants' corporation, including the trademark and trade name, to the plaintiff; on the same day, the parties executed a financing document in which the defendants' corporation was described as the secured party and the mark and trade name were listed among the secured collateral.[2259] When the defendants later argued that they had merely licensed the plaintiff to use the mark and trade name, their efforts to escape what appeared to be an outright assignment fell short as a matter of law: Not only was it "clear from the respective language of both the Sale Agreement and the Finance Agreement" that the defendants had assigned away their interest in the mark and trade name, the record was devoid of any effort or right of the defendants to control the nature and quality of goods sold by the plaintiff under the mark.[2260] The plaintiff therefore was entitled to a finding as a matter of law that it was the owner of the mark and trade name, rather than a licensee of each.[2261]

The issue of whether another written document constituted an assignment did not merit serious consideration and, indeed, also was resolved as a matter of law.[2262] The defendants' argument in favor of treating that document as an assignment rested on its express language. For one thing, it recited that "[the lead plaintiff] hereby irrevocably assigns to [the lead defendant] . . . during the Term, all right, title and interest in and to the Mark, together with that part of the goodwill of [the lead plaintiff's] business connected with and symbolized by said Mark . . . ."[2263] For another, it also provided that:

2257. *Id.* at 846 (citation omitted) (internal quotation marks omitted).

2258. *See* E. W., LLC v. Rahman, 896 F. Supp. 2d 488 (E.D. Va. 2012).

2259. *Id.* at 492-93.

2260. *Id.* at 498.

2261. *Id.*

2262. *See* Mercado-Salinas v. Bart Enters. Int'l, Ltd., 852 F. Supp. 2d 208 (D.P.R. 2012).

2263. *Quoted in id.* at 217.

> [The lead defendant shall have all rights in the Mark which are accorded to owners of trademarks and service marks, including but not limited to the right to seek and obtain trademark protection and/or registration of the Mark in its name, and the right to enforce or defend [the lead defendant's] rights against third parties.[2264]

This "clear and unambiguous language,"[2265] the court not surprisingly held, rendered the parties' agreement an assignment, rather than a license, especially "[b]ecause the Agreement makes use of both the terms 'assigns' and 'licenses' in separate provisions."[2266]

In contrast, a claimed assignment of trademark rights in a different case turned out not to be one at all.[2267] The transaction in question was styled as a "Stock Redemption Agreement" between a consulting firm and two of its departing principals, whose surnames, Basile and Prost, were reflected in the firm's BBPC and BBPC ASSOCIATES service marks. The document memorializing this transaction provided that the firm would retain, inter alia, the firm's name, a domain name corresponding to that name, and a website accessible at the domain name. A separate document, however, barred the firm from using the departing principals' "Good Will" for a period of four years, which opened the door for the defendants to argue that the firm had affirmatively assigned to them the right to use BBP and BBP LLC as marks for their new competitive consulting business. The defendants appeared to gain traction with the court's conclusion that "[a] sale of a business and of its good will carries with it the sale of the trademark used in connection with the business, although not expressly mentioned in the instrument of sale."[2268] Ultimately, however, "[t]he Stock Redemption Agreement is unambiguous in . . . one respect: it was not a sale of the [firm's] entire business and goodwill."[2269] Rather, because the firm retained everything but the two principals' goodwill, as well as certain jobs, leads, and proposals, the agreement was not a sale of a business that might have impliedly transferred the firm's marks.[2270]

2264. *Quoted in id.* at 218.

2265. *Id.* at 217.

2266. *Id.* at 218.

2267. *See* Basile Baumann Prost Cole & Assocs. v. BBP & Assocs., 875 F. Supp. 2d 511 (D. Md. 2012).

2268. *Id.* at 526 (quoting Nat'l Bd. for Certification in Occupational Therapy, Inc. v. Am. Occupational Therapy Ass'n, 24 F. Supp. 2d 494, 500 (D. Md. 1998)) (internal quotation marks omitted).

2269. *Id.*

2270. *Id.*

3. Interpretation and Enforcement of Trademark Licenses

The Lanham Act and the Uniform Commercial Code rarely intersect, but they did in a Tenth Circuit opinion over the past year.[2271] The parties to the appeal each sold water products, and it was the declaratory judgment plaintiff's position that an agreement between them covered purified water, drinking water, and spring water; in contrast, the defendant maintained that the agreement covered only the first two of these items. The district court resolved the issue by holding that the agreement was a contract for the sale of goods, which rendered interpretations of the agreement subject to extrinsic evidence under Oklahoma law, regardless of whether the agreement was ambiguous on its face.[2272] The Tenth Circuit disagreed, holding instead that "[t]he language [in the agreement] granting [the plaintiff] a license to use the [disputed] trademark is unequivocal . . . ."[2273] Because the lack of ambiguity precluded consideration of extrinsic evidence, the agreement's multiple references only to purified water and spring water—corresponding references to purified water were absent—controlled, and the plaintiff did not, as it believed, enjoy the exclusive right to use the disputed mark in connection with those goods.[2274]

The proper interpretation of a different trademark license took center stage in an appeal to the Seventh Circuit.[2275] That document contained what the court described as a "merger provision," which, in the event of the licensee's merger with another party, gave the licensor "the option, in its sole and exclusive discretion, to immediately terminate this Agreement by sending written notice of termination to Licensor;"[2276] the license also contained a standard recitation that the licensee's rights under the license were personal to the licensee and could not be transferred without the licensor's prior permission.[2277] The licensor failed to terminate the agreement when the licensee merged with another party, and litigation eventually ensued between the licensor and the licensee's successor in interest. In those proceedings, the licensee's successor in interest attempted to escape a consent-to-jurisdiction clause in the license by arguing that the clause, like the rest of the license, had been completely

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2271. *See* Eureka Water Co. v. Nestlé Waters N. Am., Inc., 690 F.3d 1139 (10th Cir. 2012).

2272. *See* Okla. Stat. tit. 12A, § 2-202.

2273. *Eureka Water Co.*, 690 F.3d at 1149.

2274. *Id.* at 1149-53.

2275. *See* H-D Mich., LLC v. Hellenic Duty Free Shops S.A., 694 F.3d 827 (7th Cir. 2012).

2276. *Quoted in id.* at 836 (internal quotation marks omitted).

2277. *Id.*

voided by the merger. The district court was unconvinced by this argument, and so was the Seventh Circuit. As between the two provisions of the license dealing with changes in ownership of the licensee, the appellate court held that the latter controlled, and that, because the licensor had not exercised its sole discretion to terminate the license after the merger, the successor in interest was bound by the license's terms, including the original licensee's consent to an exercise of personal jurisdiction in the forum state.[2278]

Another license-related issue was successfully appealed to the Supreme Court of North Dakota.[2279] Having authorized a group of licensees to use its STEAM BROTHERS mark for carpet-cleaning services, the licensor sought from them what the court summarized as "certain business information . . . , including chemicals used, customer lists, brochures, marketing materials, business methods, and operating procedures."[2280] The licensees refused to comply with the licensor's request and subsequently pursued and secured a finding as a matter of law that they were not required to disclose the requested items. That outcome was premised on the trial court's conclusion that the absence of express provisions addressing the issue removed any ambiguity from the agreements and therefore obviated the need for consideration of extrinsic evidence.

The Supreme Court vacated this determination and remanded the action. It acknowledged both that "[t]he . . . agreements do not explicitly include language addressing the licensees' obligation to provide information about their businesses to [the licensor]"[2281] and that "[t]he licensees' [position] represents one reasonable interpretation of the agreements."[2282] At the same time, however, the court noted that:

> The agreements also require the licensees to "conduct the subject business operation in a manner that reflects favorably on [the licensor's] names, marks, other material, and carpet cleaning and related system" and say the licensees shall not "in any way be involved in any activity of any kind which negatively [a]ffects [the licensor, its] franchises or affiliates, or the reputations or business activities related thereto."[2283]

2278. *Id.* at 841 ("When [the licensor] did not object to the merger, [the successor in interest] assumed [the original licensee's] rights and obligations under the contract, including its consent to personal jurisdiction in Wisconsin. The district court had and still has personal jurisdiction over [the successor in interest].").

2279. *See* Riedlinger v. Steam Bros., 826 N.W.2d 340 (N.D. 2013).

2280. *Id.* at 344.

2281. *Id.* at 347.

2282. *Id.*

2283. *Id.* (second alteration in original).

According to the court, "[t]he clear import of that language does not contemplate unfettered and uncontrolled use of [the licensor's] service mark."[2284] Rather, "the . . . license agreement explicitly provides [the licensor] with some control over the licensees' use of [the licensor's] name and service mark, and given that language, we conclude the agreement, when read as a whole, is not clear and unambiguous about the extent of the licensees' obligations."[2285] As a consequence, "rational arguments can be made for different interpretations of [the] agreements," and the trial court therefore had erred in granting the licensees' motion for summary judgment.[2286]

The court reached the same conclusion with respect to the duration of the licenses, which also was in dispute. On that issue, the licensees pinned their case on a recitation in each license that the term "shall be that period of time during which the Licensee, the Licensee's corporate entity, or a member of the Licensee's immediate family shall be involved in the subject business."[2287] According to the licensees, this language meant that the licensor was at the mercy of the licensees' "lifelong" licenses,[2288] but the court took a different view. It first held as a matter of North Dakota law that "the material breach of a contract by one party gives the non-breaching party a right to terminate the contract."[2289] It then pointed out the licensees' agreement that their failure to comply with the licenses' quality control provisions would cause irreparable harm to the licensor that warranted the entry of injunctive relief and an award of the licensor's attorneys' fees and costs. On the issue of whether the licensor enjoyed a right of termination in the event of breaches by the licensees, it therefore concluded that:

> [R]ational arguments can be made for both parties' interpretations of the license agreements. We therefore conclude the language in the parties' current license agreements, when read together, is not clear and unambiguous about termination of the agreements for breach. The resolution of the parties' intent is a question of fact which is inappropriate for summary judgment.[2290]

The right of termination also came into play at the trial-court level in a case presenting the issue of which parties to a license

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2284. *Id.*

2285. *Id.* at 348.

2286. *Id.*

2287. *Quoted in id.* at 349.

2288. *Quoted in id.*

2289. *Id.*

2290. *Id.* at 350.

governed by Puerto Rico law had breached that document first.[2291] The plaintiffs were obligated to provide certain services to the defendants under the licensed mark, but they argued that they had validly terminated the license because the defendants had failed to comply with their corresponding obligation to pay for those services. Whatever the merit of that argument might be under different circumstances, the court held, it failed as a matter of law because the plaintiffs had discontinued their performance of the licensed services prior to their putative termination of the license. As the court explained, "[u]nder Puerto Rico contract law, a contracting party must comply with its own contractual obligations before it can demand compliance from the other party."[2292] Because the plaintiffs had not validly terminated the license, their ongoing use of the licensed mark outside the scope of the license exposed them to the defendants' counterclaim for infringement.[2293]

Much the same holding occurred in a case filed in the Court of Federal Claims against the United States government.[2294] The plaintiff had entered into an agreement with a United States Army entity, pursuant to which the plaintiff had the exclusive right to commercialize a nutritional energy bar included in the operational rations provided to soldiers by the military. As part of the agreement, the plaintiff also received a license to use the Army's registered HOOAH! mark in connection with the bars. In the third year of the agreement's five-year term, the Army stopped promoting the plaintiff's bars at military events, advised the plaintiff that it would not renew the agreement, and then, for the following eight months, assiduously avoided contact with the plaintiff regarding the agreement. Faced with radio silence from its erstwhile business partner, the plaintiff stopped paying royalties due under the agreement and transitioned to another mark.[2295]

In the inevitable lawsuit that followed, the court sided with the plaintiff on its claim for breach of contract and against the government on its claim for unpaid royalties. The court held that "[i]nherent in every contract is a duty of good faith and fair dealing"[2296] and that the Army had violated that duty:

> [T]he government breached the covenant of good faith and fair dealing when it failed to communicate with plaintiff for eight months starting in January 2007, and during this same period

2291. *See* Mercado-Salinas v. Bart Enters. Int'l, Ltd., 852 F. Supp. 2d 208 (D.P.R. 2012).

2292. *Id.* at 220.

2293. *Id.* at 222-24.

2294. *See* D'Andrea Bros. v. United States, 109 Fed. Cl. 243 (2013).

2295. *Id.* at 252-53.

2296. *Id.* at 256.

> decided to stop using the HooAH! name anywhere on the military's rations bars without consulting plaintiff. Thus, for an eight-month period, plaintiff was in the dark as to how the parties were to work together cooperatively for the remaining term in order to commercialize the HooAH! bar under the [agreement]. Plaintiff also lost the presence of the HooAH! name in military rations bars during the [agreement's full term], a name that it had bargained for and was a critical component to its commercialization efforts.[2297]

The court also held that, because of its prior material breach, the government could not complain about the plaintiff's decision to terminate its royalty payments. To the contrary, "[a] prior material breach excuses the non-breaching party from continuing performance."[2298]

A different federal district court opinion bearing on a license gone awry tackled the issue of whether the lead plaintiff, a corporate subsidiary, had granted a binding license to use marks actually owned by its corporate parent, also a named plaintiff in the litigation.[2299] According to the summary judgment record, a principal of both the lead plaintiff and its parent had negotiated the disputed license without advising her legal counsel or the lead defendant that the parent should be added as a signatory to the document. When the lead defendant requested a receivership over certain assets covered by separate agreements between the parties and a state court overseeing that process granted the receiver the right to use the marks in question based on the parties' agreement, the plaintiffs argued that the agreement was not a valid license because the corporate parent had not been a party to it.

The federal district court hearing the matter would have none of it, holding instead that the lead plaintiff had exercised the apparent authority to license the marks. Applying Missouri law, the court held that:

> In the absence of actual authority, an agent's acts may be binding upon the principal if performed with apparent authority. . . . To establish the apparent authority of an agent, a party must show that: 1) the principal manifested its consent to the exercise of such authority or knowingly permitted the agent to assume the exercise of such authority; 2) the person relying on this exercise of authority knew of the facts and, acting in good faith, had reason to believe, and actually believed, the agent possessed such authority; and 3) the person relying on the appearance of authority changed his

2297. *Id.* at 256-57.

2298. *Id.* at 261.

2299. *See* Ariel Preferred Retail Grp. v. CWCapital Asset Mgmt., 883 F. Supp. 2d 797 (E.D. Mo. 2012).

> position and will be injured or suffer loss if the transaction executed by the agent does not bind the principal.[2300]

The court found as a matter of law that this test was satisfied. It was perhaps most impressed with the plaintiffs' failure to deny that the subsidiary had the parent corporation's permission to use the marks, but it was also swayed by the lead defendant's showing that the individual signing the agreement on behalf of the subsidiary (himself a principal of both companies) was confused over which company owned the marks.[2301]

The court was in no better mood to entertain a second attack by the plaintiffs on the validity of the license, which was that the lead plaintiff had entered into the agreement only under the economic duress of the Great Recession. This argument also did not survive summary judgment:

> A party claiming duress must demonstrate that the party was also oppressed from the wrongful conduct of . . . another party as to deprive it of free will. One party's knowledge of another party's financial pressures is irrelevant as to the question of duress because the financial necessity of a party, not caused by the other contracting party, does not constitute duress.[2302]

Beyond the lack of responsibility of the lead defendants for the plaintiffs' financial woes, the plaintiffs' sophistication—the representative of the lead plaintiff responsible for negotiating the transaction was a graduate of Princeton University and the Harvard Business School—was an additional basis for rejecting the plaintiffs' duress argument.[2303]

Another dispute in which the existence of a license was at issue was more easily resolved.[2304] The plaintiff was a motorcycle club, and its bylaws recited that it owned particular marks but also that members and retired members had permission to use the marks. The defendant, a former member of the club, argued that these provisions granted him the right to use a mark closely similar to one of the plaintiff's marks in connection with his own, newly organized, club. The district court found otherwise, and it did so as a matter of law. It concluded that "[t]he bylaws, although not a model of clarity, tend to demonstrate that Plaintiff intended that its trademark remain the sole property of the club."[2305] In

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2300. *Id.* at 824.

2301. *Id.* at 825.

2302. *Id.* at 826 (citations omitted).

2303. *Id.*

2304. *See* Bros. of the Wheel M.C. Exec. Council, Inc., 909 F. Supp. 2d 506 (S.D. W. Va. 2012).

2305. *Id.* at 519.

particular, "Plaintiff retains ownership of its mark and all items bearing the mark, and the club permits members and those retirees in good standing to retain possession of certain items bearing the mark, subject to myriad conditions."[2306]

4. Interpretation and Enforcement of Franchise Agreements

When the Little Caesar pizza chain gave one of its franchisees the thumbs down in response to the franchisee's attempt to renew its agreements with the chain, the franchisee filed suit.[2307] The gravamen of the franchisee's complaint was that, although the issue of whether the franchisee had substantially and timely complied with its obligations during the original terms of the agreements was reserved to the chain's "reasonable judgment," that judgment had been exercised unreasonably. The record on the parties' cross-motions for summary judgment established that chain's proffered reason for the refusal to renew was the franchisee's decision to file an suit against the chain several years earlier, in which the franchisee argued that the chain had misappropriated a service mark belonging to the franchisee.[2308] The franchisee's suit failed in part because of a provision in the agreement barring the franchisee from challenging the validity of any of the chain's marks, and that disposition loomed large in the court's holding that the franchisee's breach of the non-challenge provision constituted a substantial default under the larger agreement.[2309] Because that default justified the chain's reasonable judgment that the franchisee had not complied with its obligations under the agreement, the chain was within its rights as a matter of law to part ways with the franchisee.[2310]

H. Tort Liability of Trademark Licensors

Few reported opinions over the past year addressed the extent to which trademark licensors properly can be held liable for the torts of their licensees, but, for the most part, licensors came out on top in the ones that did.[2311] One opinion reaching this result

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2306. *Id.*

2307. *See* Sioux Falls Pizza Co. v. Little Caesar Enters., 858 F. Supp. 2d 1053 (D.S.D. 2012).

2308. *See* Pinnacle Pizza Co. v. Little Caesar Enters., 598 F.3d 970 (8th Cir. 2012).

2309. *Sioux Falls Pizza*, 568 F. Supp. 2d at 1062.

2310. *Id.*

2311. *See, e.g.*, Depianti v. Jan-Pro Franchising Int'l, Inc., 990 N.E.2d 1054, 1062-64 (Mass. 2013) (rejecting plaintiffs' reliance on franchisor's duty to control nature and quality of services provided under licensed mark as basis for suit grounded in franchisor's alleged violations of wage laws).

came from a panel of the Oklahoma Court of Civil Appeals, which affirmed a bench verdict in favor of the Ford Motor Company.[2312] The gravamen of the claims against Ford was that a local dealership had defrauded customers who had relied on the presence of signage bearing Ford's marks outside of the dealership. The plaintiffs asserted a number of theories why Ford was accountable for the alleged misconduct of the dealership, but the court disposed of them seriatim. For example, although the plaintiffs argued that Ford had actual authority over the operations of the local dealer, the court held that "a motor vehicle manufacturer/franchisor may exercise some control to protect its national identity, reputation, and trademark from abandonment without creating an agency relationship with its dealer/franchisee."[2313] Likewise, as to Ford's alleged apparent authority over the dealer, the court found convincing that "[t]he Oklahoma Supreme Court has . . . taken the position against the reasonableness of a . . . person's belief that a display of 'distinctive colors and trade signs' creates an agency relationship based on apparent authority."[2314] As the plaintiffs' non-trademark theories of Ford's liability also failed to make the grade, Ford escaped the suit unscathed.[2315]

I. The Relationship Between the Lanham Act and Other Statutes

1. The Sherman Act

The relationship between actionable false advertising under Section 43(a) and the cause of action provided by Sections 2 and 4 of the Sherman Act against "[e]very person who shall monopolize, or attempt to monopolize, or combine or conspire with any persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations"[2316] has not been the subject of extensive litigation, but the Sixth Circuit took on the issue over the past year.[2317] The allegedly false advertising at issue was disseminated by the counterclaim defendants, who, having secured a recall order in a trade dress infringement action against a third

2312. *See* Thornton v. Ford Motor Co., 297 P.3d 413 (Okla. Civ. App. 2012).

2313. *Id.* at 419.

2314. *Id.* a 421 (quoting Coe v. Esau, 377 P.2d 815, 818 (Okla. 1963)); *see also id.* at 422 ("Other than Ford's trademark sign on [the] Dealership's location at the time of the sales transactions, [the plaintiffs] have failed to present any evidence of Ford's manifestation or conduct, observable by them or others, which would *reasonably* lead them to believe [the] Dealership *was authorized* to sell motor vehicles *on behalf of Ford*." (internal quotation marks omitted)).

2315. *Id.* at 423-28.

2316. 15 U.S.C. § 2 (2012); *see also id.* § 4.

2317. *See* Innovation Ventures, LLC v. N.V.E., Inc., 694 F.3d 723 (6th Cir. 2012).

party, advised the trade of their success in a manner that the counterclaim plaintiff argued created the impression that its goods, and not just those of the third party, were covered by the recall. Although vacating the district court's holding that the counterclaim defendants' advertising was not false as a matter of law, the appellate court nevertheless viewed the counterclaim plaintiff's Sherman Act claim with disfavor. Citing to its past authority, it explained that "even false advertising would not damage competition and hence be a violation of the Sherman Act unless it was so difficult to counter that it could potentially exclude competition. Monopoly power is the power to exclude competition or control prices."[2318] The court then held that no such difficulty to counter was established by the appellate record before it:

> After the notice was distributed, even if it contained "clearly false" information, it was relatively simple for [the counterclaim plaintiff] to counter it by sending notices that [the counterclaim plaintiff's goods] had not been recalled. In fact, [the counterclaim plaintiff] and a number of its distributors sent such notices to retailers. This is sufficient to defeat the antitrust claim.[2319]

In a different case, threats of infringement in a demand letter and other communications led the recipients to pursue a similarly unsuccessful cause of action under Section 2.[2320] En route to the dismissal of that cause of action, the court observed that:

> When alleging the relevant market in its complaint, a plaintiff must follow the rules of interchangeability and cross-elasticity of demand, and include in its market all interchangeable substitutes. Interchangeability and cross-elasticity of demand are driven by whether the consumer would use the products interchangeably. Cross-elasticity also includes the geographic scope of the market, meaning where [a] a consumer can turn, as a practical matter, for a substitute.[2321]

The plaintiffs' complaint failed to meet this standard. Not only did it omit any discussion of price elasticity, it averred that the plaintiffs' goods were replacements for those of the plaintiffs, which meant that the parties did not compete in the market.[2322]

2318. *Id.* at 741 (quoting Am. Council of Certified Podiatric Physicians & Surgeons v. Am. Bd. of Podiatric Surgery, 323 F.3d 366, 741 (6th Cir. 2003)).

2319. *Id.*

2320. *See* Bill's Birds Inc. v. Trademarketing Res. Inc., 920 F. Supp. 2d 357 (E.D.N.Y. 2013).

2321. *Id.* at 366 (citations omitted).

2322. *Id.*

The plaintiffs were no more successful in asserting a claim under Section 1 of the Sherman Act, which makes actionable "[e]very contract, combination in the form of a trust or otherwise, or conspiracy, in restraint of trade or commerce."[2323] It was undisputed that the lead defendant was the licensing agent for the other defendant, which precluded the two from conspiring among themselves. In particular, there was no allegation in the complaint that the lead defendant "had any input in whether and under what terms a license would be granted, and indeed it appears that [the other defendant] was in full control of the licensing arrangements."[2324] Under these circumstances, "the economic realities of this principal/agent relationship" mandated the dismissal of the plaintiffs' Section 1 claim.[2325]

2. The Federal Bankruptcy Code

Opinions addressing trademark-related bankruptcy issues were few and far between, but the Sixth Circuit had the occasion to confirm that bankruptcy law's automatic stay does not prevent the imposition of sanctions for contempt against a defendant found to have violated both a temporary restraining order and a preliminary injunction multiple times;[2326] in fact, the motion for contempt before the court was the fourth one served on the defendant.[2327] The court held that the imposition of a sanction in the form of a broad injunction against the defendant's operation of his business was within the bounds of the district court's discretion: "Because this matter involves [the defendant's] use of the [business] to commit a tort, specifically the tort of trademark infringement, application of the automatic stay would permit [the defendant] to continue to commit this tort. [The defendant's] commission of a tort is not protected by the Bankruptcy Code."[2328]

3. The Federal Communications Decency Act

The Communications Decency Act (CDA) provides in part that "[n]o provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider,"[2329] and this has led some defendants accused of online infringement and unfair competition to invoke the CDA in motions to dismiss. One that did so over the

2323. 15 U.S.C. § 1 (2012).

2324. *Bill's Birds*, 920 F. Supp. 2d at 365.

2325. *Id.*

2326. *See* Dominic's Rest. of Dayton, Inc. v. Mantia, 683 F.3d 757 (6th Cir. 2012).

2327. *Id.* at 759.

2328. *Id.* at 761.

2329. 47 U.S.C. § 230(c) (2012).

past year was Google, which played the CDA card in response to a lawsuit grounded in Google's ADWORDS advertising program.[2330] According to Google, the content of the advertising challenged by the plaintiff had been generated entirely by the Google's customer, which also was a named defendant. The complaint averred otherwise, however, and that averment was necessarily true at the pleadings stage of the case. The court therefore denied Google's motion to dismiss on the ground that "[b]ecause [Google's] entitlement to immunity under the CDA depends on whether [Google] 'developed' or materially contributed to the content of [the challenged] advertisements, it is too early at this juncture to determine whether CDA immunity applies."[2331]

4. Federal and State Racketeer Influenced and Corrupt Organizations Acts

A successful claim under the federal Racketeer Influenced and Corrupt Organizations Act (RICO)[2332] requires a showing that the defendant has engaged "in a 'pattern of racketeering activity consisting of two or more predicate acts,' which are defined by 18 U.S.C. § 1961 to include, *inter alia*, extortion, mail fraud, and wire fraud";[2333] those predicate acts, however, can rarely be stretched to reach trademark-related offenses.[2334] For example, one group of plaintiffs asserted that their adversaries had engaged in mail and wire fraud by asserting the rights to registrations allegedly procured from the USPTO through fraudulent means and, additionally, by infringing the plaintiffs' own marks.[2335] The defendants successfully secured the dismissal of these allegations for failure to state a claim. With respect to the plaintiffs' argument that the defendants had engaged in a predicate act by claiming the rights to marks they did not own, the court concluded that the Supreme Court's opinion in *Semiconductor Energy Laboratory Co. v. Samsung Electronics Co.*[2336] was the relevant controlling authority: Because under *Semiconductor Energy Laboratory* Court misrepresentations to the USPTO in the course of pursuing a

2330. *See* Cybersitter, LLC v. Google Inc., 905 F. Supp. 2d 1080 (C.D. Cal. 2012).

2331. *Id.* at 1086.

2332. Pub. L. 91-452, § 901, 84 Stat. 941 (1970) (codified as amended at 18 U.S.C. §§1961-1968 (2012)).

2333. S. Snow Mfg. Co. v. SnoWizard Holdings, Inc., 912 F. Supp. 2d 404, 412 (E.D. La. 2012) (footnote omitted) (quoting St. Germain v. Howard, 556 F.3d 261, 263 (5th Cir. 2009)).

2334. *See, e.g.*, Wecosign, Inc. v. IFG Holdings, Inc., 845 F. Supp. 2d 1072, 1081 (C.D. Cal. 2012) (denying motion for entry of default judgment on ground that "trademark infringement and false designation of origin are not cognizable RICO predicates").

2335. *S. Snow Mfg. Co.*, 912 F. Supp. 2d at 413-418.

2336. 553 U.S. 639 (2008).

patent cannot constitute mail or wire fraud for purposes of the predicate act requirement,[2337] it followed that the fraudulent procurement and assertion of trademark rights could not do so either.[2338] The plaintiffs' second claimed predicate act fell equally short of the mark, as the court accepted the defendants' argument that ordinary infringement claims do not qualify as mail or wire fraud.[2339]

In a rare examination of the relationship between allegations of infringement and cybersquatting, on the one hand, and racketeering under state law, on the other hand, a group of plaintiffs asserting a violation of the Arizona anti-racketeering statute (AZRAC)[2340] came up short as a matter of law.[2341] Following the acrimonious end of a business relationship between the parties, the defendants took to the Internet, by, inter alia, registering domains based on the plaintiffs' primary mark and establishing a website at which they posted commentary critical of the plaintiffs. To satisfy the predicate act requirement for liability, the plaintiffs characterized these actions as extortion, forgery, and wire fraud. The plaintiffs failed, however, to establish to the court's satisfaction that the defendants' conduct amounted to or posed a threat of continued criminal activity, which the court determined was a second prerequisite for liability under the AZRAC.[2342] Summary judgment in the defendants' favor followed.[2343]

J. Insurance Coverage

1. Opinions Ordering Coverage

It is a frequently applied maxim of insurance coverage that the duty to defend is broader than the duty to indemnify: In jurisdictions recognizing this rule, even if a carrier ultimately has no duty to indemnify due to policy exclusions, it still may be obligated to defend the insured until the scope of the policy at issue is determined.[2344] The distinction between these two duties led the Second Circuit to vacate the entry of summary judgment in favor of a carrier seeking to escape coverage for a suit to protect a

2337. *Id.* at 660-61.

2338. *S. Snow Mfg. Co.*, 912 F. Supp. 2d at 420-22, 423-24.

2339. *Id.* at 422.

2340. Ariz. Rev. Stat. Ann. §§ 13-2301 to 13-2317 (West 2000).

2341. *See* Aviva USA Corp. v. Vazirani, 902 F. Supp. 2d 1246 (D. Ariz. 2012).

2342. *Id.* at 1270-71.

2343. *Id.* at 1271.

2344. *See, e.g.*, CGS Indus. v. Charter Oak Fire Ins. Co., 720 F.3d 71, 77 (2d Cir. 2013) (applying New York law).

stitching design appearing on the back pocket of blue jeans.[2345] Infringement of the rights to a "title" was covered by the policy's advertising injury clause, and the insured seized upon that language to argue that the stitching at issue in the underlying litigation qualified as just such a title.

The court's treatment of this issue did not begin in encouraging fashion for the insured:

> The vast majority of federal cases are clear that in this context—that is, in a list that includes "copyright" and "slogan," but conspicuously does not include coverage of infringement of "trademarks"—"title" means the name or appellation of a product, and does not cover design elements such as pocket stitching that may serve as a trademark designating the origin of the product. . . . While a title need not contain words, we have no difficulty in concluding that the stitching on the back pocket of a pair of jeans cannot fairly be called the name of appellation of that pair of jeans.[2346]

That conclusion did not resolve the matter, however, because the court also noted that "while the vast majority of federal cases unambiguously define 'title' to mean a word or phrase, a handful define title in a way that arguably could include a design or symbol similar to the pocket stitching at issue here."[2347] The court did not think highly of this line of authority – "the reasoning of these cases is faulty, as title and trademark are not coextensive"[2348] – but it nonetheless held that the opinions' existence rendered summary judgment in the carrier's favor inappropriate: "[T]here was . . . at the time of the filing of the Underlying Action, sufficient uncertainty about the scope of coverage to trigger [the carrier's] duty to defend. Its failure to defend therefore breached the Policy."[2349]

The court then took aim at two additional arguments advanced by the carrier, namely, that the insured had never advertised its goods and that the plaintiff in the underlying action had accused the insured of knowingly violating the insured's rights. As to the former, which the carrier contended precluded the insured from invoking the advertising injury clause in the first place, the court noted that an amended complaint in the underlying action in fact accused the insured of having engaged in advertising; what's more, "[i]f [the carrier] believed that [the plaintiff] did not intend to allege advertising by [the insured] or

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2345. *See id.* at 75.

2346. *Id.* (footnote omitted) (citation omitted).

2347. *Id.* at 81.

2348. *Id.*

2349. *Id.*

that [the insured] did not advertise the jeans, [the carrier] should have begun to defend and immediately sought a bill of particulars to resolve any ambiguity in the pleadings."[2350] And, as to the latter, the lack of any requirement that the plaintiff in the underlying action prove bad-faith conduct by the insured to prevail rendered a "knowing violation" exclusion found in the policy inapplicable.[2351]

Two of the same issues, namely, whether the insured had engaged in advertising within the meaning of its policy and whether its allegedly knowing violation of the rights of the plaintiff in the underlying action triggered an exclusion in that policy, also came into play under Wisconsin law.[2352] The underlying action was one for trade dress infringement in which the plaintiff averred that the insured had copied the packaging of four of the plaintiff's ski masks. The policy in question obligated the carrier to defend the insured against allegations of "infringe[ment] upon another's copyright, trade dress or slogan in your *advertisement*,"[2353] and this led the carrier to argue that the insured's allegedly infringing packaging did not qualify as an advertisement. Although this theory carried the day before the trial court, a Wisconsin appellate court reversed. It laid the groundwork for doing so by observing that "[w]hen comparing the allegations of a complaint to the terms of an insurance policy, the allegations in the complaint must be construed liberally. The duty to defend is necessarily broader than the duty to indemnify because the duty to defend is triggered by arguable, as opposed to actual coverage."[2354] Turning to the merits of the parties' arguments, the court concluded that the accused packages themselves constituted advertisements because: (1) "[i]t is reasonable to infer that the complaint [in the underlying action] alleges that [the insured's] packaging, with its distinctive shape, form and appearance, is a 'notice' that, for the purpose of attracting customers, misrepresents [the insured's] packaged products as those of [the plaintiff]";[2355] and (2) "[i]t is also reasonable to infer that [the plaintiff] alleges that the packaging was 'published'" because the packaging allegedly had been "placed before, distributed, disseminated, or announced to, the public."[2356]

2350. *Id.* at 82.

2351. *Id.* at 82-83. As the court explained, "[d]espite the boilerplate allegation of willful misconduct, [the plaintiff's] Lanham Act section 43(a) claim does not require it to prove that [the insured] intended to infringe on its trademark, as such a claim does 'not require proof of an intent to deceive.'" *Id.* at 83 (quoting Johnson & Johnson v. Carter-Wallace, Inc., 631 F.2d 186, 189 (2d Cir. 1980)).

2352. *See, e.g.*, Acuity v. Ross Glove Co., 817 N.W.2d 455 (Wis. Ct. App. 2012).

2353. *Quoted in id.* at 459.

2354. *Id.* at 458 (quoting Fireman's Fund Ins. Co. v. Bradley Corp., 660 N.W.2d 666, 673-74 (Wis. Ct. App. 2003)).

2355. *Id.* at 462.

2356. *Id.* at 463.

The court then addressed the carrier's claim that a "knowing violation" exclusion in the policy was triggered by allegations in the underlying action that, for purposes of an augmented award of damages, the insured had infringed the plaintiff's trade dress willfully and with an intent to do harm. It disposed of this argument in the usual way: "[The plaintiff] does not allege any knowing violation as to either liability under the Lanham Act . . . , or in seeking damages under [Section 35]. Indeed, intent is not a required element of trade dress infringement, but rather is required only to justify a request for enhanced damages or attorney fees."[2357] Ultimately, the court concluded, "[the plaintiff] seeks to hold [the insured] liable for trade dress infringement without any allegation, much less any required showing, of a knowing violation. Thus, the exclusion does not apply."[2358]

A final opinion of note, this one applying New York law, provided an additional example of the breadth of the duty to defend.[2359] The policy in question mandated coverage for the defense of any accusation of "[o]ral or written publication of material that disparages a person's or organization's goods, products, or services."[2360] The trigger for the underlying lawsuit was a press release by the insured announcing its appointment as the exclusive distributor of a third party's products in Norway, Denmark, Sweden, and Finland; the plaintiff in the underlying action took issue with that representation because it believed itself to have been wrongfully terminated as the insured's predecessor in that capacity. Affirming entry of summary judgment in the insured's favor, a New York intermediate appellate court held that "[the plaintiff in the underlying action] can potentially establish . . . product disparagement by the press release which called into question the genuineness of the [plaintiff's] product and whether [its] remaining inventory was unauthorized."[2361] Because "the value of the disparaged product was allegedly diminished," the trial court had properly determined that "[the insured's] duty to defend [the insured in the federal litigation was triggered."[2362]

2. Opinions Declining to Order Coverage

Although, as noted above, some insureds succeeded in establishing broad definitions of "title" and "slogans" over the past

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2357. *Id.* at 464.

2358. *Id.* at 464-65.

2359. *See* Natural Organics, Inc. v. OneBeacon Am. Ins. Co., 959 N.Y.S.2d 204 (App. Div. 2013).

2360. *Quoted in id.* at 206 (alteration in original).

2361. *Id.* at 208.

2362. *Id.*

year, the Eighth Circuit would have none of it in an application of Missouri law.[2363] In the appeal before that court, the plaintiff in the underlying action alleged that the insured's NATURE'S PRIDE mark for baked goods infringed the rights to the plaintiff's NATURE'S OWN mark for directly competitive products. Rejecting the insured's argument that it had been accused of infringing a title, the court noted that the policy in question defined "title" as the "caption or name of a matter."[2364] The court appeared to acknowledge that the plaintiff's mark could indeed be a title on its packaging. Nevertheless, because examples of that packaging were absent from the record and because "[the] claim [of the plaintiff] that it *markets* its bread products under the mark 'Nature's Own' does not sufficiently allege that 'Nature's Own' is the *title* of the packaging," the court was unwilling to hold that the carrier was obligated to defend the action on that basis.[2365]

The insured's pursuit of coverage on the theory that it had been accused of infringing a "slogan" within the meaning of the policy met the same fate. Because the policy left "slogan" undefined, the court turned to its dictionary: "Two applicable dictionary definitions of 'slogan' are: (1) 'a word or phrase used to express a characteristic position or stand or goal to be achieved' and (2) 'a brief attention-getting phrase used in advertising or promotion.'"[2366] Once again, the nature of the underlying action failed to trigger a duty to defend, as "[n]either the allegations in the [plaintiff's] Complaint nor the facts [the insured] directs us to in the record suggest that [the plaintiff] uses the phrase 'Nature's Own' to market its products in either way defined in the dictionary."[2367]

The Second Circuit similarly adopted a restrictive definition of "slogan" in an appeal from an order granting summary judgment to a carrier.[2368] The policy at issue, which was governed by New York law, defined "advertising injury" as sweeping in "[i]nfringement of copyright, title, or slogan."[2369] The underlying suit had arisen from the insured's alleged infringement of a mark consisting of stitching on blue jeans, and the court was unreceptive to the insured's argument that the stitching constituted a slogan within the meaning of the policy. Although the court in the past had concluded that slogans were "*phrases* used to promote or advertise a house mark or product mark, in contradistinction to

2363. *See* Interstate Bakeries Corp. v. OneBeacon Ins. Co., 686 F.3d 539 (8th Cir. 2012).

2364. *Quoted in id.* at 543 (internal quotation marks omitted).

2365. *Id.* at 545.

2366. *Id.* at 546 (quoting Merriam-Webster's Collegiate Dictionary 1174 (11th ed. 2005)).

2367. *Id.*

2368. *See* CGS Indus. v. Charter Oak Fire Ins. Co., 720 F.3d 71 (2d Cir. 2013).

2369. *Quoted in id.* at 75.

the house or product mark itself,"[2370] it was unwilling to hold that the mark in question fell within this category; rather, "[t]o hold that the stitching design in question on a jeans pocket is a 'slogan' would stretch that definition beyond recognition, as the design is clearly not a 'phrase.'"[2371]

Finally, an application of California law resulted in a holding that, having issued a policy covering the defense of actions for product disparagement, a carrier was not obligated to reimburse its insured for the fees and costs associated with a conventional trademark infringement lawsuit.[2372] Affirming entry of summary judgment in the carrier's favor, a panel of the California Court of Appeals explained that "[the] complaint [in the underlying action] alleged that by using a product name (Ulti–Cart) that was very similar to [the plaintiff's] Multi–Cart product, [the insured] deceived the public that [the insured] was the originator, designer, or authorized manufacturer and distributor of its infringing products. This, however, was not disparagement."[2373]

3. Opinions Deferring Resolution of the Coverage Inquiry

When a Georgia-based company filed a claim as an additional insured under the advertising injury clause of a policy owned by a co-defendant in an underlying action, the co-defendant's carrier filed suit in the Northern District of California seeking a declaratory judgment that it had no obligations to the Georgia company under the clause.[2374] The Georgia company took the preemptive step of filing suit in the Northern District of Georgia against its own carriers, who responded by successfully pursuing leave to intervene in the California action on the theory that the language in the policies they had issued to the Georgia company was similar to that at issue in the California action. The court assigned to the Georgia action then enjoined the intervenor carriers from continuing to prosecute their claims for declaratory relief in the California action, and the Eleventh Circuit affirmed. The appellate court noted that the Georgia action had been filed prior to the intervenor carriers' appearance in the California action and that, in allowing the intervenor carriers to participate in the action before it, the California court had declined to address the

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2370. *Id.* at 78 (quoting Hugo Boss Fashions, Inc. v. Fed. Ins. Co., 252 F.3d 608, 618 (2d Cir. 2001)).

2371. *Id.* at 79.

2372. *See* Hartford Cas. Ins. Co. v. Swift, 148 Cal Rptr. 3d 679 (Ct. App. 2012), *petition for review granted*, 294 P.3d 73 (Cal. 2013).

2373. *Id.* at 686.

2374. *See* Collegiate Licensing Co. v. Am. Cas. Co. of Reading, Pa., 713 F.3d 71 (11th Cir. 2013).

significance of the first-filed status of the Georgia action.[2375] Moreover, even if the Georgia action could be considered a purely anticipatory suit, that consideration would not necessarily preclude the Georgia court from exercising its discretion to hear the parties' claims.[2376] The injunction entered against the intervenor carriers therefore was not an abuse of that discretion.[2377]

The insured in another case failed to appreciate that, whatever his entitlement to coverage might be where the defense of an action against him was concerned, his carrier's obligations did not extend to his prosecution of a declaratory judgment action for noninfringement against a potential challenger.[2378] The insured was David Hester, featured prominently on the television show *Storage Wars*, and the claimed owner of the YUUUP! mark for entertainment services. Rather improbably, Hester was not the only claimant to that mark, and his application to register it triggered a demand letter from a rap music performer, who asserted a claim of priority based on his use in connection with entertainment services and various collateral goods. Hester responded to the demand by pursuing declaratory relief and the parties settled, but not before Hester tendered to his carrier a request for reimbursement of his fees and costs. Hester's carrier declined to acknowledge coverage for any litigation-related activities predating the rapper's assertion of counterclaims against Hester, and the court concluded in denying Hester's motion for summary judgment that the carrier was within its rights to do so. In the process, it rejected Hester's argument that the initial demand letter constituted a "suit" within the meaning of the carrier's obligation under the policy to "defend the insured against any 'suit' seeking . . . damages."[2379] Instead, the court noted, the policy defined "suit" as a "civil proceeding in which damages . . . are alleged."[2380] Because "Hester faced no . . . threatened or actual legal action related to 'YUUUP!'" other than the single letter, and because "the record contains no additional communication—threatening or otherwise—from [the rapper] to Hester," the court held that it would not "and indeed cannot, rewrite the plain terms of the Policy to cover [the] demand letter."[2381]

2375. *Id.* at 76.

2376. *Id.* at 79.

2377. *Id.* at 80.

2378. *See* Hester v. Navigators Ins. Co., 917 F. Supp. 2d 290 (S.D.N.Y. 2013).

2379. *Quoted in id.* at 296.

2380. *Quoted in id.* at 296-97 (alteration in original).

2381. *Id.* at 297-98.

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