

# The Trademark Reporter®



**The Law Journal of the International Trademark Association**

## United States Annual Review

The Seventieth Year of Administration  
of the Lanham Act of 1946

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

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IN MEMORIAM

Arthur J. Greenbaum



We dedicate this *United States Annual Review* issue of *The Trademark Reporter* (TMR) to our friend and colleague Arthur J. Greenbaum (1931–2017). Arthur brought his many talents to the TMR starting in 1964 and served as its Editor in-Chief from May 1970 through April 1972. Arthur was a longtime supporter of the TMR's *Annual Review*, having worked on the *Annual Review* with Prof. Walter J. Derenberg in 1973 and continuing this work through 1979.

Arthur graduated from the University of Pennsylvania and Harvard Law School, started his legal career at White & Case, and then for the next fifty years practiced law at Cowan, Liebowitz & Latman in New York. He joined that firm, which then had six lawyers, in 1967, became the managing partner just three years later, and continued to handle numerous special projects for the firm, even after ostensibly “retiring” from active practice in 2005, up until his death in November 2017. Arthur taught trademark law at New York University for several years and was awarded the first

Pattishall Medal for Teaching Excellence of Trademark and Trade Identity Subjects at the INTA Annual Meeting in 1997.

Throughout his career, Arthur was dedicated to the development of trademark law and practice, whether as a litigator, an adjunct professor, an author, an advocate, an editor, or a mentor. Arthur was a wonderful combination of impressive intellectual, kind mentor, and would-be comedian. *Harvard Law Today* published a short article in 2013 highlighting one example of Arthur's kindness and love of the law. During law school, Arthur took the same classes as his college friend, Joseph F. Nocca, who was legally blind, so that Arthur could read the class materials to Joseph and the two could study together. In the article, Arthur is quoted as noting that the arrangement benefited him as well, saying "Joe's a very smart guy, so if I didn't understand something, we could talk about it, and figure out the theory of law together. We would stop the reading to discuss it—you learn it better that way."

A review of Arthur's contributions to INTA and the TMR also inspires awe. Arthur, along with Jane Ginsburg and Steven Weinberg, wrote "A Proposal for Evaluating Genericism after 'Anti-Monopoly,'" in the wake of the controversial Ninth Circuit decision in *AntiMonopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316 (1982).<sup>1</sup> One year later, the Lanham Act was amended to eliminate the controversial holding of the *AntiMonopoly* case, adding language to the statute that "[t]he primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used." 15 U.S.C. § 1064(3). Arthur was also involved in INTA's Trademark Review Commission, leading up to another significant amendment in the U.S. law—the adoption of the intent-to-use trademark system in 1989. A review of the issues of the TMR published during his tenure as Editor-in-Chief more than forty-five years ago reveals many articles on topics still relevant and timely today: "Trademarks, Technology and Social Change: Research into Trademark Confusion,"<sup>2</sup> "Problems with Section 2(e)(3) of the Lanham Act (Primarily Merely a Surname),"<sup>3</sup> "How to Use a Trademark Properly,"<sup>4</sup> "Geographical Scope of Registered Rights: Then and Now,"<sup>5</sup> "Fraud in Trademark Procurement and Maintenance,"<sup>6</sup> "The Mechanics of Proof of

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<sup>1</sup> 73 TMR 101 (1983).

<sup>2</sup> 62 TMR 43 (1972).

<sup>3</sup> 62 TMR 67 (1972).

<sup>4</sup> 61 TMR 431 (1971).

<sup>5</sup> 61 TMR 411 (1971).

<sup>6</sup> 61 TMR 1 (1971).

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Secondary Meaning,”<sup>7</sup> “The Impact of Intent in Trade Identity Cases,”<sup>8</sup> and “Preserving Distinctiveness of a Symbol Mark after Embellishment,”<sup>9</sup> along with, of course, the Annual Reviews for the Twenty-Third and Twenty-Fourth Years of Administration of the Lanham Act.<sup>10</sup>

Arthur’s significant contributions to the law, to INTA, and to the TMR, will be missed.

Kathleen E. McCarthy  
*Editor-in-Chief, 2016–2017*

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<sup>7</sup> 60 TMR 263 (1970).

<sup>8</sup> 60 TMR 575 (1970).

<sup>9</sup> 61 TMR 201 (1971).

<sup>10</sup> 60 TMR 387 (1970), 61 TMR 257 (1971).

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# The Trademark Reporter®

## UNITED STATES ANNUAL REVIEW

### THE SEVENTIETH YEAR OF ADMINISTRATION OF THE LANHAM ACT OF 1946\*

#### INTRODUCTION

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

The twelve-month period between the seventieth and seventy-first anniversaries of the Lanham Act's effective date will be remembered most—fondly or otherwise—for the Supreme Court's opinion in *Matal v. Tam*.<sup>1</sup> In a fractured series of opinions,<sup>2</sup> *Tam* held that the prohibition in Section 2(a) of the Lanham Act<sup>3</sup> on the

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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, 2016, and June 30, 2017, as well as certain proceedings falling outside that period.

\*\* Author of the Introduction to, and Part III of, this volume; Partner, Kilpatrick Townsend & Stockton LLP, Atlanta, Georgia; adjunct professor, Emory University School of Law; member, Georgia, New York, and District of Columbia bars.

In the interest of full disclosure, the author notes his participation or that of his law firm in the following cases referenced by this volume: *Matal v. Tam*, 137 S. Ct. 1744 (2017) (counsel for amicus curiae the American Bar Association in support of neither party); *Progressive Distrib. Servs., Inc. v. United Parcel Serv., Inc.*, 856 F.3d 416 (6th Cir.) (counsel for defendants), *cert. denied*, 138 S. Ct. 91 (2017); *vonRosenberg v. Lawrence*, 849 F.3d 163 (4th Cir. 2017) (expert witness for defendant in related litigation); *FN Herstal SA v. Clyde Armory Inc.*, 838 F.3d 1071 (11th Cir. 2016) (counsel for plaintiff), *cert. denied*, 137 S. Ct. 1436 (2017); *Express Franchise Servs., L.P. v. Impact Outsourcing Sols., Inc.*, 244 F. Supp. 3d 1368 (N.D. Ga. 2017) (counsel for plaintiff); *Moab Indus. v. FCA US, LLC*, 120 U.S.P.Q.2d 1215 (D. Ariz. 2016) (counsel for defendant); *adidas Am., Inc. v. Athletic Propulsion Labs*, 120 U.S.P.Q.2d 1303 (D. Or. 2016) (counsel for plaintiffs).

The author gratefully acknowledges the editorial contributions of Mary Kathryn Hagge, as well as the assistance of Louise Adams, Michael Lopez, Trevor Rosen, Linda Stern, and Christy Flagler in preparing his contribution to this volume for publication.

<sup>1</sup> 137 S. Ct. 1744 (2017).

<sup>2</sup> *Tam* featured an opinion of the Court, by Justice Alito and joined by all eight participating Justices, *id.* at 1751-60, another opinion by Justice Alito joined by three other justices, *id.* at 1760-65, another four-justice opinion by Justice Kennedy, *id.* at 1765-69, and a solo opinion by Justice Thomas, concurring in part and concurring in the judgment. *Id.* at 1769.

<sup>3</sup> 15 U.S.C. § 1052(a) (2012).

federal registration of potentially disparaging trademarks and service marks violated the Free Speech Clause of the First Amendment because the prohibition was viewpoint discriminatory and therefore subject to strict scrutiny.<sup>4</sup> Having reached that conclusion, the Court invalidated a federal intellectual property statute for the first time since 1879 and for only the second time in the history of the United States. On the earlier occasion, the Court's opinion in *United States v. Steffens (The Trademark Cases)*,<sup>5</sup> the consequences were clear: Mark owners lacked protection under federal law until passage of the Trademark Act of 1905<sup>6</sup> twenty-six years later.

*Tam* is unlikely to have a similarly dramatic effect. For example, many prohibitions on registration address false or misleading commercial speech and therefore should not trigger heightened scrutiny under the First Amendment.<sup>7</sup> These include the bars on the registration of deceptive marks,<sup>8</sup> deceptively misdescriptive marks,<sup>9</sup> primarily geographically deceptively misdescriptive marks,<sup>10</sup> and marks either falsely suggesting an association with a person or entity,<sup>11</sup> or likely to be confused with the marks of prior users.<sup>12</sup> They may also include Section 2(b)'s prohibition on the registration of "the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof."<sup>13</sup>

Likewise, a number of other prohibitions on registration are clearly not viewpoint-discriminatory, even if they are content-

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<sup>4</sup> Content-based discrimination occurs when the government attempts to censor all speech about a certain topic, no matter what that speech is saying about the topic. Viewpoint-based discrimination is a subset of content-based discrimination and occurs when the government attempts to censor certain opinions about a topic. *See generally* *Mesa v. White*, 197 F.3d 1041, 1046 (10th Cir. 1999) ("Viewpoint discrimination is a subset of content discrimination; all viewpoint discrimination is first content discrimination, but not all content discrimination is viewpoint discrimination." quoting 1 Rodney A. Smolla, *Smolla & Nimmer on Freedom of Speech* § 3:9 (1998)). "Viewpoint discrimination is thus an egregious form of content discrimination. The government must abstain from regulating speech when the specific motivating ideology or the opinion or perspective of the speaker is the rationale for the restriction." *Rosenberger v. Rector & Visitors of Univ. of Va.*, 515 U.S. 819, 829 (1995). As a general proposition, viewpoint-discriminatory government action is justifiable only if it involves government speech. *See, e.g.*, *Walker v. Texas Div., Sons of Confederate Veterans, Inc.*, 135 S. Ct. 2239, 2245–2247 (2015).

<sup>5</sup> 100 U.S. 82 (1879).

<sup>6</sup> Pub. L. No. 489, 33 Stat. 724 (1905).

<sup>7</sup> *See generally* *Bolger v. Youngs Drug Prod. Corp.*, 463 U.S. 60, 69 (1983).

<sup>8</sup> 15 U.S.C. § 1052(a) (2012).

<sup>9</sup> *Id.* § 1052(e)(1).

<sup>10</sup> *Id.* § 1052(e)(3).

<sup>11</sup> *Id.* § 1052(a).

<sup>12</sup> *Id.* § 1052(d).

<sup>13</sup> *Id.* § 1052(b).



discriminatory and therefore possibly subject to intermediate-level scrutiny under *Central Hudson Gas & Electric Corp. v. Public Service Comm'n of New York*,<sup>14</sup> which allows restrictions on non-misleading commercial speech concerning lawful activity if the asserted government interest is substantial, the restrictions directly advance that government interest, and the regulations are no more extensive than necessary.<sup>15</sup> These include the prohibitions on the registration of generic terms, merely descriptive marks lacking acquired distinctiveness,<sup>16</sup> primarily geographically descriptive marks lacking acquired distinctiveness,<sup>17</sup> surnames lacking acquired distinctiveness,<sup>18</sup> and functional matter.<sup>19</sup> These prohibitions might be challenged as content-based and therefore subject to intermediate scrutiny under *Central Hudson*, but, if so, the government has a substantial interest in preventing the use of trademark law to acquire the exclusive rights to the categories of claimed marks covered by them.<sup>20</sup>

Nevertheless, the situation could be different where at least two other grounds for unregistrability are concerned. The first is Section 43(c)'s cause of action against likely dilution by tarnishment,<sup>21</sup> the application of which often disadvantages defendants operating in disfavored industries.<sup>22</sup> The second is Section 2(a)'s bar on immoral

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<sup>14</sup> 447 U.S. 557 (1980).

<sup>15</sup> Perhaps significantly, none of the opinions in *Tam* affirmatively endorsed the use of *Central Hudson* when evaluating the constitutionality of prohibitions on registration generally. Justice Alito's four-Justice opinion suggested that Section 2(a)'s prohibition on the registration of potentially disparaging matter could not survive intermediate scrutiny under *Central Hudson*, 137 S. Ct. at 1764-65, but it also noted that "we leave open the question whether *Central Hudson* provides the appropriate test for deciding free speech challenges to provisions of the Lanham Act." *Id.* at 1764 n.17.

<sup>16</sup> 15 U.S.C. § 1052(e)(1).

<sup>17</sup> *Id.* § 1052(e)(2).

<sup>18</sup> *Id.* § 1052(e)(4).

<sup>19</sup> *Id.* § 1052(e)(5).

<sup>20</sup> *Cf. Wilhelm Pudenz GmbH v. Littlefuse Inc.*, 177 F.3d 1204, 1208 (11th Cir. 1999) ("The functionality doctrine . . . eliminat[es] the possibility of a perpetual exclusive right to the utilitarian features of a product under trademark law, which would be impossible (as well as unconstitutional) under the Patent Act."); *Deckers Outdoor Corp. v. Ozwear Connection Pty Ltd.*, No. CV 14-2307 RSWL FFMX, 2014 WL 4679001, at \*9 n.3 (C.D. Cal. Sept. 18, 2014) ("First Amendment issues could be triggered if a person is enjoined from using a generic . . . term . . .").

<sup>21</sup> *See* 15 U.S.C. § 1125(c)(2)(B) (2012) ("[D]ilution by tarnishment' is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.").

<sup>22</sup> The leading example of this phenomenon is the Sixth Circuit's opinion in *V Secret Catalogue, Inc. v. Moseley*, 605 F.3d 382 (6th Cir. 2010), in which that court held:

The [adoption of the likelihood-of-dilution standard in 2006 and previous case law] create a kind of rebuttable presumption, or at least a very strong inference, that a new mark used to sell sex-related products is likely to tarnish a famous mark if there is a clear semantic association between the two. This *res ipsa*

and scandalous matter from the registers of the United States Patent and Trademark Office (USPTO), which the Federal Circuit invalidated shortly after *Tam* in *In re Brunetti*,<sup>23</sup> an opinion falling outside the time period covered by this survey but one suggesting that all prohibitions on registration not linked to an applied-for mark's "source-identifying information" properly should be subject to strict scrutiny;<sup>24</sup> if that interpretation of *Tam* ultimately carries the day, still other grounds for unregistrability could fall in the future, including Section 43(c)'s cause of action by blurring.<sup>25</sup>

Whatever its significance may prove to be, *Tam* was not the only noteworthy application of the First Amendment over the past year. On the contrary, the Eighth Circuit affirmed a holding that a state university had engaged in impermissible viewpoint discrimination when it denied a trademark license to a student group based on the group's political advocacy.<sup>26</sup> Likewise, a California federal district court and then the Ninth Circuit confirmed the eligibility of the title of a television series for full protection under the First Amendment's guarantee of free speech.<sup>27</sup> Finally, another court recognized that the transmittal of demand letters by a trademark owner falls within

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loquiter-like effect . . . places on the owner of the new mark the burden of coming forward with evidence that there is no likelihood or probability of tarnishment.

*Id.* at 388. Because the court apparently would not have subjected the Moseleys to an adverse presumption had they sold fresh-cut flowers under their VICTOR'S SECRET mark, its rule appears as much a viewpoint-discriminatory measure as the statutory prohibition at issue in *Tam*. Moreover, although other courts have not gone so far as the Sixth Circuit, numerous reported opinions make apparent that the nature of a defendant's businesses can and does make a difference in the inquiry into whether its mark is likely to dilute another's famous mark by tarnishing it. *See, e.g.*, *Coty Inc. v. Excell Brands, LLC*, No. 15-CV-7029 (JMF), 2017 WL 4155402, at \*20 (S.D.N.Y. Sept. 18, 2017) (finding dilution likely in light of plaintiff's showings that defendant "[uses] inferior oils [for its perfumes], employs cheaper packaging components, lacks any quality assurance program, and produces fragrances with potentially harmful ingredients"); *Lorillard Tobacco Co. v. Cal. Imps., LLC*, 886 F. Supp. 2d 529, 537 (E.D. Va. 2012) (finding likely dilution by tarnishment because "[w]hile the actual contents of [the defendant's synthetic marijuana] may not be clear, its marketing as 'spice' created a likely association among [the defendant's mark], [the plaintiff's mark], and controversial synthetic marijuana"); *Pepsico, Inc. v. #1 Wholesale, LLC*, 84 U.S.P.Q.2d 1040, 1044 (N.D. Ga. 2007) ("[The defendants'] marketing and sale of [their goods] is likely to dilute and tarnish the [plaintiff's marks] because [the defendants use] the marks on goods commonly associated with the concealment of illicit narcotics.").

<sup>23</sup> 877 F.3d 1330 (Fed. Cir. 2017).

<sup>24</sup> *Id.* at 1349.

*Brunetti* will be addressed in greater detail in next year's edition of this survey.

<sup>25</sup> *See* 15 U.S.C. § 1125(c)(B) ("[D]ilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.").

<sup>26</sup> *See Gerlich v. Leath*, 861 F.3d 697 (8th Cir. 2017), *rehearing and rehearing en banc denied* (8th Cir. Aug. 9, 2017).

<sup>27</sup> *See Twentieth Century Fox Television v. Empire Distrib. Inc.*, 161 F. Supp. 3d 902 (C.D. Cal. 2016), *reconsideration denied*, No. CV 15-2158 PA (FFMX), 2016 WL 3092156 (C.D. Cal. Mar. 28, 2016), *aff'd*, 875 F.3d 1192 (9th Cir. 2017).

the same amendment's right to petition the government for redress of grievances.<sup>28</sup>

Nor was *Tam* the only significant reported opinion bearing on the registration process. For example, the Trademark Trial and Appeal Board took a strong stand against the registration of marks used in connection with marijuana-related goods and services. One applicant to experience the Board's hard-line approach to the issue sought to register his mark for "retail store services featuring herbs," but was undone by his specimen of use and his website, both of which made apparent the nature of the herbs in which his stores specialized.<sup>29</sup> Another unsuccessful applicant's identification of goods was more forthcoming and recited his mark would be used for smokeless cannabis vaporizers in individual states in which those goods were legal.<sup>30</sup> In both cases, the applications covered goods and services falling within the scope of the federal Controlled Substances Act,<sup>31</sup> which rendered any use of the applied-for marks in interstate commerce unlawful and the marks therefore unregistrable.

On an arguably less interesting subject, the Board unusually produced six opinions finding claimed marks were primarily merely surnames and accordingly ineligible for registration on the Principal Register under Section 2(e)(4)<sup>32</sup> without acquired distinctiveness. Three of those findings came in the face of evidence that the marks at issue—BELUSHI, ALDECOA, and ADLON—were used as surnames infrequently at best, a consideration ordinarily favoring registrability,<sup>33</sup> with respect to the first and third of these marks, the Board found convincing the Office's evidence that celebrities bore the name. In the fourth case, the Board declined to accord weight to the applicant's showing that its WEISS mark meant "white" in German.<sup>34</sup> Addressing an intra-family dispute, the Board found in the fifth case that the applied-for AZEKA'S RIBS mark fell within Section 2(e)(4)'s scope, despite the presence in the mark of an element—"ribs"—clearly having no surname significance.<sup>35</sup> The outcome in the sixth case, a finding of

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<sup>28</sup> See *Silverhorse Racing, LLC v. Ford Motor Co.*, 232 F. Supp. 3d 1206 (M.D. Fla. 2017).

<sup>29</sup> See *In re Brown*, 119 U.S.P.Q.2d 1350 (T.T.A.B. 2016).

<sup>30</sup> See *In re JJ206, LLC*, 120 U.S.P.Q.2d 1568 (T.T.A.B. 2016).

<sup>31</sup> 21 U.S.C. §§ 801-904 (2012).

<sup>32</sup> 15 U.S.C. § 1052(e)(4) (2012).

<sup>33</sup> See *In re Beds & Bars Ltd.*, 122 U.S.P.Q.2d 1546 (T.T.A.B. 2017); *In re Eximius Coffee, LLC*, 120 U.S.P.Q.2d 1276 (T.T.A.B. 2016); *In re Adlon Brand GmbH & Co. KG c/o FUNDUS FONDS-Verwaltungen GmbH*, 120 U.S.P.Q.2d 1717 (T.T.A.B. 2016).

<sup>34</sup> See *In re Weiss Watch Co.*, 123 U.S.P.Q.2d 1200 (T.T.A.B. 2017).

<sup>35</sup> See *Azeka Building Corp. v. Bryan Kenji Azeka*, 212 U.S.P.Q.2d 1477 (T.T.A.B. 2017).

unregistrability for the BARR GROUP mark, was consistent with that in the fifth.<sup>36</sup>

Courts and the Board were of like mind on some subjects, such as their shared skepticism toward claims of nonfunctionality for nontraditional marks,<sup>37</sup> but they continued to differ rather dramatically in their treatments of claims of fraudulent procurement of registrations. Consistent with its approach since the Federal Circuit's opinion in *In re Bose Corp.*,<sup>38</sup> the Board rejected each claim of fraud placed before it.<sup>39</sup> In contrast, and although actual findings of fraud remained the exception rather than the rule in all fora, courts once again proved more receptive to averments of fraud than the Board. Thus, the Third Circuit affirmed a finding of fraudulent procurement transpiring after a full trial,<sup>40</sup> and another court concluded that a plaintiff prosecuting a preliminary injunction was likely to prevail on a claim the defendant had secured a registration through fraudulent averments.<sup>41</sup> Still other courts declined to grant registrants' motions for summary judgment or to dismiss for failure to state claims, although those motions might well have succeeded before the Board.<sup>42</sup>

Finally, the seventieth year of administration of the Lanham Act was notable for the Supreme Court's failure to resolve an issue on which there has long been a split among the lower courts, namely, whether a prevailing plaintiff must demonstrate willful misconduct by the defendant to receive an accounting of the defendant's profits. In a little-noticed grant of a petition for a writ of certiorari to the

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<sup>36</sup> See *In re Integrated Embedded*, 120 U.S.P.Q.2d 1504 (T.T.A.B. 2016).

<sup>37</sup> See, e.g., *Arlington Specialties, Inc. v. Urban Aid, Inc.*, 847 F.3d 415 (7th Cir. 2017) (affirming finding of functionality as a matter of law for configurations of bags for personal care items); *C5 Med. Werks, LLC v. CeramTec GmbH*, 249 F. Supp. 3d 1210 (D. Colo. 2017) (finding color pink functional as a matter of law for hip implant components made of chromium oxide); *AMID, Inc. v. Medic Alert Found. United States, Inc.*, 241 F. Supp. 3d 788 (S.D. Tex. 2017) (finding various materials used to promote the plaintiff's medical-information jewelry functional); *Yellowfin Yachts, Inc. v. Barker Boatworks, LLC*, 237 F. Supp. 3d 1230 (M.D. Fla. 2017) (finding configuration of boats functional as a matter of law), *appeal docketed*, No. 17-11176 (11th Cir. Mar. 15, 2017); *Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F. Supp. 3d 245 (S.D.N.Y. 2016) (finding configuration of plastic bag closure), *aff'd*, 699 F. App'x 93 (2d Cir. 2017); *In re Loggerhead Tools, LLC*, 119 U.S.P.Q.2d 1429 (T.T.A.B. 2016) (finding claimed motion mark functional).

<sup>38</sup> 580 F.3d 1240 (Fed. Cir. 2009).

<sup>39</sup> See *Luxco, Inc. v. Consejo Regulador del Tequila, A.C.*, 121 U.S.P.Q.2d 1477 (T.T.A.B. 2017); *Daniel J. Quirk, Inc. v. Village Car Co.*, 120 U.S.P.Q.2d 1146 (T.T.A.B. 2016).

<sup>40</sup> See *Covertech Fabricating, Inc. v. TVM Bldg. Prods., Inc.*, 855 F.3d 163 (3d Cir. 2017).

<sup>41</sup> See *Checker Car Club of Am., Inc. v. Fay*, 262 F. Supp. 3d 621 (N.D. Ill. 2017).

<sup>42</sup> See *Am. Cruise Lines, Inc. v. HMS Am. Queen Steamboat Co.*, 223 F. Supp. 3d 207 (D. Del. 2016) (denying motion to dismiss); *Hoenig Dev., Inc. v. Dial Indus.*, 213 F. Supp. 3d 895 (E.D. Mich. 2016) (denying motion of summary judgment); *Bauer Bros. v. Nike, Inc.*, 159 F. Supp. 3d 1202 (S.D. Cal. 2016) (same).

Federal Circuit,<sup>43</sup> the Court took up that issue along with one arising under federal design patent law, only to vacate and remand the action for further consideration in light of the Court's earlier decision in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*.<sup>44</sup> Because *SCA Hygiene* addressed the significance of laches to claims for actual damages under utility patent law, the Court's action understandably baffled the Federal Circuit, which readopted its earlier holding that Second Circuit law required willfulness as a prerequisite for an accounting.<sup>45</sup> The result was a missed opportunity for the Court to provide much needed guidance on an issue of considerable importance to litigants under the Act, one the Court hopefully will not miss again in the future.

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<sup>43</sup> See *Romag Fasteners, Inc. v. Fossil, Inc.*, 137 S. Ct. 1373 (2017) (mem.).

<sup>44</sup> 137 S. Ct. 954 (2017).

<sup>45</sup> As the lower court explained:

The Supreme Court's *SCA Hygiene* decision was solely concerned with the defense of laches against a claim for patent infringement damages and does not affect other aspects of our earlier opinion.

. . . .

. . . We hereby reinstate those aspects of our earlier decision and judgment . . . affirming the district court's judgment declining to award [the defendant's] profits, which were not affected by the Supreme Court's order.

*Romag Fasteners, Inc. v. Fossil, Inc.*, 686 F. App'x 889, 890 (Fed. Cir. 2017).

## PART I. EX PARTE CASES

*By John L. Welch\**

### *A. United States Supreme Court*

#### 1. Section 2(a) Disparagement

*Matal v. Tam*

In case you haven't heard, in June 2017, the United States Supreme Court ruled that the disparagement provision of Section 2(a) of the U.S. Trademark Act (also known as the "Lanham Act") is facially unconstitutional because it violates the Free Speech clause of the First Amendment.<sup>1</sup> "It offends a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend."<sup>2</sup>

Simon Tam's application to register the mark THE SLANTS for a musical band was refused registration under Section 2(a) of the Lanham Act, which provision in pertinent part bars the registration of marks that may "disparage . . . or bring into contempt, or disrepute" any "persons, living or dead."<sup>3</sup> The Trademark Trial and Appeal Board ("TTAB") affirmed the refusal,<sup>4</sup> but the U.S. Court of Appeals for the Federal Circuit ("CAFC") reversed.<sup>5</sup>

The Supreme Court, in an opinion by Justice Alito, pointed out that federal registration "confers important legal rights and benefits on trademark owners who register their marks."<sup>6</sup> Registration serves as constructive notice of a registrant's claim of ownership, provides prima facie evidence of the validity of the mark and its registration and of the owner's exclusive right to use the mark, enables a mark to be rendered "incontestable" after five years of use, and allows the owner to stop importation of infringing goods.<sup>7</sup>

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<sup>1</sup> The First Amendment to the United States Constitution states: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances."

<sup>2</sup> *Matal v. Tam*, 582 U.S. \_\_\_, 137 S. Ct. 1744, 122 U.S.P.Q.2d 1757, 1761 (2017).

<sup>3</sup> Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), in pertinent part, bars registration of a mark that "[c]onsists of or comprises . . . matter which may disparage . . . persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute."

<sup>4</sup> *In re Tam*, 108 U.S.P.Q.2d 1305 (T.T.A.B. 2013).

<sup>5</sup> *In re Tam*, 117 U.S.P.Q.2d 1001 (Fed. Cir. 2015) (*en banc*).

<sup>6</sup> *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. \_\_\_, 135 S. Ct. 1293, 113 U.S.P.Q.2d 2045, 2048 (2015).

<sup>7</sup> *Matal v. Tam*, 122 U.S.P.Q.2d at 1762.

The Court thoroughly rejected the Government's arguments that trademarks are government speech, that trademarks are a form of government subsidy, and that the disparagement clause should be tested under a new "government-program" doctrine. The Court observed that even in situations where some content- and speaker-based restriction may be allowed, "viewpoint discrimination" is forbidden.

Our cases use the term "viewpoint" discrimination in a broad sense . . . and in that sense, the disparagement clause discriminates on the bases of "viewpoint." To be sure, the clause evenhandedly prohibits disparagement of all groups. It applies equally to marks that damn Democrats and Republicans, capitalists and socialists, and those arrayed on both sides of every possible issue. It denies registration to any mark that is offensive to a substantial percentage of the members of any group. But in the sense relevant here, that is viewpoint discrimination: Giving offense is a viewpoint.<sup>8</sup>

The Government argued that all trademarks are commercial speech and thus subject to relaxed scrutiny under the First Amendment, as outlined in *Central Hudson Gas Electric Corp. v. Public Service Commission of New York*.<sup>9</sup> The Court sidestepped that question because it found that the disparagement clause of Section 2(a) "cannot withstand even *Central Hudson* review."<sup>10</sup>

Under *Central Hudson*, a restriction of speech must serve "a substantial interest," and it must be "narrowly drawn."<sup>11</sup> This means, among other things, that "[t]he regulatory technique may extend only as far as the interest it serves."<sup>12</sup> The disparagement clause fails this requirement.<sup>13</sup>

The Government claimed an interest in preventing speech that expresses offensive ideas, but that position "strikes at the heart of the First Amendment."<sup>14</sup> Demeaning speech may be hateful, but the Constitution protects the freedom to express hateful thought. The Government also claimed that another interest is to protect the orderly flow of commerce, since discriminatory conduct has an adverse effect on commerce. But, the Court pointed out, the disparagement provision is not "'narrowly drawn' to drive out invidious discrimination."<sup>15</sup> It applies to any trademark that

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<sup>8</sup> *Id.* at 1769.

<sup>9</sup> 447 U.S. 557 (1980).

<sup>10</sup> *Id.* at 564-565 (internal quotation marks omitted).

<sup>11</sup> *Id.* at 565.

<sup>12</sup> *Id.*

<sup>13</sup> *Matal v. Tam*, 122 U.S.P.Q.2d at 1770.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*, quoting *Central Hudson* at 565.

disparages any person, group, or institution. “It is not an anti-discrimination clause; it is a happy-talk clause,”<sup>16</sup> and goes further than necessary to serve the asserted interest.

The Court therefore held the disparagement provision of Section 2(a) to be unconstitutional on its face.

In a concurring opinion, Justice Kennedy observed that “[t]he central purpose of trademark registration is to facilitate source identification.”<sup>17</sup>

To serve that broad purpose, the Government has provided the benefits of federal registration to millions of marks identifying every type of product and cause. Registered trademarks do so by means of a wide diversity of words, symbols, and messages. Whether a mark is disparaging bears no plausible relation to that goal.<sup>18</sup>

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

### **1. Service Mark Use**

#### *In re JobDiva, Inc.*

The CAFC vacated a TTAB ruling that ordered, on the ground of abandonment, cancellation of a registration for the mark JOBDIVA in standard character form, and partial cancellation of a registration for the mark in design form, for “personnel placement and recruitment” services. The Board appeared to apply a bright-line requirement that the registrant show that it performed these services *in addition to* providing software-as-a-service (SaaS) software at its website. The CAFC rejected that standard and remanded the case to the Board for consideration of the following basic question: “whether purchasers would perceive JobDiva’s marks to identify ‘personal placement and recruitment’ services.”<sup>19</sup>

JobDiva’s software provides a database of employment applications that a hiring manager or recruiter may explore in order to fill a job opening. The software uses “harvesters” to find job candidates by scraping job boards and aggregating resumes. It allows hiring managers to post job openings in a particular candidate’s portal. And it assists job candidates by recommending potential openings. In many circumstances, JobDiva provides these offerings on an SaaS basis to its customers.

In explaining its services, JobDiva submitted screenshots of its website along with a declaration from its CEO, but the Board found the evidence insufficient because “[t]here was no reference . . . to

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<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 1773.

<sup>18</sup> *Id.*

<sup>19</sup> *In re JobDiva, Inc.*, 121 U.S.P.Q.2d 1122, 1127 (Fed. Cir. 2016).



[JobDiva's] performance of personnel placement and recruitment services other than supplying [its] software.”<sup>20</sup> Concluding that the marks had not been in use for the services in question, the Board issued its cancellation order on the ground of abandonment.

On reconsideration of that order, the Board criticized JobDiva for “confus[ing] the service of providing a software solution for personnel placement and recruitment with actually rendering placement and recruitment services.”<sup>21</sup> The Board required JobDiva to prove that “it is rendering personnel placement and recruitment *as an independent activity distinct* from providing its software to others.”<sup>22</sup> The Board ultimately found that JobDiva had failed to establish “that it is rendering ‘personnel placement and recruitment’ services for others separate and apart from providing its software.”<sup>23</sup>

The CAFC observed that whether a mark has been used to identify a particular service is a question of fact, as is the question of abandonment.

The Board acknowledged that, in modern technology, the line between services and products sometimes blurs and therefore it is important to review the entire record to understand how a mark is used and how it will be perceived by customers. Nonetheless, the CAFC noted, the TTAB appeared to apply a bright-line rule requiring JobDiva to show that it performed the services in question in a way other than having its software perform the services. “In holding JobDiva to that standard, the Board erred in its understanding of the law.”<sup>24</sup>

Even though a service may be performed by a company’s software, the company may well be rendering a service. For example, in *On-Line Careline*<sup>25</sup> we held that AOL had used its ONLINE TODAY mark in connection with services even though those services were provided by software. \*\*\* At bottom, we recognized that software may be used by companies to provide services.<sup>26</sup>

In determining whether a mark is used in connection with the identified services, “a key consideration is the perception of the user.”<sup>27</sup>

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<sup>20</sup> *Id.* at 1124.

<sup>21</sup> *Id.* at 1125.

<sup>22</sup> *Id.* (Emphasis added by CAFC.)

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* at 1126.

<sup>25</sup> *On-Line Careline, Inc. v. Am. Online, Inc.*, 229 F.3d at 1080, 56 U.S.P.Q.2d 1471 (Fed. Cir. 2000).

<sup>26</sup> *In re JobDiva, Inc.*, 121 U.S.P.Q.2d at 1126.

<sup>27</sup> *Id.*

The question is whether a user would associate the mark with “personnel placement and recruitment” services performed by JobDiva, even if JobDiva’s software performs each of the steps of the service. In other words, the question is whether the evidence of JobDiva’s use of its marks “sufficiently creates in the minds of purchasers an association between the mark[s] and [JobDiva’s personnel placement and recruitment] services.”<sup>28</sup>

“Because that question is a factual one, the Board must answer it in the first instance.”<sup>29</sup> The CAFC pointed out that, on remand, the Board should consider the nature of the user’s interaction with JobDiva when using the software, as well as the location of the software host. If the software is sold to a customer who hosts the software on its own website and the user’s interactions appear to be with the customer, then it is unlikely that the user would associate the JOBDIVA mark with the service performed by Applicant JobDiva. However, “if the software is hosted on JobDiva’s website such that the user perceives direct interaction with JobDiva during operation of the software, a user might well associate JobDiva’s marks with personnel ‘placement and recruitment’ services performed by JobDiva.”<sup>30</sup>

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

#### **1. Section 2(a) Deceptiveness**

##### *In re Tapco International Corp.*

Adhering to its standard test for deceptiveness under Section 2(a), the Board affirmed a refusal to register KLEER ADHESIVES for adhesives and mortar for use with PVC building materials, the products “curing optically opaque, color-matched, or otherwise non-transparent.” As to the marks KLEER MOULDINGS and KLEER TRIMBOARD for PVC building materials, however, the Board reversed the same refusals because of lack of evidence that the term “KLEER” (or its phonetic equivalent, “clear”) has an understood meaning with regard to such synthetic products.<sup>31</sup>

Under Section 2(a) of the Lanham Act, registration must be refused if a term is deceptive with regard to a feature or an ingredient of the identified goods.<sup>32</sup> The test for deceptiveness requires that all three of the following criteria are met:

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<sup>28</sup> *Id.*, quoting *In re Ancor Holdings*, 79 U.S.P.Q.2d 1218, 1221 (T.T.A.B. 2006).

<sup>29</sup> *Id.* at 1127.

<sup>30</sup> *Id.*

<sup>31</sup> *In re Tapco Int’l Corp.*, 122 U.S.P.Q. 2d 1369 (T.T.A.B. 2017).

<sup>32</sup> *Id.* at 1371. 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 . . . .”

- (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 relevant consumers?<sup>33</sup>

**KLEER ADHESIVES:** The Board agreed with the examining attorney that KLEER is the phonetic equivalent of “clear,” that “clear” means transparent, and that the applicant’s goods are not transparent. Consumers are likely to believe that the description of the goods as transparent because—as shown by web pages, news stories, and “how-to” articles—manufacturers provide clear adhesives for use in the construction industry.

Applicant Tapco argued that consumers are unlikely to believe that its adhesives are clear because they are sold only to “a sophisticated relevant consumer base of builders, contractors, sub-contractors, and other knowledgeable construction professionals.”<sup>34</sup> According to Tapco, these consumers “would be “savvy enough to realize that color-matched adhesives for use with the Applicant’s like-branded KLEER PVC building products are adhesives sold under the KLEER brand umbrella, as the term “KLEER” is viewed in the relevant industry as a house mark and known source identifier covering a wide variety of products.”<sup>35</sup> The Board pointed out, however, that the application at issue does not limit the channels of trade to only sophisticated consumers. Thus the Board must presume that the applicant’s goods are sold to all prospective consumers of such adhesives, including the average homeowner. Moreover, there was no evidence that consumers would view KLEER as having another meaning, and thus “there is nothing to suggest any industry custom or understanding that KLEER does not mean clear to building construction professionals.”<sup>36</sup>

The Board concluded that “prospective purchasers are likely to believe that the term ‘KLEER’ describes Applicant’s adhesive products when, in fact, they are not clear.”<sup>37</sup>

The evidence demonstrated that clear adhesives have important and desirable advantages over non-transparent adhesives, and so the Board found that “a clear-drying finish would be material to the decision by consumers to purchase PVC adhesives.”<sup>38</sup> Although

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<sup>33</sup> *Id.*, citing *In re Budge*, 8 U.S.P.Q.2d 1259, 1260 (Fed. Cir. 1988).

<sup>34</sup> *Id.* at 1374.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> *Id.* at 1375.

<sup>38</sup> *Id.* See *In re White Jasmine LLC*, 106 U.S.P.Q.2d 1385, 1392 (T.T.A.B. 2013) (in finding the word “white” to be deceptive for tea, the Board concluded that consumers perceive white tea as having desirable health benefits).

flavor, scent, and color would typically not be considered material, the desire of consumers for clear adhesives is more than a personal preference:

The record establishes that clear adhesives are objectively more useful than non-transparent adhesives because they provide a bond “that cannot be seen” or which can be used to join products of any color. This feature makes clear adhesives more desirable than other non-transparent adhesives.<sup>39</sup>

And so the Board found KLEER ADHESIVES to be deceptive under Section 2(a).

KLEER MOULDINGS and KLEER TRIMBOARD: The examining attorney contended that the word “KLEER” in these two marks indicates that the products are made from “clear wood,” that is, wood that is free from knots and other defects. Since the applicant’s products are not made from wood that is free from knots or other defects, he maintained that the mark is misdescriptive of the goods. The Board construed the argument to be that consumers of the applicant’s synthetic products will likely assume there is a similar distinction between synthetic building products that are clear of any defects and those that are not.

Although the USPTO’s evidence established that “clear” has an understood meaning with respect to wood, there was no evidence that it has a similar meaning with respect to synthetic building materials: that is, “there is no evidence in the record establishing a similar recognized distinction between clear and blemished synthetic building products.”<sup>40</sup>

The Board therefore reversed the deceptiveness refusals as to these two marks.

## 2. Section 2(b) Foreign Flag or Insignia

### *In re Family Emergency Room LLC*

Section 2(b) of the Lanham Act,<sup>41</sup> in pertinent part, prohibits registration of a mark that “[c]onsists of or comprises the flag . . . of any foreign nation, or any simulation thereof.” The word “comprises” means “includes.”<sup>42</sup> The applicant sought to register the mark

<sup>39</sup> *Id.*

<sup>40</sup> *Id.* at 1376.

<sup>41</sup> 15 U.S.C. § 1052(b). Section 2(b), in full, bars registration of any mark that “[c]onsists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof.”

<sup>42</sup> *In re Family Emergency Room LLC*, 121 U.S.P.Q.2d 1886, 1887 n.2 (T.T.A.B. 2017). “As the Federal Circuit explained when construing the identical ‘consists of or comprises’ language in Section 2(a), ‘the word ‘comprises’ at the time of the statute’s enactment in 1905 meant ‘includes.’” *In re Fox*, 702 F.3d 633, 105 U.S.P.Q.2d 1247, 1250. \*\*\* Section 2(b) thus prohibits registration of a mark that *includes* a flag of a foreign nation or any simulation thereof.” (Emphasis added by the Board.)

shown above left for “hospitals,” but it was refused registration under Section 2(b). Does the mark include a simulation of the Swiss flag (above right)?



The applicant described the relevant portion of its mark as “a white cross on a red field, [with] diagonal lines on the left edge of the field.” It claimed red and white as a feature of the mark, and conceded that the mark “borrow[s] elements of the Swiss national flag.”<sup>43</sup>

The Board found the applicant’s design to be “highly similar” to the Swiss flag. The addition of lines at the left of the design and the very slight tilt of the design are “insignificant in altering the commercial impression of the design.”<sup>44</sup>

Simply put, the design shown in the proposed mark is not sufficiently altered, stylized, or merged with the other elements in the mark, so as to create a distinct commercial impression, other than as a simulation of the Swiss flag. The average member of the general public seeing the proposed mark would associate the design feature with the flag of Switzerland.<sup>45</sup>

Therefore, registration of the applicant’s mark is prohibited by Section 2(b).

### *In re Shabby Chic Brands LLC*

In another rare Section 2(b) case, the Board affirmed a refusal of the mark shown below left for various goods, including furniture, dinnerware, and fabrics, on the ground that the mark comprises a design that simulates a governmental insignia of the United Kingdom, namely, the Prince of Wales’ emblem, shown below right.<sup>46</sup>

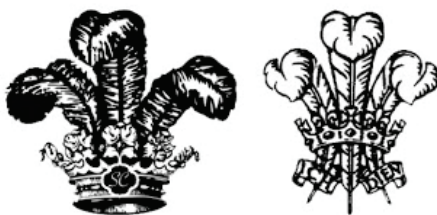
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<sup>43</sup> *Id.* at 1887.

<sup>44</sup> *Id.* at 1888.

<sup>45</sup> *Id.* at 1889.

<sup>46</sup> *In re Shabby Chic Brands LLC*, 122 U.S.P.Q.2d 1139 (T.T.A.B. 2017).



Section 2(b) bars registration of a mark that “[c]onsists of or comprises the flag or coat of arms or *other insignia* . . . of any foreign nation, or any simulation thereof.” (Emphasis supplied.) Thus the issue before the Board involved two questions: (1) Is the Prince of Wales’ emblem an insignia of a foreign nation; and (2) if so, does the applied-for mark consist of or comprise that insignia or a simulation thereof?

**Insignia?:** The Prince of Wales is a member of the British royal family and is heir to the throne. The emblem at issue here has a long association with the Prince of Wales; its use dates back to the 14th Century. The Government of the United Kingdom identified the emblem as “[t]he official emblem of the Prince of Wales” when it notified the World Intellectual Property Organization (WIPO) in 2005, under the Paris Convention,<sup>47</sup> that this emblem is a “state emblem” of the United Kingdom. WIPO transmitted this notification to the USPTO pursuant to Article 6*ter* of the Paris Convention.<sup>48</sup>

The United States has implemented its obligations under Article 6*ter*, in part, through Section 2(b) of the Lanham Act.<sup>49</sup> The USPTO assigned the emblem a serial number<sup>50</sup> specifically identifying the entry as “non-registration data” and it entered that data into the USPTO search database to assist examining attorneys when considering possible statutory refusals. This item in the database is not a registration and thus not a basis for a Section 2(d) refusal, but it may form the basis of a Section 2(a) or 2(b) refusal.<sup>51</sup>

The Board concluded that the Prince of Wales’ emblem is an “insignia of national authority” on a par with a coat of arms, as found in Section 2(b), and therefore that the emblem qualifies as an insignia of a foreign nation.<sup>52</sup>

**Simulation?:** Because of the differences between the applied-for mark and the emblem, the Board found that the mark does not consist of, or comprise, the emblem *per se*. As to whether the mark is a “simulation” of the emblem, the Board must consider the “first

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<sup>47</sup> International Convention for the Protection of Intellectual Property, Mar. 20, 1883, as revised at Stockholm on July 14, 1967.

<sup>48</sup> *In re Shabby Chic Brands LLC*, 122 U.S.P.Q.2d at 1141.

<sup>49</sup> *In re Rush*, 74 U.S.P.Q.2d 1174, 1176 (Fed. Cir. 2005).

<sup>50</sup> Serial No. 89001177.

<sup>51</sup> *In re Shabby Chic Brands LLC*, 122 U.S.P.Q.2d at 1142.

<sup>52</sup> *Id.*

impression gathered from a view of such mark without a careful analysis and side-by-side comparison . . . .”<sup>53</sup>

The Board noted several differences, including the banner and wording “Ich Dien” that are missing from the applicant’s mark. In addition, the applicant’s mark includes the initials “SC” in front of the shield, the quill ends of the feathers are not visible below the crown in the applicant’s mark, the crowns are slightly different in design, and the feathers are arranged somewhat differently. Nonetheless, the similarities in their commercial impressions outweigh these differences.

[B]oth Applicant’s mark and the Prince of Wales’ emblem create the same overall impression, that of a heraldic crown with three large feathers extending up from the crown. In addition, given the fact that some variation in the representation of the Prince of Wales’ emblem is permitted, it is possible that consumers viewing Applicant’s mark would ascribe any differences between Applicant’s mark and the emblem to such permitted variation.<sup>54</sup>

The Board therefore found that the applied-for mark is a simulation of an insignia of a foreign nation, namely, the Prince of Wales’ emblem.

The applicant argued that it is unlikely that customers will believe that the applied-for mark has any association or connection with the Prince of Wales. The Board pointed out, however, that the Prince is able to grant Royal Warrants of appointment to companies, who may then display “The Prince of Wales’ Feathers” on their products. Therefore, consumers might believe that the applicant has been granted such a Royal Warrant.

The applicant also asserted that its mark has co-existed with the Prince of Wales’ emblem for 13 years without objection or confusion, but the Board pointed out that absence of objection or confusion is irrelevant, since Section 2(b) is an absolute bar and confusion plays no part in the analysis.

Finally, the applicant pointed to two now-cancelled registrations that it owned for nearly identical marks, arguing that it is illogical to deny registration here. The Board observed, once again, that each application must be considered on its own merits, and the Board is not bound by the decisions of examining attorneys in other cases.<sup>55</sup> Moreover, the Board noted, the marks in the two prior registrations were examined in 2003, before the Prince of Wales’ emblem was claimed and recorded as a state emblem.

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<sup>53</sup> *Id.*, quoting *In re Advance Indus. Sec., Inc.*, 194 U.S.P.Q. 344, 346 (T.T.A.B. 1977).

<sup>54</sup> *Id.* at 1143.

<sup>55</sup> *See, e.g., In re Nett Designs, Inc.*, 57 U.S.P.Q.2d 1564, 1566 (Fed. Cir. 2001) (“Even if some prior registrations had some characteristics similar to Nett Designs’ application, the PTO’s allowance of such prior registration does not bind the Board or this court.”).

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

#### *a. Likelihood of Confusion Found*

##### *In re Morinaga Nyugyo Kabushiki Kaisha*

Confirming the value of a registration on the Supplemental Register, the Board affirmed a Section 2(d) refusal of MT. RAINIER THE MOUNTAIN OF SEATTLE ESPRESSO & MILK and Design for various espresso coffee-based products [ESPRESSO & MILK disclaimed], finding the mark likely to cause confusion with the standard character mark MOUNT RAINIER COFFEE COMPANY, registered on the Supplemental Register for “coffee” [COFFEE COMPANY disclaimed].<sup>56</sup>



The record evidence was clear that the involved goods are identical or closely related, since “espresso coffee,” an essential component of the applicant’s goods, is a kind of “coffee.”

The Board agreed with the examining attorney that the involved marks are significantly similar. The dominant portions of the marks are virtually identical: MT. RAINIER and MOUNT RAINIER. The words “COFFEE COMPANY” in the registrant’s mark and “ESPRESSO & MILK” in the applicant’s mark are generic, or at least very highly descriptive, and therefore of little or no trademark significance. The Board recognized that the applicant’s mark also contains the image of a mountain and the words “THE MOUNTAIN OF SEATTLE,” but they reinforce, rather than detract from, the impression made by the words “MT. RAINIER.” Moreover, the phrase “THE MOUNTAIN OF SEATTLE” is far less prominent than is “MT. RAINIER.” The fact that the applicant’s mark includes color and a circular carrier is not significant, since the registrant’s standard character mark is not limited to any particular color or font, and the circular background is an ordinary shape that would not change the commercial impression conveyed by the applicant’s mark.

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<sup>56</sup> *In re Morinaga Nyugyo Kabushiki Kaisha*, 120 U.S.P.Q.2d 1738 (T.T.A.B. 2016). The Section 2(e)(3) refusal is discussed in Part I.C.5, below.



The Board concluded that the marks, viewed in their entireties, are substantially similar in appearance, sound, meaning, and commercial impression.

The applicant argued that the cited mark, since it is registered on the Supplemental Register, is inherently weak and therefore entitled to a narrow scope of protection. The Board pointed out, however, that it is settled law that a mark on the Supplemental Register may be cited as a bar to registration under Section 2(d).<sup>57</sup> “[L]ikelihood of confusion can be found even if a term is merely descriptive and does not identify source: Registration on the Supplemental Register is sufficient, and a showing of trade identity rights in the form of secondary meaning is unnecessary.”<sup>58</sup>

The applicant further asserted that the scope of protection to be accorded a descriptive mark is limited to substantially identical marks for substantially identical goods, but the Board disavowed that theory in *In re Smith & Mehaffey*.<sup>59</sup> Although a mark on the Supplemental Register may be weaker and of less ability to preclude registration of a similar mark, there is no categorical rule like that posited by the applicant and there is no different test for likelihood of confusion to be applied in such a case.

Although the record suggested that the registered mark was deemed primarily geographically descriptive, since the registrant is located near Washington’s Mt. Rainier, such a mark is eligible for the Principal Register upon a showing of acquired distinctiveness, and there was nothing to suggest that the cited mark is generic or highly descriptive of the goods.

The applicant pointed to several third-party registrations for marks incorporating the term “RAINIER,” in an effort to show the marketplace weakness of the registrant’s mark. However, third-party registrations standing alone are not evidence of use of the marks on a commercial scale, or that consumers are so accustomed to seeing them that they have learned to distinguish the marks based on minor differences. As to marketplace strength, third-party registrations may not be given any weight.<sup>60</sup>

Evidence of extensive third-party use of a term in connection with similar goods is clearly probative of the term’s marketplace weakness, but the applicant did not provide any such evidence.

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<sup>57</sup> *Towers v. Advent Software Inc.*, 16 U.S.P.Q.2d 1039, 1042 (Fed. Cir. 1990); *see also In re Research and Trading Corp.*, 230 U.S.P.Q. 49 (Fed. Cir. 1986); *In re Clorox Co.*, 198 U.S.P.Q. 337 (C.C.P.A. 1978).

<sup>58</sup> *Id.*

<sup>59</sup> *In re Smith & Mehaffey*, 31 U.S.P.Q.2d 1531, 1533 (T.T.A.B. 1991).

<sup>60</sup> *Cf. Jack Wolfskin Ausrüstung Fur Draussen GmbH v. New Millennium Sports, S.L.U.*, 797 F.3d 1363, 116 U.S.P.Q.2d 1129, 1136 (Fed. Cir. 2015) (evidence of extensive use and registration of a term by others “can be ‘powerful on its face,’ even where the specific extent and impact of the usage has not been established”), quoting *Juice Generation, Inc. v. GS Enters. LLC*, 794 F.3d 1334, 115 U.S.P.Q.2d 1671, 1674 (Fed. Cir. 2015)).

Nonetheless, third-party registrations are relevant regarding the inherent or conceptual strength of a mark because they reflect how terms are used in connection with the identified goods or services.<sup>61</sup> The more descriptive a term, the less likely that consumers will attach source-identifying significance to the term.

Here there was no dispute as to the likely meaning of MOUNT RAINIER: it is a mountain in the state of Washington, and probably in the general vicinity of the registrant's business. Other than that, the term has no apparent significance with respect to the involved goods.

We thus recognize that Registrant's MOUNT RAINIER COFFEE COMPANY mark is likely geographically descriptive. But geographic descriptiveness is a separate inquiry from determining likelihood of confusion, and even if a geographically descriptive mark may not be given a broad scope of protection, the fact that it is registered on the Supplemental Register is enough for it to ground the *ex parte* refusal of an application for registration of a similar mark for use on the same or closely related goods or services.<sup>62</sup>

And so the Board concluded that the applicant's mark is likely to cause confusion with the cited mark, and it affirmed the Section 2(d) refusal to register.

*In re USA Warriors Ice Hockey Program, Inc.*

The Board affirmed a Section 2(d) refusal of the mark shown below left, for "arranging and conducting ice hockey programs for injured and disabled members and veterans," finding it likely to cause confusion with the mark shown below right, for entertainment and association services related to hockey.<sup>63</sup> The applicant did not dispute that the marks are similar and the services related. Instead it contended that the registrant had consented to registration of the applied-for mark, and that under *In re Strategic Partners, Inc.*,<sup>64</sup> the 13th *du Pont* factor<sup>65</sup> should be considered in light of the applicant's ownership of the slightly different color logo mark, shown further below, for the same services.

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<sup>61</sup> See *Juice Generation, Inc. v. GS Enters. LLC*, 115 U.S.P.Q.2d at 1674-75. *Jack Wolfskin Ausrüstung Fur Draussen GmbH v. New Millennium Sports, S.L.U.*, 116 U.S.P.Q.2d at 1136.

<sup>62</sup> *In re Morinaga Nyugyo Kabushiki Kaisha*, 120 U.S.P.Q.2d at 1746.

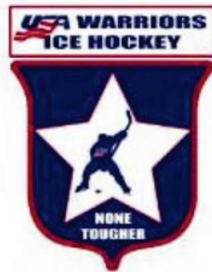
<sup>63</sup> *In re USA Warriors Ice Hockey Program, Inc.*, 122 U.S.P.Q.2d 1790 (T.T.A.B. 2017).

<sup>64</sup> *In re Strategic Partners, Inc.*, 102 U.S.P.Q.2d 1397 (T.T.A.B. 2012).

<sup>65</sup> *In re E.I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 U.S.P.Q. 563, 567 (C.C.P.A. 1973). The *du Pont* opinion sets forth the principal factors that "must be considered" in determining likelihood of confusion. The 13th factor is a catch-all: "Any other established fact probative of the effect of use."



*du Pont* 13: The applicant argued that this case is analogous to *Strategic Partners*, where the Board reversed a Section 2(d) refusal of the mark ANYWEAR in stylized form, for footwear, in view of the applicant's ownership of the substantially similar mark ANYWEARS, also for footwear, that had co-existed with the cited registered mark for more than five years. The Board there observed that the catch-all thirteenth *du Pont* factor "accommodates the need for flexibility in assessing each unique set of facts."<sup>66</sup> It concluded that the thirteenth factor "outweighs the others and leads us to conclude that confusion is unlikely."<sup>67</sup>



The Board pointed out, however, that in *Strategic Partners*, the co-existing registrations were each more than five years old and thus immune to attack under Section 2(d).<sup>68</sup> Here, however, the applicant's existing registration has co-existed with the cited registration for less than five years, and is still subject to possible cancellation under Section 2(d). This is a "key factual distinction from *Strategic Partners*. \*\*\* [W]hile the 3½ year co-existence of Applicant's prior registration and the cited registrations is a

<sup>66</sup> *In re Strategic Partners, Inc.*, 102 U.S.P.Q.2d at 1399.

<sup>67</sup> *In re USA Warriors Ice Hockey Program, Inc.*, 122 U.S.P.Q.2d at 1793, quoting *Strategic Partners*, 102 U.S.P.Q.2d at 1400.

<sup>68</sup> Under Section 14 of the Lanham Act, 15 U.S.C. § 1064, once a registration reaches its fifth anniversary, it is subject to cancellation on certain enumerated grounds, but not including likelihood of confusion under Section 2(d).

relevant consideration, it does not outweigh the other *du Pont* factors in this case.”<sup>69</sup>

Finally, the Board noted once again that the issuance of a first registration to the applicant does not require approval of the second mark. As the Board has repeatedly pointed out, it is not bound by the decision of a Trademark Examining Attorney in another case.<sup>70</sup>

Consent: The applicant pointed to display of its registered mark on the opposer’s website, accompanied by a short discussion of the applicant’s organization. However, there was no written consent agreement and the Board will not infer that the registrant consented to registration based on its apparent knowledge of the previously registered, slightly different mark. The Board pointed to *In re Opus One Inc.*,<sup>71</sup> where there was likewise no indication that the applicant sought a consent to register, or that the applicant was even aware of the application to register:

[R]egistrant’s conduct, particularly the fact that registrant has not objected to applicant’s use of the mark, reasonably might also be attributable to a belief on registrant’s part that applicant is using the mark pursuant to registrant’s approval and permission, and that registrant has the right to require applicant to cease using the mark in the event that the quality, nature or extent of applicant’s restaurant services were to change in a way detrimental to registrant’s interests.<sup>72</sup>

The Board concluded that, because “Applicant’s evidence lacks the weight Applicant attributes to it without an actual written consent to registration,” the applicant failed to prove the registrant’s consent to registration.<sup>73</sup>

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

##### *In re LC Trademarks, Inc.*

In a case of first impression, the TTAB ruled that an applicant, when seeking registration based upon acquired descriptiveness under Section 2(f),<sup>74</sup> may rely on a “family of marks” argument to

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<sup>69</sup> *In re USA Warriors Ice Hockey Program, Inc.*, 122 U.S.P.Q.2d at 1793.

<sup>70</sup> See note 55, above.

<sup>71</sup> 60 U.S.P.Q.2d 1812, 1821 (T.T.A.B. 2001).

<sup>72</sup> *In re USA Warriors Ice Hockey Program, Inc.*, 122 U.S.P.Q.2d at 1794, quoting *In re Opus One, Inc.*, 60 U.S.P.Q.2d 1812, 1821 (T.T.A.B. 2001). See also *In re Ass’n of the U.S. Army*, 85 U.S.P.Q.2d 1264, 1274 (T.T.A.B. 2007) (even if the U.S. Army consents to applicant’s use of its mark, “there is nothing in the record from which we might infer that the U.S. Army also consents to applicant’s registration of the mark.” (Emphasis added by the Board.)

<sup>73</sup> *Id.* at 1795.

<sup>74</sup> 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,

support its claim.<sup>75</sup> Nonetheless, the Board affirmed a Section 2(e)(1) mere descriptiveness refusal of the mark DEEP!DEEP! DISH PIZZA, in standard characters form, for “pizza” [DEEP DISH PIZZA” disclaimed], finding that the applicant’s proofs fell short of establishing acquired distinctiveness.

By seeking registration under Section 2(f), the applicant conceded that the applied-for mark is not inherently distinctive for the goods.<sup>76</sup> To establish acquired distinctiveness, a party must show that “the relevant public understands the primary significance of the mark as identifying the *source* of a product or service rather than the product or service itself.”<sup>77</sup> The more descriptive the term at issue, the greater the applicant’s burden to prove acquired distinctiveness.<sup>78</sup>

The applicant argued that the repetition of the word “DEEP!” alters the meaning and impression that are ordinarily conveyed by the single word “DEEP” alone. The Board disagreed. “Considering the meaning of the word ‘deep’ in the common expression ‘deep dish pizza,’ members of the relevant public would likely view the repetition of DEEP! merely as an emphatic description of the bountiful quality of Applicant’s deep dish pizza.”<sup>79</sup> The applicant’s repetitive use of “DEEP!” underscored the highly descriptive nature of the term, and therefore the applicant’s burden to prove acquired distinctiveness was proportionately higher.

Applicant LC claimed that its mark is a member of a family of “double word” marks (each mark having a repeated word with exclamation points after each word), which contributes to the acquired distinctiveness of the subject mark: for example, PIZZA! PIZZA!, PARTY! PARTY!, and THANK YOU! THANK YOU!. The applicant contended that “consumers will easily connect the DEEP!DEEP! DISH PIZZA mark with Applicant because in the world of pizza restaurants, double word marks mean [Applicant’s exclusive licensee] Little Caesars.”<sup>80</sup>

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nothing herein shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce. The Director may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant’s goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made.”

<sup>75</sup> *In re LC Trademarks, Inc.*, 121 U.S.P.Q.2d 1197 (T.T.A.B. 2016).

<sup>76</sup> *In re Tires, Tires, Tires Inc.*, 94 U.S.P.Q.2d 1153, 1157 n.3 (T.T.A.B. 2009) (quoting *In re MGA Entertainment, Inc.*, 84 U.S.P.Q.2d 1743, 1747 (T.T.A.B. 2007)).

<sup>77</sup> *In re Steelbuilding.com*, 75 U.S.P.Q.2d 1420, 1422 (Fed. Cir. 2005). (Emphasis added by the Board.)

<sup>78</sup> *Id.* at 1424.

<sup>79</sup> *In re LC Trademarks, Inc.*, 121 U.S.P.Q.2d. at 1199. See *In re Disc Jockeys, Inc.*, 23 U.S.P.Q.2d 1715, 1716 (T.T.A.B. 1992) (repetitive use of the term “DJ” as “DJDJ” for disc jockey services did not diminish its descriptiveness).

<sup>80</sup> *Id.* at 1201.

The examining attorney maintained that, as in *ex parte* Section 2(d) determinations, Applicant LC should not be permitted to invoke the family of marks doctrine.<sup>81</sup> The Board disagreed.

[A]n applicant may, in the context of *ex parte* prosecution of an application that has been refused registration under Section 2(e)(1), present evidence of a family of marks to help prove acquired distinctiveness of a new member of that family under Section 2(f).<sup>82</sup>

The Board observed that LC bore the “substantial burden” to prove “first, that its claimed family of ‘double word’ marks has acquired distinctiveness, and second, that the public recognition of that family helps the subject ‘family member’ mark, in turn, acquire distinctiveness.”<sup>83</sup>

Mere ownership of a series of similar marks does not suffice to establish a family of marks.<sup>84</sup> To prove the existence of a family of marks, Applicant LC was required to show that the purported family “(1) has a recognizable common characteristic, (2) that is distinctive, and (3) that has been promoted in such a way as to create ‘recognition among the purchasing public that the common characteristic is indicative of a common origin of the goods or services.’”<sup>85</sup> LC failed to satisfy any of those three elements.

First, the Board found that, although it is theoretically possible that a common structure could be the common element of a family of marks, here LC’s structure consisting of a descriptive word and an exclamation point followed by the same word and another exclamation point “is too abstract to constitute a common characteristic that could give rise to a family of similarly-structured marks.”<sup>86</sup> Allowing registration of LC’s double word structure would pave the way for LC to “enforce almost any descriptive word in the dictionary, so long as it repeats.”<sup>87</sup> This would create an unacceptable risk to competition and would be analogous to a registering a phantom mark.

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<sup>81</sup> In an *ex parte* appeal from a Section 2(d) likelihood of confusion refusal, neither the examining attorney nor the applicant may invoke the family of marks doctrine. *Id.* at 1203. See, e.g., *In re Hitachi High-Techs. Corp.*, 109 U.S.P.Q.2d 1769, 1772 (T.T.A.B. 2014); *In re Mobay Chem Co.*, 166 U.S.P.Q. 218, 219 (TTAB. 1970); TMEP § 1207.01(d)(xi).

<sup>82</sup> *In re LC Trademarks, Inc.*, 121 U.S.P.Q.2d. at 1202.

<sup>83</sup> *Id.* at 1204.

<sup>84</sup> *Truescents LLC v. Ride Skin Care LLC*, 81 U.S.P.Q.2d 1334, 1337-38 (T.T.A.B. 2006); *Sports Authority Michigan Inc. v. PC Authority Inc.*, 63 U.S.P.Q.2d 1782, 1800 (T.T.A.B. 2001).

<sup>85</sup> *In re LC Trademarks, Inc.*, 121 U.S.P.Q.2d. at 1204, quoting *Wise F & I, LLC v. Allstate Ins. Co.*, 120 U.S.P.Q.2d 1103, 1109 (T.T.A.B. 2016).

<sup>86</sup> *Id.* at 1205.

<sup>87</sup> *Id.*

Applicant LC's purported family also failed to satisfy the second required element, distinctiveness. Repetition of a word does not normally overcome its descriptive or generic nature. Double word marks like DEEP!DEEP!, punctuated by exclamation points, "are more likely to be taken as intensifiers than as source-identifiers."<sup>88</sup>

Finally, LC failed to satisfy the third element: that the marks containing the family feature have been used and promoted together in a manner sufficient to create public recognition of the family.<sup>89</sup>

In view of the broad and abstract nature of Applicant's claimed family, as well as the degree of descriptiveness of its proposed mark, we find the evidence insufficient to support a finding of acquired distinctiveness of the putative family of marks.<sup>90</sup>

Putting aside the "family of marks" argument, the Board also found insufficient the evidence that the applied-for mark by itself has acquired distinctiveness. The sales figures provided may show the popularity of the products, but they do not necessarily show consumer recognition of the mark as a source indicator. The samples of advertising did not demonstrate the advertising's magnitude, geographic extent, duration, circulation, or viewership. Moreover, LC's double-word marks are always displayed with other marks, including the applicant's house mark, LITTLE CAESARS.

In sum, the Board concluded that Applicant LC failed to meet its burden of proving acquired distinctiveness, and so it affirmed the Section 2(e)(1) refusal.

### *In re Calphalon Corp.*

Sometimes a small mistake by an applicant leads to a larger problem, and that's what happened here. The Board affirmed a Section 2(e)(1) refusal to register the mark SHARPIN, in standard character form, finding the mark to be merely descriptive of "cutlery knife blocks which incorporate built-in sharpeners that automatically sharpen knives."<sup>91</sup> Applicant Calphalon asserted that the examining attorney had erroneously failed to enter its amendment of the mark to the special form "SharpIN" and instead improperly treated the mark as a standard character mark (although the examining attorney accepted the amendment to the drawing). Calphalon further contended that SharpIN (in special form) is incongruous or a *double entendre*. No dice, said the Board.

Form of the Mark: The Board first considered whether the mark of the amended drawing, SharpIN, should be treated as a standard

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<sup>88</sup> *Id.*

<sup>89</sup> *Id.* See *In re 3Com Corp.*, 56 U.S.P.Q.2d 1060, 1062 n.4 (T.T.A.B. 2000).

<sup>90</sup> *Id.* at 1207.

<sup>91</sup> *In re Calphalon Corp.*, 122 U.S.P.Q.2d 1153 (T.T.A.B. 2017).

character mark or a special form mark. Calphalon's counsel had discussed the amendment of the drawing from SHARPIN to SharpIN with the examining attorney and Calphalon now maintained that the examining attorney disregarded that discussion and failed to designate the mark as a special form mark. At a minimum, Calphalon argued, the examining attorney should have contacted it to seek clarification.<sup>92</sup>

The Board, however, found that the record was not unclear as to whether the submitted drawing was intended to be treated as a standard character drawing. The applicant's amended drawing met the requirements of Rule 2.52<sup>93</sup> for a standard character drawing "because the letters in its mark continued to be depicted in Latin characters, and the uppercase and lowercase letters in the drawing are part of the 'standard character set that lists letters, numerals, punctuation marks, and diacritical marks that may be used in a standard character drawing.'"<sup>94</sup> A standard character mark may be depicted in any font style or size, but the USPTO will convert the depiction to a standardized typeface for printing in the Official Gazette and on the registration certificate. Similarly, if the application is filed electronically, the mark will be automatically convert any wording typed into the standard-character field to a standardized typeface.

The Board pointed out that, when Calphalon requested the drawing amendment via TEAS,<sup>95</sup> it did not select the special form option; the standard character designation remained the designation of choice. The amended drawing did not, as Calphalon argued, require the Office to re-designate it as "special form."

Calphalon requested a remand to the examining attorney for "clarification to special form," but the Board saw no need for remand because the examining attorney had treated the drawing properly.

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<sup>92</sup> See TMEP Section 807.03(h): "When it is unclear from the record whether the submitted drawing was intended to be a standard character drawing, the examining attorney must contact the applicant for clarification."

<sup>93</sup> Trademark Rule 2.52, 37 C.F.R. § 2.52, states that there are two types of drawing: the standard character (typed) drawing and the special form drawing. As to the standard character drawing, Rule 2.52(a) states: "Applicants who seek to register words, letters, numbers, or any combination thereof without claim to any particular font style, size, or color must submit a standard character drawing that shows the mark in black on a white background. An applicant may submit a standard character drawing if:

- (1) The application includes a statement that the mark is in standard characters and no claim is made to any particular font style, size, or color;
- (2) The mark does not include a design element;
- (3) All letters and words in the mark are depicted in Latin characters;
- (4) All numerals in the mark are depicted in Roman or Arabic numerals; and
- (5) The mark includes only common punctuation or diacritical marks.

<sup>94</sup> *In re Calphalon Corp.*, 122 U.S.P.Q.2d at 1159, quoting TMEP § 807.03(b).

<sup>95</sup> "TEAS" is an acronym for the USPTO's Trademark Electronic Application System.



Nor was the Board moved by the applicant's assertion that it first learned that the drawing would be treated as a standard character drawing when it received the examining attorney's appeal brief. It was the applicant who so characterized the mark when submitting the amended drawing (i.e., it did not choose the special form option).

Having elected to seek registration of its proposed mark as a standard character mark, and having offered no persuasive justification for taking a contrary position for the first time in its reply brief on appeal, Applicant must have the descriptiveness of the mark assessed without limitation to any particular depiction of that term.<sup>96</sup>

Mere Descriptiveness: Not surprisingly, the examining attorney contended that consumers would perceive the mark SHARPIN as equivalent to the word "sharpen" and thus descriptive of a function of the goods. Calphalon maintained that the mark itself does not immediately convey a readily understood meaning to consumers, but the Board pointed out once again that the determination of mere descriptiveness is not a guessing game: a mark must be considered in the context of the goods at issue.

As to incongruity, the Board found none. The standard character mark SHARPIN immediately invokes an "association with the phonetically-identical and otherwise virtually-identical word 'sharpen,' and there is nothing incongruous about the use of the word sharpen (or its phonetic equivalent SHARPIN) to describe the function of goods identified as 'cutlery knife blocks which incorporate built-in sharpeners that automatically sharpen knives.'"<sup>97</sup>

Calphalon claimed that the mark is a double entendre: "[c]onsumers will understand the mark to refer both to sharpening knives and that a sharpener is built within the knife block."<sup>98</sup> The Board, however, found that the first proposed meaning is the only readily apparent one for the mark in standard character format.

Applicant's mark is not a double entendre because Applicant's briefs make it clear that the possible existence of Applicant's second proposed meaning of SHARPIN—that "a sharpener is built within the knife block"—inheres in the presentation of the mark in a special form as SharpIN, and that is not the form of the mark for which Applicant seeks registration.<sup>99</sup>

And so the Board affirmed the refusal.

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<sup>96</sup> *In re Calphalon Corp.*, 122 U.S.P.Q.2d at 1160.

<sup>97</sup> *Id.* at 1163.

<sup>98</sup> *Id.*

<sup>99</sup> *Id.* at 1164.

*In re Well Living Lab Inc.*

In a bit of a snoozer, the Board affirmed a Section 2(e)(1) refusal of the mark WELL LIVING LAB, finding it merely descriptive of scientific research services in the field of human health and wellness in indoor environments.<sup>100</sup> Discounting the applicant's largely outdated evidence that "well living" refers to leading a moral life, the Board instead relied on more current evidence employing the phrase to mean "health and wellness."

Beginning with the word "lab"—defined as a "room or building equipped for scientific experiments, research"—the Board concluded that it refers to the location where the applicant's research services take place. At best, "lab" is merely descriptive, if not generic, for the services.

As to "well living," the applicant provided definitions from the *Oxford Dictionary*: for example, "the action or fact of leading a good life, especially with respect to moral virtue." The definitions included the comment that this sense of the term is "Now somewhat archaic." The Board gave this evidence some weight because some consumers may be aware of this meaning, but it found more probative the examining attorney's website evidence demonstrating that "well living" has essentially the same descriptive meaning as "health and wellness."

Combining the descriptive term "well living" with the nondistinctive term "lab" to form "WELL LIVING LAB" yields a phrase that is "no more than the sum of its individual parts."<sup>101</sup>

It immediately informs consumers of Applicant's scientific research and product testing services about a feature or characteristic of the services, namely, that they involve research of products designed to improve a user's health and wellness conducted in a laboratory environment. Accordingly, Applicant's mark WELL LIVING LAB is merely descriptive of Applicant's services.<sup>102</sup>

*In re United Trademark Holdings, Inc.*

In a much more interesting mere descriptiveness case, the Board affirmed a Section 2(e)(1) refusal of LITTLE MERMAID for "dolls."<sup>103</sup> Drawing a distinction between character names in the public domain and those derived from works in which the applicant owns intellectual property rights, the Board concluded that consumers will not perceive LITTLE MERMAID as a source identifier but instead will "understand the mark to describe the

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<sup>100</sup> *In re Well Living Lab Inc.*, 122 U.S.P.Q.2d 1777 (T.T.A.B. 2017).

<sup>101</sup> *Id.* at 1781.

<sup>102</sup> *Id.*

<sup>103</sup> *In re United Trademark Holdings, Inc.*, 122 U.S.P.Q.2d 1796 (T.T.A.B. 2017).

public domain character in the Hans Christian Andersen fairy tale, as well as a young or little mermaid.”<sup>104</sup>

“The Little Mermaid” is a well-known fairy tale by the Danish author Hans Christian Andersen. First published in 1837, it has been adapted many times, including as a Disney film (1989) and a stage musical based on the film (2008).

The applicant did not disagree that the term “Little Mermaid” immediately and directly describes a doll featuring the appearance of a young or small mermaid. It argued, however, that the mark also immediately conveys the commercial impression of the name of the public domain, fictional character, and that this aspect of the mark is not merely descriptive of its goods. The Board agreed in part, finding that “the immediate commercial impression” evoked by LITTLE MERMAID, when used for dolls, is the fictional character.<sup>105</sup>

The Board observed that its case law draws a distinction between “situations where the character is in the public domain and where the applicant owns intellectual property rights in the work(s) from which the character arose.”<sup>106</sup> For example, MARTHA WASHINGTON was found merely descriptive of character dolls “because the mark identifies an historical figure which consumers do not necessarily link to commercial entities as they do a fictional character.”<sup>107</sup> A character like SUPERMAN, however, is a proprietary creation, promoted by an entity that markets all manner of products. Consumers expect goods and services bearing the name (or image) of SUPERMAN to emanate from, or be produced or licensed by, the entity that created the character and has the right to profit from its commercialization.<sup>108</sup>

A fictional public domain character like the Little Mermaid of the Andersen fairy tale is not necessarily linked to a specific entity. “[P]rospective purchasers expect dolls labeled as LITTLE MERMAID to represent the fairy tale character and, thus, [the mark] describes the purpose or function of the goods (i.e., to represent the Little Mermaid of the fairy tale).”<sup>109</sup> Other doll makers have a competitive need to use the name LITTLE MERMAID to describe their products.

The applicant asserted that the names of public domain characters have been regularly registered by the USPTO without

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<sup>104</sup> *Id.* at 1800.

<sup>105</sup> *Id.* at 1799.

<sup>106</sup> *Id.*

<sup>107</sup> *In re Carlson Dolls Co.*, 31 U.S.P.Q.2d 1319 (T.T.A.B. 1994).

<sup>108</sup> *See In re DC Comics, Inc.*, 215 U.S.P.Q. 394 (C.C.P.A. 1982) (drawings of the fictional characters Superman, Batman, and Joker were held to function as trademarks for toy dolls of such characters).

<sup>109</sup> *In re United Trademark Holdings, Inc.*, 122 U.S.P.Q.2d at 1799.

requirement of a disclaimer or a showing of acquired distinctiveness (e.g., WALT DISNEY'S CINDERELLA, RAPUNZEL, and TINKER BELL). The Board, however, pointed out once again that each case must be decided on its own merits based on the record then before the Board.<sup>110</sup> Third-party registrations are of little persuasive value; they do not estop or disqualify the Board from correctly deciding the case before it.

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

#### *In re Morinaga Nyugyo Kabushiki Kaisha*

Reversing a rather feeble Section 2(e)(3)<sup>111</sup> refusal to register, the Board found the mark MT. RAINIER THE MOUNTAIN OF SEATTLE ESPRESSO & MILK and Design for various espresso coffee-based products [ESPRESSO & MILK disclaimed] not primarily geographically deceptively misdescriptive of the applicant's goods.<sup>112</sup> The examining attorney based the refusal on the word "SEATTLE," but the Board found that "SEATTLE" plays a relatively minor role in the applicant's mark, and the consuming public would not consider the word "SEATTLE" as an indicator of the origin of the goods.



The examining attorney maintained that the focus of Section 2(e)(3) is whether *the term* in question is primarily geographic in the context of the mark, not whether the geographic reference dominates the mark.<sup>113</sup> The applicant argued that the first element of the pertinent test, set forth in *In re Miracle Tuesday LLC*,<sup>114</sup>

<sup>110</sup> See note 55, above.

<sup>111</sup> Section 2(e)(3) of the Lanham Act, 15 U.S.C. § 1052(e)(3), bars registration of a mark that "when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them."

<sup>112</sup> *In re Morinaga Nyugyo Kabushiki Kaisha*, 120 U.S.P.Q.2d 1738 (T.T.A.B. 2016). The Board's affirmance of a Section 2(d) refusal in this case is discussed in Part I.C.3.a, above.

<sup>113</sup> *Id.* at 1747.

<sup>114</sup> *In re Miracle Tuesday LLC*, 104 U.S.P.Q.2d 1330, 1332 (Fed. Cir. 2012), stating the first required element of the Section 2(e)(3) test to be whether "the primary significance of the mark is a generally known geographic location." The other two necessary elements are whether "the consuming public is likely to believe the place identified by the mark

requires a determination of “the primary significance of *the mark*.”<sup>115</sup>

The Board observed that a refusal to register under Section 2(e)(3), by its terms, is appropriate only if what the applicant seeks to register “consists of a mark” that is geographically misdescriptive. Thus the focus is on whether the mark *as a whole*, not merely some part of it, is “primarily geographically deceptively misdescriptive.”

Although a geographic term in a compound mark may dominate the commercial impression of a mark in a way that renders the entire significance of the mark geographic, that is not the case here. The Board did not find that the relevant public would consider the word “SEATTLE” an indicator of the origin of the goods.

And so the Board reversed the Section 2(e)(3) refusal.

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

### *In re Eximius Coffee, LLC*

In one of four surname rulings that emphasized consumer perception over a more mechanical approach, the Board affirmed a Section 2(e)(4)<sup>116</sup> refusal of the mark ALDECOA for coffee, finding the mark to be primarily merely a surname. Although ALDECOA is a rare surname, the term has no other recognized meaning and there is a “strong connection” between the surname and the owners of the application: that is, the Aldecoa family runs the business.<sup>117</sup>

A determination as to whether a mark is primarily merely a surname “can be made only after the primary significance of the mark to the purchasing public is determined . . . .”<sup>118</sup> In *In re Etablissements Darty et Fils*,<sup>119</sup> the CAFC considered several factors in its Section 2(e)(4) analysis, including “whether the applicant adopted a principal’s name and used it in a way that revealed its surname significance; whether the term had a nonsurname ‘ordinary language’ meaning; and the extent to which the term was used by others as a surname.”<sup>120</sup> The “*Benthin* factors” of *In re*

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identifies the origin of the goods bearing the mark, when in fact the goods do not come from that place,” and “the representation was a material factor in the consumer’s decision to purchase the goods.”

<sup>115</sup> *In re Morinaga Nyugyo Kabushiki Kaisha*, 120 U.S.P.Q.2d at 1747. (Emphasis added by applicant.)

<sup>116</sup> Section 2(e)(4) of the Lanham Act, 15 U.S.C. § 1052(e)(4), bars registration of a mark that “is primarily merely a surname.”

<sup>117</sup> *In re Eximius Coffee, LLC*, 120 U.S.P.Q.2d 1276, 1283 (T.T.A.B. 2016).

<sup>118</sup> *In re Kahan & Weisz Jewelry Mfg. Corp.*, 184 U.S.P.Q. 421, 422 (C.C.P.A. 1975).

<sup>119</sup> 225 U.S.P.Q. 652 (Fed. Cir. 1985).

<sup>120</sup> 225 U.S.P.Q. at 653.

*Benthin Management GmbH*<sup>121</sup> also may lead to relevant evidence regarding the public's perception of a term's primary significance.

The applicant's website traced the Aldecoa's family history in the coffee business for three generations to the present. Its specimen of use displayed the phrase "Premium Family Coffee" and the year "1926," when Carlos de Aldecoa Fernandez founded the family business. The Board found this evidence regarding the connection of the name to the goods "persuasive of consumer perception of ALDECOA as a surname."<sup>122</sup>

Consumers are exposed to the surname significance prominently on Applicant's website and packaging. Thus, whether offering its goods online or in the store, Applicant is educating consumers as to the surname significance of ALDECOA. Moreover, Applicant's website indicates that ALDECOA is not simply the name of the historical founder of Applicant's business at some time in the past. Rather, ALDECOA identifies individuals who have been continuously involved in the business and presently are active participants in the daily operation and leadership of the company.<sup>123</sup>

The evidence showed that ALDECOA has no recognized meaning other than as a surname, albeit a rare one. The applicant argued that an "extremely rare surname" cannot be primarily merely a surname, pointing to (former) Judge Ellen J. Seeherman's concurring opinion in *In re Human Cos., Inc.*,<sup>124</sup> a nonprecedential TTAB decision, for the proposition that the purpose of Section 2(e)(4) is to ensure that other businesses or individuals "can use their surnames in the marketplace."<sup>125</sup> If there are only a few hundred persons with a particular surname, the argument goes, then there is no need to bar registration on the Principal Register, and no need to look at other factors in the analysis.

The Board was unmoved, pointing out that Section 2(e)(4) does not exempt from its prohibition surnames shared by only a few, or provide that the purpose of this Section is to protect others' rights to use their surnames except for those with uncommon surnames.

The Board concluded that the primary significance of ALDECOA is as a surname. The applicant's association of its goods with the family name was accorded "particular weight," and there was no persuasive evidence that ALDECOA would be perceived as anything other than as a surname. The rareness of the surname and its

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<sup>121</sup> 37 U.S.P.Q.2d 1332, 1333-34 (T.T.A.B. 1995).

<sup>122</sup> *In re Eximius Coffee, LLC*, 120 U.S.P.Q.2d at 1279.

<sup>123</sup> *Id.*

<sup>124</sup> Serial No. 85483695 (T.T.A.B. June 4, 2014).

<sup>125</sup> *In re Eximius Coffee, LLC*, 120 U.S.P.Q.2d at 1281.

minimal public exposure in the media were outweighed by the applicant's use of ALDECOA as a surname.

During prosecution, the examining attorney pointed out the possibility of registration on the Supplemental Register if the applicant filed an amendment to allege use. After final refusal, the applicant filed such an amendment, but it did not request an amendment to the Supplemental Register. However, in its appeal brief, the applicant requested, in the alternative if its appeal should be denied, that the application be remanded for amendment to the Supplemental Register.

After the case was fully briefed, the Board sua sponte suspended the appeal and remanded the case to the examining attorney for consideration of such an amendment. The examining attorney accepted the amendment in the alternative and jurisdiction was then restored to the Board.

The Board affirmed the Section 2(e)(4) refusal but stated that the "application will issue on the Supplemental Register."<sup>126</sup>

### *In re Integrated Embedded*

In a case decided on the same day as the ALDECOA appeal discussed immediately above, the Board affirmed a Section 2(e)(4) refusal to register the mark BARR GROUP for engineering, training, and expert witness services in the field of computer hardware and software [GROUP disclaimed]. The evidence established that Michael Barr is an active participant in applicant's activities and that consumers are exposed to his name on the applicant's website, and as a result consumers are likely to view BARR as a surname. The Board also affirmed a Section 2(d) refusal in view of the registered mark BARR for overlapping and/or related services.<sup>127</sup>

The Board observed again that resolution of the Section 2(e)(4) issue "can be made only after the primary significance of the mark to the purchasing public is determined . . . ."<sup>128</sup> In *In re Benthin Management GmbH*,<sup>129</sup> the Board identified several "factors" that may lead to pertinent evidence regarding that question.

Applicant's specimens of use (a press release and a screenshot from its website) referred to Michael Barr as a leading expert in

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<sup>126</sup> *Id.* at 1283.

<sup>127</sup> *In re Integrated Embedded*, 120 U.S.P.Q.2d 1504 (T.T.A.B. 2016).

<sup>128</sup> *In re Kahan & Weisz Jewelry Mfg. Corp.*, 184 U.S.P.Q. 421, 422 (C.C.P.A. 1975).

<sup>129</sup> 37 U.S.P.Q.2d 1332, 1333-34 (T.T.A.B. 1995). The *Benthin* factors are (1) the degree of a surname's rareness; (2) whether anyone connected with applicant has that surname; (3) whether the term has any recognized meaning other than that of a surname; (4) whether the term has the "structure and pronunciation" of a surname; and (5) whether the stylization of lettering is distinctive enough to create a separate commercial impression. When the mark is in standard characters, it is unnecessary to consider the fifth *Benthin* factor. *In re Yeley*, 85 U.S.P.Q.2d 1150, 1151 (T.T.A.B. 2007).

embedded systems and co-founder and Chief Technology Officer of BARR GROUP. The website allowed website visitors to sign up for newsletters from Mr. Barr in the field of computer firmware. Visitors could also register to view an address by Mr. Barr and participate in a live chat with him. The website listed his qualifications and invited viewers to read his blog and his resume and to follow him on social media.

Thus, Mr. Barr is not a historical figure who founded Applicant in the distant past and of whom the public may not be aware. To the contrary, the record evidence establishes that Mr. Barr is an active participant in Applicant's activities under its mark, and that consumers are exposed to his name in several locations on Applicant's website such that consumers are likely to view BARR, as it appears in Applicant's mark, as a surname.<sup>130</sup>

The examining attorney also submitted Lexis search results indicating that BARR appears as a surname 13,622 times in its telephone directory listings. The Lexis listings indicated that the surname "Barr" is "not so unusual that such significance would not be recognized by a substantial number of persons."<sup>131</sup>

The addition of the disclaimed term "GROUP" does not lend source-identifying significance to the applicant's mark. Considered in its entirety in the context of the applicant's services, BARR GROUP "does not engender a consumer perception beyond that of a surname."<sup>132</sup>

The applicant submitted a number of third-party registrations for marks that it characterized as containing "the name BARR." It did not argue that BARR has any meaning other than as a surname. The Board observed that all of the registrations for marks consisting solely of BARR were registered with a claim of acquired distinctiveness if on the Principal Register, or were placed on the Supplemental Register. Those registered on the Principal Register without a Section 2(f) claim included the word "BARR" with additional wording and/or designs that resulted in marks that, as a whole, would not be perceived as primarily merely a surname: for example, JOHN BARR, BARR + BARR, BARR-NUNN & Design.

The Board concluded that consumers would perceive the mark BARR GROUP as primarily merely a surname, and so it affirmed the Section 2(e)(4) refusal.

Supplemental Register: A mark deemed to be primarily merely a surname is eligible for registration on the Supplemental Register. The applicant was advised by the Examining Attorney that it could

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<sup>130</sup> *In re Integrated Embedded*, 120 U.S.P.Q.2d at 1507.

<sup>131</sup> *Id.*, quoting *In re Etablissements Darty et Fils*, 225 U.S.P.Q. 652, 653 (Fed. Cir. 1985), which concerned the surname DARTY.

<sup>132</sup> *Id.*



amend its application to seek registration on the Supplemental Register, but it did not do so; instead it stated that it “reserved the right” to so amend if the Section 2(e)(4) refusal were not withdrawn. The Examining Attorney acknowledged that statement but pointed out that, since no amendment was made, she would take no further action on the proposed amendment.

The proper procedure would have been for the applicant to amend its application to seek, in the alternative, registration on the Supplemental Register. The reservation of a supposed right to amend does not mean that the applicant should now be afforded the opportunity to make the amendment in the event the Board affirms the surname refusal, by remanding the application to the Examining Attorney.

The precedents are clear that once the Board has rendered a final decision, a request to amend to the Supplemental Register is not possible. The application will not be reopened. And so the Board denied the applicant’s request to remand the application to the Examining Attorney for amendment to the Supplemental Register.<sup>133</sup>

The Board’s analysis of the Section 2(d) issue was rather straightforward. The applicant argued that the third-party registrations show that BARR is weak and diluted, and therefore the cited registration (registered under Section 2(f)) is not entitled to a broad scope of protection. The Board, however, pointed out that third-party registrations do not show what happens in the marketplace or whether consumers are familiar with the marks.

Third-party registrations may show the sense in which a mark is used in ordinary parlance, but here the registrations cover a wide variety of goods and services, not those of the application or cited registration, and many of the registrations include additional wording and/or additional design elements that produce a different commercial impression from the marks involved here. Therefore, the third-party registration evidence did not show that the cited mark “is entitled to such a narrow scope of protection as to permit registration of a confusingly similar mark for related services.”<sup>134</sup>

The registrant’s “engineering services” encompassed the applicant’s narrowly identified computer engineering services. Third-party website evidence established that all of the applicant’s services are related to those of the registrant. The subject application and cited registration did not contain any limitation on channels of trade or classes of consumers. And finally, although the applicant’s clients may be highly experienced and purchases of the applicant’s services may involve a deliberative decision, the Board

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<sup>133</sup> Compare the Board’s unforgiving treatment of this applicant with that accorded the applicant in the ALDECOA case, immediately above.

<sup>134</sup> *In re Integrated Embedded*, 120 U.S.P.Q.2d at 1513.

pointed out once again that such purchasers are not immune from confusion as to source, especially when the involved services are in part legally identical and are offered under the same surname.

*In re Adlon Brand GmbH & Co. KG*  
*c/o FUNDUS FONDS-Verwaltungen GmbH*

In a third surname decision, a divided TTAB panel affirmed a Section 2(e)(4) refusal of the mark ADLON for various goods and services, including “hospitality industry services.” Although “Adlon” is a rare surname, the panel majority observed that it has no meaning or significance other than as a surname. Judge T. Jeffrey Quinn dissented, contending that “Adlon” is an extremely rare surname that consumers would perceive as a coined term having no meaning.<sup>135</sup>

The panel majority noted that practitioners and examining attorneys often interpret and apply the *Benthin*<sup>136</sup> factors with “a rigidity that is not warranted.”<sup>137</sup> The examining attorney submitted website evidence demonstrating that “Adlon” is, in fact, a surname. So-called “negative dictionary” evidence showed that “Adlon” has no recognized meaning, nor is it the name of a geographic location. The applicant admitted that the word has no meaning in a foreign language.

The evidence indicated that there are approximately 75 individuals in the United States having the surname “Adlon.” One is an actress named “Pamela Adlon,” who purportedly has “achieved a substantial degree of public recognition for her performances in live-action roles,”<sup>138</sup> in certain television shows, and as a voice actress. Evidence from the Internet Movie Database (IMDb)<sup>139</sup> mentions several other entertainers and artists with the surname “Adlon.”

The applicant argued that the “rareness” of the surname “Adlon” should be dispositive in this case, since prior cases involving fewer than 100 occurrences of a surname resulted in reversal of the surname refusal. The Board, however, pointed out that a “strictly numerical approach to a surname analysis has been squarely rejected.”<sup>140</sup> The Board again observed that “even a rare surname is

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<sup>135</sup> *In re Adlon Brand GmbH & Co. KG c/o FUNDUS FONDS-Verwaltungen GmbH*, 120 U.S.P.Q.2d 1717 (T.T.A.B. 2016).

<sup>136</sup> *In re Benthin Mgmt. GmbH*, 37 U.S.P.Q.2d 1332, 1333-34 (T.T.A.B. 1995). The *Benthin* factors are set out in note 129, above.

<sup>137</sup> *In re Adlon Brand GmbH & Co. KG*, 120 U.S.P.Q.2d at 1719.

<sup>138</sup> *Id.* at 1720.

<sup>139</sup> Found at <http://www.imdb.com/>.

<sup>140</sup> See *In re Etablissements Darty et Fils*, 225 U.S.P.Q. 652, 653 (Fed. Cir. 1985).

unregistrable if its primary significance to purchasers is a surname.”<sup>141</sup>

The applicant contended that consumers would perceive the mark as indicating the applicant or its Hotel Adlon, and the source of its goods and services. According to *Wikipedia*, the original Hotel Adlon was one of the famous hotels in Europe, and served as the social center of Berlin throughout the Nazi period. It was largely destroyed in 1945, but has been rebuilt and now operates as the Hotel Adlon Kempinski Berlin. The hotel has been the subject of several films and documentaries.

The panel majority found this evidence to be problematical since the hotel was named “Adlon” because that was the surname of its founder, and it was subsequently run by family members. Thus, according to the panel majority, the evidence shows ADLON “used in a context that actually suggests that the term is a surname.”<sup>142</sup> The panel majority found no “objective countervailing evidence”<sup>143</sup> that would rebut the surname meaning of “Adlon.”

Examining the entire record to determine the primary significance of the term ADLON, we find that the Examining Attorney has demonstrated that ADLON is a surname that is in use in the United States, that the public has been exposed to and discussed ADLON as a surname, and that the term ADLON has no other “ordinary language meaning.” We further find that Applicant has failed to demonstrate that the term has another significance that is its primary significance as perceived by the public. We find, therefore, that ADLON is primarily merely a surname and that the refusal to register the mark must be affirmed.<sup>144</sup>

Judge Quinn, in dissent, opined that “the extreme rareness of a surname may provide some insight into the perception of it by consumers.”<sup>145</sup> The legislative history of Section 2(e)(4) corroborates the materiality of surname rareness.<sup>146</sup>

Here the evidence revealed 75 persons with the surname “Adlon.” Social media evidence uncovered a mere eight examples of “Adlon” as a surname. The evidence regarding media attention given to a single actress best known for her performance as the voice of an animated character falls short of proving that ADLON is primarily merely a surname. The other individuals with the surname “Adlon” do not appear to enjoy any particular notoriety.

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<sup>141</sup> *In re Eximius Coffee, LLC*, 102 U.S.P.Q.2d 1276, 1281 (T.T.A.B. 2016).

<sup>142</sup> *In re Adlon Brand GmbH & Co. KG*, 120 U.S.P.Q.2d at 1723.

<sup>143</sup> *Id.*

<sup>144</sup> *Id.* at 1724.

<sup>145</sup> *Id.* at 1725.

<sup>146</sup> Citing *In re Garan, Inc.*, 3 U.S.P.Q.2d 1537, 1540 n.12 (T.T.A.B. 1987).

Moreover, Judge Quinn observed, there are no contextual clues that identify “Adlon” as a surname. In contrast, for example, in *Darty*<sup>147</sup> the term “Darty” was used in a company name, “Darty et Fils,” that reveals its surname significance. In *Eximius Coffee*,<sup>148</sup> the surname of those associated with the applicant was “Aldecoa” and the product was promoted as a “premium family coffee.”

Based on the record, I find that consumers would not think of the extremely rare surname ADLON primarily merely as a surname because they are highly unlikely to have encountered it as such, but rather would regard the term as being a coined term or unknown term with an unknown meaning.<sup>149</sup>

With regard to the Hotel Adlon, Judge Quinn found it unlikely that consumers in the United States would know of a single hotel in Berlin, Germany, and less likely to know that Lorenzo Adler was the hotel’s founder. In short, this portion of the record “plays a minimal role in the surname analysis.”<sup>150</sup>

In sum, Judge Quinn would reverse the refusal to register, giving the applicant the benefit of any doubt arising from the record evidence.

#### *In re Beds & Bars Limited*

In the fourth ruling downplaying the surname rareness factor, the Board affirmed a Section 2(e)(4) refusal of the mark BELUSHI’S for various travel, hotel, and restaurant services.<sup>151</sup> Although BELUSHI is an “exceedingly rare” surname (only five people in the United States are named BELUSHI), “the celebrity of John Belushi and the continuing media attention on Jim Belushi support a finding that a substantial portion of Americans know BELUSHI to be a surname.”<sup>152</sup>

The examining attorney submitted Lexis/Nexis evidence showing BELUSHI to be the surname of five individuals. There was no evidence that BELUSHI has a meaning other than as a surname, nor that anyone connected with the applicant has the surname BELUSHI. The inclusion of the apostrophe in the applied-for mark was a “contextual clue” that BELUSHI is a surname.

The applicant focused on the “extreme rarity” of the surname, arguing that “because there are only five people in the entire United States with the surname Belushi, substantially no one will be

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<sup>147</sup> *In re Etablissements Darty et Fils*, 225 U.S.P.Q. 652 (Fed. Cir. 1985).

<sup>148</sup> *In re Eximius Coffee, LLC*, 102 U.S.P.Q.2d 1276, 1281 (T.T.A.B. 2016).

<sup>149</sup> *In re Adlon Brand GmbH & Co. KG*, 120 U.S.P.Q.2d at 1727.

<sup>150</sup> *Id.* at 1728.

<sup>151</sup> *In re Beds & Bars Limited*, 122 U.S.P.Q.2d 1546 (T.T.A.B. 2017).

<sup>152</sup> *Id.* at 1551.

adversely affected by the registration of Applicant's mark BELUSHI'S."<sup>153</sup> The examining attorney pointed to the fame and publicity of the Belushi brothers, John and Jim, in the television and film industries, which greatly increases the public's awareness of BELUSHI as a surname.

The Board observed that that "[e]ven a rare surname may be held primarily merely a surname if its primary significance to purchasers is that of a surname."<sup>154</sup> It found that "the rare surname BELUSHI is so well-known as a result of media publicity that it would be immediately recognized as a surname."<sup>155</sup>

The relevant question is not simply how frequently a surname appears, however, but whether the purchasing public for Applicant's services is more likely to perceive Applicant's proposed mark as a surname rather than as anything else. How frequently it has been exposed to the purchasing public as a surname, thereby causing consumers to recognize it as such, is also of relevance in this case.<sup>156</sup>

The Board found this case to be similar to *In re Gregory*,<sup>157</sup> in which the mark ROGAN was found to be primarily merely a surname in view of substantial media exposure of individuals with that surname, including Baseball Hall of Famer Wilber Rogan, author Barbara Rogan, actors Seth Rogan and Joe Rogan, and former Congressman and USPTO Director James Rogan. The Board concluded that "the name [Rogan] may be rare when viewed in terms of frequency of use as a surname in the general population, but not at all rare when viewed as a name repeated in the media and in terms of public perception."<sup>158</sup>

The applicant contended that *In re Pyro-Spectaculars Inc.*<sup>159</sup> was more to the point. There, the Board reversed a surname refusal of SOUSA for fireworks and related entertainment services, based on evidence of the continuing fame and notoriety of the historical band leader and composer John Philip Sousa for his patriotic music, and on the fact that fireworks and shows featuring pyrotechnics are the types of goods and services that potential purchasers would associate with patriotic events, figures, and music. The Board consequently found that the primary significance of SOUSA, when used in connection with fireworks and related services, was as the

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<sup>153</sup> *Id.* at 1550.

<sup>154</sup> *Id.* at 1551.

<sup>155</sup> *Id.*

<sup>156</sup> *Id.*

<sup>157</sup> *In re Gregory*, 70 U.S.P.Q.2d 1792 (T.T.A.B. 2004).

<sup>158</sup> *Id.* at 1795.

<sup>159</sup> *In re Pyro-Spectaculars, Inc.*, 63 U.S.P.Q.2d 2022 (T.T.A.B. 2002).

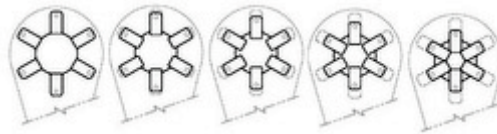
name of a person well known in United States history for his patriotic music.

Here, however, there was no evidence that John and Jim Belushi qualify as historical figures associated with the services identified in the application at issue.

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

### *In re Loggerhead Tools, LLC*

In what may be the first TTAB decision involving the functionality of a “motion mark,” the Board affirmed a Section 2(e)(5)<sup>160</sup> refusal to register a “motion mark depicting the product configuration of a hand tool in which six rectangular-shaped jaw-like elements of the circular head of a hand tool radially move in and out,”<sup>161</sup> for “hand tools, namely, gripping tools in the nature of wrenches and wire crimpers for sale through mass merchandisers to retail consumers.”<sup>162</sup>



The Supreme Court has stated that a product feature is functional, and thus cannot serve as a trademark, if “it is essential to the use or purpose of the article or if it affects the cost or quality of the article.”<sup>163</sup> Treating this motion mark like a product configuration mark, the Board applied the ever-popular four-part test of *In re Morton-Norwich*.<sup>164</sup>

<sup>160</sup> Section 2(e)(5) of the Lanham Act, 15 U.S.C. § 1052(e)(5), bars registration of any mark that “comprises any matter that, as a whole, is functional.”

<sup>161</sup> In the application, the mark is described as follows: “The mark consists of a motion mark depicting the product configuration of a hand tool in which six rectangular-shaped jaw-like elements of the circular head of a hand tool radially move in and out. The elements symmetrically converge and diverge in a mechanical iris-type motion. The broken or dotted lines are not part of the mark and serve only to show the position or placement of the moving elements of the mark in the hand tool.”

<sup>162</sup> *In re Loggerhead Tools, LLC*, 119 U.S.P.Q.2d 1429 (T.T.A.B. 2016).

<sup>163</sup> See *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29-30, 58 U.S.P.Q.2d 1001, 1006 (2001); *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 214 U.S.P.Q. 1, 4 n.10 (1982).

<sup>164</sup> *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 213 U.S.P.Q. 9 (C.C.P.A. 1982). The *Morton-Norwich* factors, used in determining functionality, are: (1) the existence of a utility patent disclosing the utilitarian advantages of the design; (2) advertising materials in which the originator of the design touts the design’s utilitarian advantages; (3) the availability to competitors of functionally equivalent designs; and (4) facts indicating that the design results in a comparatively simple or cheap method of manufacturing the product.

Utility Patent: As to the first *Morton-Norwich* factor, the Board reviewed Applicant Loggerhead's utility patent for an "Adjustable Gripping Tool." According to *TraFFix*, "A utility patent is strong evidence that the features therein claimed are functional,"<sup>165</sup> but Loggerhead argued that the subject motion of its hand tool is not claimed in that patent. The CAFC's decision in *Becton, Dickinson*, however, held that "statements in a patent's specification illuminating the purpose served by a design may constitute equally strong evidence of functionality."<sup>166</sup>

The specification of Loggerhead's patent described the tool's motion: "the gripping tool of the present invention symmetrically translates the force applied to the gripping tool onto the workpiece in a symmetrically balanced and mechanically advantaged and efficient way."<sup>167</sup> Taken together with the patent drawings, this description is "strong evidence that the matter is functional."<sup>168</sup>

Loggerhead pointed to its design patent for a "Hydrant Tool" as persuasive evidence that its overall design is not functional. However, the Board pointed out that the design patent does not cover the motion described in the subject trademark application: it shows five gripping elements instead of six, and does not describe the motion at all. Therefore, the design patent does not overcome the "strong conclusion" that the utility patent's disclosure of the utilitarian advantages of the proposed mark indicates functionality.<sup>169</sup>

Advertising Touting Utilitarian Advantages: The examining attorney referred to numerous examples of Loggerhead touting the utilitarian advantages of its tool: with a one-hand squeeze, the tool sizes and grips a wide range of nuts and bolts, and the symmetrical movement of the gripping elements in its product configuration allow the equal distribution of force on the work object with less strain on the corners of the nut or bolt.

Alternative Designs: Although the first two factors established that the applied-for mark is functional because it affects the quality of the device, the Board proceeded to consider the other two factors (since Loggerhead might appeal this decision). Loggerhead argued that there are many alternative designs for adjustable gripping tools, submitting declarations from two industrial design experts. But the Board observed that only a few of the examples showed an "iris-type motion" like that in the subject application. Loggerhead's

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<sup>165</sup> *TraFFix Devices Inc. v. Marketing Displays Inc.*, 523 U.S. at 29, 58 U.S.P.Q.2d at 1005 (2001).

<sup>166</sup> *In re Becton, Dickinson & Co.*, 102 U.S.P.Q.2d 1372, 1377 (Fed. Cir. 2012).

<sup>167</sup> *In re Loggerhead Tools, LLC*, 119 U.S.P.Q.2d at 1431.

<sup>168</sup> *Id.* at 1432.

<sup>169</sup> In this author's view, the existence of a design patent has no bearing on the issue of whether the proposed mark is functional in a trademark sense because the respective standards for functionality are different.

own evidence “indicates that its design sets it apart as one of the best, thereby hampering or even eliminating competition in this regard.”<sup>170</sup> Thus even if relevant, Loggerhead’s evidence of alternative designs was unpersuasive.

**Cost of Manufacture:** The Board also addressed the fourth *Morton-Norwich* factor, deeming unpersuasive Loggerhead’s only evidence, a conclusory statement by its president that its device “was not the most cost-effective combination among the various alternatives available.”<sup>171</sup>

**Other arguments:** Loggerhead asserted that some of the features of its tool are nonfunctional, aesthetic design choices: for example, the shape, size, and orientation of the jaw-like elements, and the exposure of the elements so that the user may observe the movement of the elements. The Board, however, observed that in *Becton, Dickinson*, the CAFC advised that it is appropriate to weigh the elements of a mark in determining overall functionality, but the ultimate determination must be made based on the proposed mark as a whole.

The Board found that these nonfunctional elements do not outweigh the overall functionality of the applied-for mark. It pointed out that the analysis for a motion mark “is the same as it would be for any other product configuration, product design trade dress or other non-traditional mark such as color or sound.”<sup>172</sup>

Loggerhead asserted that this case is analogous to the facts in two nonprecedential TTAB decisions for product designs, in which functionality refusals were reversed: *In re Lin*<sup>173</sup> (exercise and toy hoop) and *In re Hershey*<sup>174</sup> (scored candy bar). However, the Board observed, neither of those cases involved a utility patent.<sup>175</sup>

Finally, Loggerhead asserted that its award-winning design is distinctive and has acquired distinctiveness. The Board pointed out, however, that the Lanham Act specifically excludes from Section 2(f)<sup>176</sup> material that has been refused registration under Section 2(e)(5).

Concluding that the applied-for mark affects the quality of Loggerhead’s hand tool, the Board affirmed the refusal under Section 2(e)(5).

<sup>170</sup> *Id.* at 1438.

<sup>171</sup> *Id.*

<sup>172</sup> *Id.* at 1439. See TMEP Section 1202.02(a)(viii) and cases cited therein.

<sup>173</sup> *In re Lin*, Application Serial No. 85065887 (T.T.A.B. Dec. 14, 2012).

<sup>174</sup> *In re Hershey Chocolate and Confectionary Corp.*, Application Serial No. 77809223 (T.T.A.B. Dec. 8, 2011).

<sup>175</sup> Actually, the *Hershey* case did include consideration of a utility patent on a method of scoring candy, but it had no effect on the outcome of the appeal.

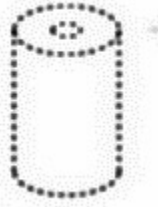
<sup>176</sup> Section 2(f) allows for the registration of a mark that has become distinctive of applicant’s goods, “[e]xcept as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section.”



## 8. Section 2(f) Acquired Distinctiveness

### *In re Hodgdon Powder Co.*

In a rare “color mark” decision, the Board reversed a refusal to register a mark comprising the color “white”<sup>177</sup> for “preformed gunpowder charges for muzzleloading firearms,” finding that Applicant Hodgdon Powder had proven acquired distinctiveness under Section 2(f).<sup>178</sup>



The examining attorney maintained that the applied-for mark is not inherently distinctive and that Hodgdon’s evidence of acquired distinctiveness was insufficient.<sup>179</sup> Applicant Hodgdon’s witness testified that “gunpowder has always been gray or black,”<sup>180</sup> and the Board noted that gunpowder is also referred to as black powder. Hodgdon stated, in response to questions posed by the examining attorney, that the color white for its gunpowder serves no purpose other than to identify Hodgdon’s products, that the color white is not a natural by-product of the manufacturing process, and that no one else in the industry uses the color white for gunpowder.

The Board concluded that the color white “is an anomaly contrary to consumers’ expectations regarding the appearance of the product.”<sup>181</sup>

In its application, Hodgdon claimed acquired distinctiveness under Section 2(f),<sup>182</sup> based on substantially exclusive and continuous use of the color white for at least the five years preceding the filing date of the application. It also provided the results of an

<sup>177</sup> In its application, Hodgdon stated that “[t]he mark consists of the color white applied to gunpowder. The broken lines depicting the configuration of the goods indicate placement of the mark on the goods and are not part of the mark.”

<sup>178</sup> *In re Hodgdon Powder Co.*, 119 U.S.P.Q.2d 1254 (T.T.A.B. 2016).

<sup>179</sup> Of course, under the Supreme Court’s rulings in *Qualitex Co. v. Jacobson Prods., Co.*, 514 U.S. 159, 34 U.S.P.Q.2d 1161 (1995) and *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 54 U.S.P.Q.2d 1065, a single color mark cannot be inherently distinctive.

<sup>180</sup> *In re Hodgdon Powder Co.*, 119 U.S.P.Q.2d at 1256.

<sup>181</sup> *Id.* at 1257.

<sup>182</sup> Section 2(f) of the Lanham Act provides, in pertinent part, that “The Director may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant’s goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made.”

informal survey from the 2014 Shot Show in Las Vegas, in which just over 90% of respondents said that only one company makes white gunpowder, and that company is Applicant Hodgdon. The applicant's advertising stated that its product, sold under the mark WHITE HOTS, is "The Only White Gunpowder." Its sales since introducing the mark in 2008 have been \$3.5 million.

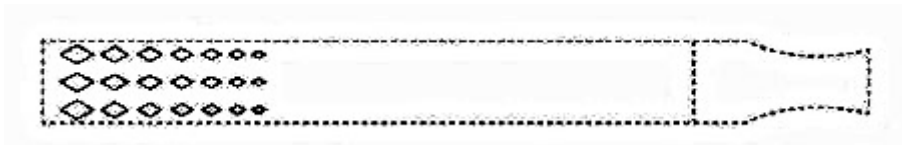
The examining attorney contended that Hodgdon's advertising was insufficient as "look for" advertising, and that the survey was inadmissible because inadequate information was provided regarding the methodology and the participants. The Board, however, found Hodgdon's advertising to be "effective 'look for' advertising."<sup>183</sup> As to the survey, the Board acknowledged that it would not be admissible in an inter partes proceeding and standing alone would not establish acquired distinctiveness. However, the validity of the survey was immaterial in light of the Board's finding regarding the "look for" advertising.

Reviewing the totality of the evidence, the Board concluded that the color white for Hodgdon's products has acquired distinctiveness, and so the Board reversed the refusal to register.

## 9. Failure to Function/Specimen of Use/Phantom Mark

### *In re Fantasia Distribution, Inc.*

The Board affirmed a refusal to register the proposed mark shown below, consisting of a repeated diamond pattern applied to the lower third of the cylinder of "electronic hookahs," deeming it to be a nondistinctive, merely ornamental design that lacks acquired distinctiveness under Section 2(f).<sup>184</sup>



The Board first pointed out that the subject refusal to register is consistent with Section 1209.19 (April 2016) of the Trademark Manual of Examining Procedure (TMPE), which incorporated a 2015 USPTO examination guide that addressed the potential lack of inherent distinctiveness of repeating patterns because they often serve an ornamental function. Analogous to color and product design, repeating patterns are often used to make products more attractive, and so consumers would not be predisposed to equate the pattern with source. The Board did not rule out the possibility that a repeating pattern could be inherently distinctive, but in most

<sup>183</sup> *Id.* at 1259.

<sup>184</sup> *In re Fantasia Distribution, Inc.*, 120 U.S.P.Q.2d 1137 (T.T.A.B. 2016).

cases it would not be. “A pattern may function as a mark only ‘if it is arbitrary and distinctive and its principal function is to identify and distinguish the source of the goods to which it is applied . . . .’”<sup>185</sup>

Inherent Distinctiveness: To assess the inherent distinctiveness of the pattern, the Board invoked *Seabrook Foods, Inc. v. Bar-Well Foods Ltd.*,<sup>186</sup> modifying its factors to the following:

- the nature of Applicant’s goods and whether there is an industry practice of ornamenting such goods;
- the nature of the pattern, including whether any element of the pattern might be perceived as source indicating if it were standing alone;
- how common the pattern is, whether it is composed of common or unusual repeating shapes, whether such shapes repeat in a common or unusual manner, and whether the overall pattern is similar to, or a mere refinement or variation of, a common or well-known form of ornamentation;
- the manner in which the repeating pattern appears on the product, including the size and location of the pattern on the product and how much of the product is covered by the pattern; and
- whether the pattern creates a distinct commercial impression apart from any accompanying wording and design elements.<sup>187</sup>

The examining attorney submitted evidence regarding three other brands of electronic hookahs that display patterns placed at one end of the device, in a manner similar to the applicant’s pattern, contending that this evidence demonstrated that such placement of ornamental designs is a common practice in the industry. The Board rejected the applicant’s contention that the evidence must show other *diamond* patterns, pointing out that even if the applicant is the first and only user of a diamond pattern, that fact alone “does not imbue the design with source-identifying significance, where Applicant’s design merely repeats an ordinary shape in an unremarkable pattern and places it on the goods in an unremarkable way.”<sup>188</sup> The applicant’s basic diamond pattern blends with other elements of the trade dress and does not make a distinct commercial impression. It appears in a location often used for ornamentation in this industry.

The Board concluded that the applicant’s repeating diamond pattern is not inherently distinctive. It “plays a significant role in

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<sup>185</sup> *Id.* at 1138-39, quoting *In re Soccer Sport Supply Co.*, 184 U.S.P.Q. 345, 347 (C.C.P.A. 1975).

<sup>186</sup> 196 U.S.P.Q. 289 (C.C.P.A. 1977).

<sup>187</sup> *In re Fantasia Distribution, Inc.*, 120 U.S.P.Q.2d at 1139.

<sup>188</sup> *Id.* at 1141.

giving the devices an attractive appearance,”<sup>189</sup> and consumers would not be predisposed to view the pattern as source-indicating.

Acquired Distinctiveness: Of course, an ornamental element may be registrable as a trademark on the Principal Register upon proof of acquired distinctiveness. The Board found, however, that the applicant’s proofs fell short. There was no evidence of “look for” advertising, and the handful of Internet references to the applicant’s diamond pattern did not indicate the pattern’s significance. The evidence showed that the applicant’s goods are sold in packaging that hides the diamond pattern from view. Moreover, the wording and pattern color signify the flavor of the hookah, and thus the diamond pattern blends with the other elements of trade dress rather than standing out on its own.

The Board therefore concluded that the proposed mark lacked acquired distinctiveness, and so it affirmed the refusal to register under Sections 1, 2, and 45 of the Lanham Act.

*In re Kohr Brothers, Inc.*

Due to the applicant’s failure to submit an acceptable specimen of use, the Board affirmed a refusal to register the mark CONEY ISLAND BOARDWALK CUSTARD, in standard character form, for frozen custards [CONEY ISLAND and CUSTARD disclaimed].<sup>190</sup> The applicant contended that its specimen qualified as a display closely associated with the goods offered for sale in a boardwalk stand. The Board, however, concluded that consumers would not be likely “to associate the mark with the goods such that the specimen serves as an inducement to the sale of the goods.”<sup>191</sup>

Section 45 of the Lanham Act states that a mark is deemed to be used in commerce on goods when “(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.”<sup>192</sup> Because Section 45 does not define the term “displays associated therewith,” the Board must determine on a case-by-case basis whether a particular specimen qualifies as a “display” adequate to demonstrate use in commerce. A display must catch the attention of the consumer, who will associate the mark with the goods and be induced to buy them.

Applicant Kohr Brothers stated that its specimen of use, shown below, is located at eye level on a wall facing the customer as he or

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<sup>189</sup> *Id.* at 1142.

<sup>190</sup> *In re Kohr Brothers, Inc.*, 121 U.S.P.Q.2d 1793 (T.T.A.B. 2017).

<sup>191</sup> *Id.* at 1796.

<sup>192</sup> 15 U.S.C. § 1127.

she approaches the counter to purchase the goods. It contended that this presentation qualified as a display associated with the goods because (1) the sign includes a picture of the goods and (2) the goods are “in close proximity to the specimen sign as displayed.”<sup>193</sup>



The Board, however, noted that most decisions concerning specimens bearing a picture of the goods involve a catalog display or a webpage that includes information about the goods to allow a customer to place an order. Here, the applicant’s specimen did not provide information about the goods, portion sizes, flavors, cost, etc. The depiction of a cone “is more likely to be perceived as part and parcel of a composite word and design mark than as an unmistakable indication of the nature of Applicant’s goods.”<sup>194</sup>

Moreover, the mark in the specimen “is not displayed at the point of purchase in such a way that the customer can easily and directly associate the mark with the goods, which are said to be in proximity but not shown to be so.”<sup>195</sup> The sign is small—about the size of an envelope—and is located next to a business license and a certificate from the Delaware Health and Social Services Division of Public Health, “hardly a place where a merchant would place material intended ‘to catch the attention of purchasers and prospective purchasers as an inducement to make a sale.’”<sup>196</sup>

In any event, while a consumer might look for a menu posted on a wall facing prospective customers, a consumer would not regard a sign placed together with certificates from the health department and a regulatory agency to be a trademark for the goods. Hence, the sign cannot be considered a display associated with the goods.<sup>197</sup>

<sup>193</sup> *In re Kohr Brothers, Inc.*, 121 U.S.P.Q.2d at 1795.

<sup>194</sup> *Id.*

<sup>195</sup> *Id.* at 1795. *Cf. In re Universal Oil Prods. Co.*, 177 U.S.P.Q. 456, 457 (C.C.P.A. 1973) (term must have “direct association” with applied-for services); *see also In re Safariland Hunting Corp.*, 24 U.S.P.Q.2d 1380, 1381 (T.T.A.B. 1992) (specimen must show “direct association” with the goods).

<sup>196</sup> *Id.* at 1796, quoting TMEP § 904.03(g).

<sup>197</sup> *Id.*

Even if, as the applicant contended, it was not practical to place the mark on the goods, the applicant's sign does not display the mark in such a way as to serve as an inducement to customers to buy the goods. In short, "the specimen is not a display that is easily and directly associated with the goods and cannot serve to support the required showing of use."<sup>198</sup>

And so the Board affirmed the refusal under Section 1 and 45 of the Lanham Act.

*In re Construction Research & Technology GmbH*

"Phantom" marks are ineligible for registration, and so the Board affirmed refusals to register the marks NP--- and SL --- for "sealant compounds for joints," where the "variable designation ---" in each mark "represents up to three numeric digits."<sup>199</sup> The applicant unsuccessfully contended that, because the variable element is limited in number of combinations, the marks will be readily searchable and will provide adequate notice to other trademark users.

Under the Lanham Act, an application may seek registration of only one mark. "A mark that contains a changeable or phantom element resulting in possibly more than one mark is generally refused registration."<sup>200</sup> The CAFC explained the reasoning for this rule:

[T]he mark, as registered must accurately reflect the way it is used in commerce so that someone who searches the registry for the mark, or a similar mark, will locate the registered mark. 'Phantom' marks . . . encompass too many combinations and permutations to make a thorough and effective search possible. The registration of such marks does not provide proper notice to other trademark users, thus failing to help bring order to the marketplace and defeating one of the vital purposes of federal trademark registration.<sup>201</sup>

The applicant pointed to *In re Dial-A-Mattress*<sup>202</sup> and *In re Data Packaging*<sup>203</sup> in asserting that the inclusion of a phantom element does not always preclude registrability of a mark. In *Dial-A-Mattress*, the CAFC concluded that (212) M-A-T-T-R-E-S (the "(212)" portion of the mark being depicted in broken lines to indicate that "the area code will change") was registrable because the

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<sup>198</sup> *Id.*

<sup>199</sup> *In re Construction Research & Tech. GmbH*, 122 U.S.P.Q.2d 1583 (T.T.A.B. 2017).

<sup>200</sup> *In re Primo Water Corp.* 87 U.S.P.Q.2d 1376, 1378 (T.T.A.B. 2008).

<sup>201</sup> *In re Construction Research & Tech. GmbH*, 122 U.S.P.Q.2d at 1584-85, quoting *In re Int'l Flavors & Fragrances Inc.*, 51 U.S.P.Q.2d 1513, 1517-18 (Fed. Cir. 1999).

<sup>202</sup> *In re Dial-A-Mattress Operating Corp.*, 57 U.S.P.Q.2d 1807 (Fed. Cir. 2001).

<sup>203</sup> *In re Data Packaging*, 172 U.S.P.Q. 396 (C.C.P.A. 1972).

variable element comprised “an area code, the possibilities of which are limited by the offerings of the telephone companies.”<sup>204</sup> In *Data Packaging*, the U.S. Court of Customs and Patent Appeals (C.C.P.A.) held that a mark consisting of a colored, narrow, annular band in a specific location on a computer tape reel was registrable, even though not limited to a particular color, because “the description of [the] mark . . . is neither indefinite nor unduly broad. A competing manufacturer can ascertain from reading the description of the mark . . . exactly what design appellant regards as his trademark and can govern its selection of its own mark accordingly, with no fear of inadvertent infringement.”<sup>205</sup>

The TMEP states that a mark with a changeable element may be registrable if the element is limited in possible variations such that adequate notice is given to allow an effective Section 2(d) search. As an example, the mark T. MARKEY TRADEMARK EXHIBITION 2\*\*\* would be registrable, where the asterisks represent elements to indicate different years.<sup>206</sup> Unlike those marks, the applied-for marks do not pass muster. One is left to guess not only what combination “up to three digits” will be used, but also “what permutations of those combinations will be used.”<sup>207</sup> There are at least a thousand possible marks in each case, “which is nothing if not overly broad.”<sup>208</sup> Moreover, it is unclear what significance each possible number combination might have. For example, they could represent “the number of a particular series or version of a product, a physical characteristic or something else of utilitarian significance to the potential consumer.”<sup>209</sup>

That is, Applicant is seeking to register multiple marks and the public cannot predict what marks will be covered by any resulting registrations. In sum, by way of the phantom element in each of the two applied-for marks, Applicant is improperly seeking to register not two, but over two thousand different marks and, in each case, this would be in violation of the one mark per application requirement of the Trademark Act and would run counter to the policy underlying the rule against registering phantom marks.<sup>210</sup>

The marks here at issue “contrast sharply” with the mark in *Dial-A-Mattress*. There, “it was clear from the drawing of the mark itself” that the phantom element represented a telephone area

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<sup>204</sup> *In re Dial-A-Mattress Operating Corp.*, 57 U.S.P.Q.2d at 1813.

<sup>205</sup> *In re Data Packaging*, 172 U.S.P.Q. at 398.

<sup>206</sup> TMEP Section 1214.01 (Apr. 2017).

<sup>207</sup> *In re Construction Research & Tech. GmbH*, 122 U.S.P.Q.2d at 1585.

<sup>208</sup> *Id.*

<sup>209</sup> *Id.*

<sup>210</sup> *Id.* at 1585-86.

code.<sup>211</sup> Any change in area code would have no impact on the overall meaning or commercial impression. Here, however, the missing information could be much more wide-ranging than area codes, and could be interpreted differently, depending on the context.

Similarly, in *Data Packaging*, the design mark was described with sufficient definiteness and the number of potential marks was not overly broad, so that competitors were on notice and could govern the selection of their marks accordingly.

Here, we find that if Applicant's marks are allowed to register, there would be insufficient constructive notice to the public regarding the extent of protection that should be accorded to these marks, and the USPTO would be unable to adequately fulfill its duty to conduct searches and determine registrability of these marks.<sup>212</sup>

## 10. Genericness

### *In re Emergency Alert Solutions Group, LLC*

In an unalarming ruling, the Board affirmed a refusal to register the designation LOCKDOWN ALARM on the Supplemental Register,<sup>213</sup> finding the phrase to be generic for “training services in the field of school safety, school security and crisis preparedness; training services in the field of security and crisis preparedness for schools, hospitals, college campuses, malls, public buildings, office buildings, and other commercial buildings.”<sup>214</sup> More interestingly, however, the Board reversed a refusal based on the applicant's supposed failure to adequately respond to a Rule 2.61(b) request for information.<sup>215</sup>

The examining attorney relied on dictionary definitions of “lockdown” and “alarm,” and on Internet web pages referring to warning devices called “lockdown alarms.”

The applicant's specimen of use described its training program as covering “proper use of the Lockdown Alarm (such as circumstances warranting Lockdown Alarm actuation) as well as procedures for effectively responding to the Lockdown Alarm

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<sup>211</sup> *Id.* at 1586. (Emphasis added by the Board.)

<sup>212</sup> *Id.*

<sup>213</sup> Section 23 of the Lanham Act, 15 U.S.C. § 1091, provides that “For the purposes of registration on the supplemental register, a mark may consist of any trademark, symbol, label, package, configuration of goods, name, word, slogan, phrase, surname, geographical name, numeral, device, any matter that as a whole is not functional, or any combination of any of the foregoing, but such mark must be capable of distinguishing the applicant's goods or services.” (Emphasis supplied.)

<sup>214</sup> *In re Emergency Alert Solutions Grp., LLC*, 122 U.S.P.Q.2d 1088 (T.T.A.B. 2017).

<sup>215</sup> The Rule 2.61(b) request is discussed in Part I.C.15, below.



evacuation.”<sup>216</sup> Thus it was clear that the applicant’s services include training directly related to lockdown alarms.

The Board observed that a term that is the generic name of a particular category of goods is likewise generic for services directed to or focused on that class of goods. Furthermore, the CAFC has repeatedly treated the generic name of a “key aspect” of a service as generic for the service itself.<sup>217</sup>

The applicant argued that “lockdown alarm” describes only an insignificant element of its complex training services, but the Board pointed out that many of the services that the applicant offers are merely different aspects of the proper way to respond to a lockdown alarm. “It is clear from the record that the proper response to the sounding of an alarm is considered an essential skill and is the subject of many other training programs.”<sup>218</sup>

The subject matter of any training is not an insignificant “facet” of the training. Rather, it is quite literally the focus of the training. In this case, relevant customers would readily understand LOCKDOWN ALARM to refer to the type of training identified in the application.<sup>219</sup>

## 11. Service Mark Use

### *In re Florists’ Transworld Delivery, Inc.*

Affirming a refusal to register the mark SAY IT YOUR WAY for “creating an on-line community for registered users . . .,” the Board found that Applicant FTD failed to show use of the mark with the recited service. Reviewing the specimens of use, the Board ruled that FTD did not offer this social-networking service as a separable service to others, but rather as merely a service incidental to its primary service—the sale of flowers, floral products, and gifts—and therefore the refusal under Sections 1 and 45 of the Lanham Act was proper.<sup>220</sup>

FTD sought to register its mark for “creating an on-line community for registered users to participate in discussions, get feedback from their peers, form communities, and engage in social networking featuring information on flowers, floral products and gifts.” The specimens of use comprised its Twitter “profile” page along with several related Internet webpages. The question was whether it was FTD or Twitter that was providing the services of “creating an on-line community.”

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<sup>216</sup> *In re Emergency Alert Solutions Grp., LLC*, 122 U.S.P.Q.2d at 1091.

<sup>217</sup> *See, e.g., In re Cordua Rests. Inc.*, 118 U.S.P.Q.2d 1632 (Fed. Cir. 2016).

<sup>218</sup> *In re Emergency Alert Solutions Grp., LLC*, 122 U.S.P.Q.2d at 1092.

<sup>219</sup> *Id.* at 1092-93.

<sup>220</sup> *In re Florists’ Transworld Delivery, Inc.*, 119 U.S.P.Q.2d 1056 (T.T.A.B. 2016).

The Board pointed to a recent revision to the TMEP that cautioned examining attorneys to carefully examine webpages from social-networking websites to make sure that the mark in question is being used with the recited services:

Some applicants may mistakenly mischaracterize their services as “social networking” because they assume that advertising or promoting their non-social-networking services via a social-networking website means they are providing social-networking services. For instance, an applicant may mistakenly file an application for ‘online social-networking services’ and provide a Facebook® webpage as a specimen when, in fact, they operate a pet store and are only using the Facebook® website to advertise the pet store and communicate information to and messages with actual and potential customers. Such a specimen is not acceptable for the social networking services since it does not demonstrate that the applicant is providing these services.<sup>221</sup>

FTD argued that it had created its own virtual sub-community within Twitter, but the Board was unmoved. “Applicant has done nothing more than use the Twitter online community forum to engage in social-networking for its own benefit, and to advertise its online retail store services, which are rendered over its own corporate website . . . .”<sup>222</sup> Moreover, to the extent that FTD provides information regarding flowers or conducts events to promote the sale of flowers, those activities do not appear to constitute a separate “registrable service,”<sup>223</sup> but are merely incidental to its primary services.

## 12. Lawful Use in Commerce

### *In re Brown*

To qualify for federal registration, a mark must be in “lawful” use, and any goods or services for which the mark is used must not be illegal under federal law. Here, the Board affirmed a refusal to register HERBAL ACCESS for “retail store services featuring herbs” on the ground that the mark is being used in connection with the sale of a substance (marijuana) that is illegal under federal law.<sup>224</sup>

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<sup>221</sup> TMEP Section 1301.04(h)(iv)C).

<sup>222</sup> *In re Florists’ Transworld Delivery, Inc.*, 119 U.S.P.Q.2d at 1063.

<sup>223</sup> *Id.*, citing *In re Canadian Pacific Ltd.*, 224 U.S.P.Q. 971 (Fed. Cir. 1985); *IdeasOne Inc. v. Nationwide Better Health Inc.*, 89 U.S.P.Q.2d 1952, 1954 n.4 (T.T.A.B. 2009) (to qualify as a separately registrable service, activity “must be qualitatively different from anything necessarily done in connection with the sale of the applicant’s goods or the performance of another service”).

<sup>224</sup> *In re Brown*, 119 U.S.P.Q.2d 1350 (T.T.A.B. 2016).

The USPTO generally presumes that use of an applicant's mark is lawful under federal law. Registration will not be refused unless either:

- (1) a violation of federal law is indicated by the application record or other evidence, such as when a court or a federal agency responsible for overseeing activity in which the applicant is involved, and which activity is relevant to its application, has issued a finding of noncompliance under the relevant statute or regulation; or
- (2) when the applicant's application-relevant activities involve a *per se* violation of a federal law.<sup>225</sup>

The examining attorney relied on an asserted *per se* violation of federal law, namely, the provision of an illegal substance in violation of the federal Controlled Substances Act (CSA).<sup>226</sup>

The applicant's specimen of use featured two photographs of his retail store, depicting a green cross—a symbol of the organized medical marijuana industry—on the door and on the window. His website displayed a map with the wording "Marijuana for the Masses" and depicted a marijuana plant with the text: "Call or stop by today and find out why people consider our marijuana to be the best of the best!" This evidence obviously supported the conclusion that the applicant "is engaged in the provision of marijuana via the retail services provided at the facility shown in the specimen and advertised on the website."<sup>227</sup>

The Board found that the applicant's services constitute a *per se* violation of federal law, and therefore the applicant's *use* of the mark includes unlawful activity under the CSA.

Applicant Brown argued that he is seeking to register his mark for the sale of herbs, not for marijuana, and that the sale of herbs is not illegal. The Board, however, observed that "[t]he mere fact that lawful use is also contemplated by the identification does not aid Applicant's cause."<sup>228</sup> According to the Board, "it was entirely proper for the Trademark Examining Attorney to look to evidence such as the Applicant's specimen of use and website to ascertain that the word 'herbs' in the description of services encompasses marijuana."<sup>229</sup>

Brown did not rebut the evidence that marijuana is an herb or that he sells marijuana. An applicant cannot avoid a refusal to register by using generalized language in the identification of goods "where a particular good or service falls within the generalized

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<sup>225</sup> *Id.* at 1351.

<sup>226</sup> 21 U.S.C. §§ 812, 841(a)(1), 844(a).

<sup>227</sup> *Id.* at 1352.

<sup>228</sup> *Id.* at 1353.

<sup>229</sup> *Id.*

identification and the evidence shows that applicant's actual usage involves the specific good or service that is the subject of the refusal."<sup>230</sup>

Brown pointed out that the sale of marijuana is legal under the law of the State of Washington, where his store is located.<sup>231</sup> The Board, however, pointed out that "the fact that the provision of a product or service may be lawful within a state is irrelevant to the question of federal registration when it is unlawful under federal law."<sup>232</sup>

The Board concluded that, because the subject mark is being used in connection with the sale of a specific substance that falls within both the recitation of services and the prohibitions of the CSA, Applicant Brown's services include the sale of a good that is illegal under federal law, and therefore encompasses a use that is unlawful.

*In re JJ206, LLC, dba JuJu Joints*

The Board snuffed out two more marijuana-related applications, affirming refusals to register POWERED BY JUJU<sup>233</sup> and JUJU JOINTS for smokeless cannabis vaporizers, on the ground that the identified goods are illegal under the federal Controlled Substances Act (CSA) and therefore use of the marks in commerce is unlawful.<sup>234</sup> The applicant maintained that it does business only in states where marijuana is legal, and those jurisdictions comply with the "Cole Memo" issued by the United States Department of Justice. The Board, however, ruled that the CSA controls.

Use of a mark must be "lawful" if the mark is to qualify for federal registration. "[A]ny goods . . . for which the mark is used must not be illegal under federal law."<sup>235</sup> It follows that if the goods on which a mark is *intended to be used* are unlawful, there can be no *bona fide* intent to use the mark in lawful commerce. When the goods are illegal under the CSA, the applicant cannot use its mark in lawful commerce and it is legally impossible for the applicant to have the requisite *bona fide* intent to use the mark.

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<sup>230</sup> *Id. See, e.g., In re Reed Elsevier Props. Inc.*, 82 U.S.P.Q.2d 1378 (Fed. Cir. 2007) (avoiding the word "lawyers" in the identification of services); *In re Water Gremlin Co.*, 208 U.S.P.Q. 89 (C.C.P.A. 1980) (avoiding the word "sinker"); *In re Am. Society of Clinical Pathologists, Inc.*, 169 U.S.P.Q. 800 (C.C.P.A. 1971) (avoiding the term "registry").

<sup>231</sup> Under Washington law, adults may possess one ounce of useable marijuana, 16 ounces of marijuana-infused product in solid form, and 72 ounces of marijuana-infused product in liquid form, pursuant to RSW § 69.50.101 *et al.*

<sup>232</sup> *In re Brown*, 119 U.S.P.Q.2d at 1351.

<sup>233</sup> The POWERED BY JUJU application was filed under Section 1(b) of the Lanham Act, based on an alleged bona fide intention to use the mark in commerce.

<sup>234</sup> *In re JJ206, LLC*, 120 U.S.P.Q.2d 1568 (T.T.A.B. 2016).

<sup>235</sup> *In re Brown*, 119 U.S.P.Q.2d at 1351.

Under the CSA, it is unlawful to sell, offer for sale, or transport in interstate commerce drug paraphernalia, defined as “any equipment . . . primarily intended or designed for use in . . . ingesting, inhaling, or otherwise introducing into the human body a controlled substance, possession of which is unlawful under [the CSA].”<sup>236</sup> The CSA identifies marijuana as such a substance. Based on the evidence of record, the Board concluded that the term “cannabis” in the applicant’s identification of goods refers to marijuana.

The Board therefore found that the applicant’s identified goods fall within the definition of illegal drug paraphernalia under the CSA.

The applicant contended that because it markets its goods in states that allow for the sale and distribution of marijuana, its current and intended use is lawful. The Board, however, rejected that position in *Brown*: “the fact that the provision of a product or service may be lawful within a state is irrelevant to the question of federal registration when it is unlawful under federal law.”<sup>237</sup>

“Regardless of individual state laws that may provide for legal activities involving marijuana, marijuana and its psychoactive component, THC, remain Schedule I controlled substances under federal law and are subject to the CSA’s prohibitions. 21 C.F.R. § 1308.11.”<sup>238</sup>

The applicant further contended that because the jurisdictions where it does business “comply with federal directives such as the Cole Memo, its goods should be considered lawful. The “Cole Memo” is a memorandum from the U.S. Department of Justice to United States Attorneys, addressing the enactment of medical marijuana laws in certain states. It affirmed the illegality of marijuana under the CSA and set out federal “enforcement priorities” “to guide the Department’s enforcement of the CSA against marijuana-related conduct.”<sup>239</sup> The memorandum urged that federal enforcement efforts focus on preventing distribution of marijuana to minors, preventing violence and firearm use in marijuana-related activities, and preventing the diversion of marijuana from a legal state to other states.

The Board rejected the applicant’s argument because the Cole Memo “does not and cannot override the CSA.”<sup>240</sup> The memo, noted the Board, “explicitly underscores that ‘marijuana is a dangerous

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<sup>236</sup> *In re JJ206, LLC*, 120 U.S.P.Q.2d at 1569.

<sup>237</sup> *In re Brown*, 119 U.S.P.Q.2d at 1351.

<sup>238</sup> *Id.* at 1352; *see also* U.S. Const. Art. VI. Cl. 2; *Gonzales v. Raich*, 545 U.S. 1, 27, 29 (2005); *U.S. v. Oakland Cannabis Buyers’ Coop.*, 532 U.S. 483, 491 (2001).

<sup>239</sup> *In re JJ206, LLC*, 120 U.S.P.Q.2d at 1571.

<sup>240</sup> *Id.*

drug and . . . the illegal distribution and sale of marijuana is a serious crime.”<sup>241</sup>

And so the Board concluded that because the applicant’s goods constitute illegal drug paraphernalia under the CSA, use and intended use of the applied-for marks are unlawful and cannot provide a basis for federal registration. Accordingly, the Board affirmed the refusals to register under Sections 1 and 45 of the Lanham Act.

### 13. Amendment Beyond Original Scope

#### *In re Jimmy Moore LLC*

Applicant Jimmy Moore LLC struck out in its attempt to register the mark “pitchingsmart” (in standard character form) for “entertainment in the nature of baseball games.” Recognizing that its original recitation of services was incorrect, the applicant tried to amend the identification to a pitching training system, and then to educational services, but the examining attorney rejected the amended identifications as beyond the scope of the original identification and concluded that the applicant’s specimens of use did not show the mark in use with the original recited services.<sup>242</sup>

The applicant’s troubles stemmed from the original sin of misidentifying its services. The error was noticed immediately, and the applicant filed a “voluntary amendment” seeking to change the recitation of services to “baseball and softball training system for pitchers to improve their pitching skills for accurate and intelligent placement of baseball and softball in a strike zone.” After that proposed recitation was rejected as beyond the scope of the original, the applicant amended to “educational services, namely, providing seminars for baseball and softball pitching.” The examining attorney rejected that recitation for the same reason, and maintained the requirement that the applicant submit an acceptable specimen of use for the original services. The applicant petitioned the Director of the USPTO, who agreed with the examining attorney that the amended recitations were unacceptable, observing that:

an applicant who selects the wrong identification of services in the initial application must file a new application if the identification cannot be amended within the scope of the original identification. Therefore, the examining attorney’s action in changing the record back to the original identification was proper.<sup>243</sup>

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<sup>241</sup> *Id.*

<sup>242</sup> *In re Jimmy Moore LLC*, 119 U.S.P.Q.2d 1764 (T.T.A.B. 2016).

<sup>243</sup> *Id.* at 1770.

The examining attorney then made final the refusal to accept the amended recitation of services and the requirement for an acceptable specimen. The issues on appeal were whether either of the proposed amendments was acceptable and whether the applicant's specimens showed use of its mark with its identified services.

Identification of Services: Trademark Rule 2.71(a)<sup>244</sup> provides that an applicant may amend its identification of goods or services to clarify or limit, but not to broaden. The applicant pointed to the language of the preamble to the rule, which refers to amendment "during the course of examination," arguing that examination had not begun and so the rule did not apply here. The Board was unmoved. First, it pointed out that it "cannot revisit the Director's decision on this point."<sup>245</sup> Second, under the applicant's interpretation, "there would have been no provision under the rules to file its preliminary amendment."<sup>246</sup>

The applicant also contended that the amendments did not exceed the scope of the original identification, but its convoluted arguments were wholly unpersuasive. The phrase "entertainment in the nature of baseball games" is clear—the service of putting on a baseball game for the entertainment of spectators—and indeed it is one of the acceptable definitions set forth in the USPTO's Trademark Acceptable Identification of Goods and Services (Trademark ID Manual). Those services do not encompass a training system for pitchers or the offering of educational seminars regarding pitching.

Specimens of Use: The applicant did not contend that its specimens of use supported the original identification of services. In fact, it stated that it "is not in the business of 'offering baseball games,' so applicant cannot deliver such specimens."<sup>247</sup> The Board therefore affirmed the requirement for acceptable specimens.

#### 14. Response to Rule 2.61(b) Request for Information

Rule 2.61(b)<sup>248</sup> permits an examining attorney to request from an applicant information and documents that may be reasonably

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<sup>244</sup> Trademark Rule 2.71, 37 C.F.R. § 2.71, provides in pertinent part: "The applicant may amend the application during the course of examination, when required by the Office or for other reasons. (a) The applicant may amend the application to clarify or limit, but not to broaden, the identification of goods and/or services or the description of the nature of the collective membership organization."

<sup>245</sup> *In re Jimmy Moore LLC*, 119 U.S.P.Q.2d at 1771.

<sup>246</sup> *Id.* at 1771 n.8.

<sup>247</sup> *Id.* at 1773.

<sup>248</sup> Trademark Rule 2.61(b), 37 C.F.R. 2.61(b), provides that "The Office may require the applicant to furnish such information, exhibits, affidavits or declarations, and such additional specimens as may be reasonably necessary to the proper examination of the application."

necessary to enable proper examination of the application. At times, an applicant may feel that the examining attorney has stepped over the line of reasonableness. That's what happened in this appeal from a refusal to register the mark LOCKDOWN ALARM for training services in the field of school safety, school security, and crisis preparedness.<sup>249</sup> The examining attorney asserted that the applicant failed to respond suitably to three questions contained in a Rule 2.61(b) request for information, but the Board disagreed and reversed the refusal.

The applicant did provide various documents in response to the request, but as to the examining attorney's questions,<sup>250</sup> "[a]pplicant was entitled to describe its services in its own words."<sup>251</sup>

We recognize that applicants normally are expected to answer "yes" or "no" to a question calling for such a response and that examining attorneys are not obligated to infer direct answers from narrative responses to such questions. However, examining attorneys should not elevate the form of an applicant's response to an information requirement over its substance. We find that Applicant was reasonably forthcoming in its responses, and did not withhold the required information. It merely insisted on giving the information in its own words, coupled with the submission of a sample of its advertising.<sup>252</sup>

## 15. Failure to Address Grounds for Refusal on Appeal

### *In re Harley*

The Board affirmed the USPTO's refusal to register the mark HEMP HOME HEALTH for "home health care services" because the applicants, in their appeal, failed to address the three grounds of refusal: mere descriptiveness or deceptive misdescriptiveness under Section 2(e)(1) and failure to respond to a Rule 2.61(b) request for information.<sup>253</sup>

During prosecution, the examining attorney issued the Section 2(e)(1) refusals and requested information under Rule 2.61(b) concerning the significance of HEMP as applied to the services,

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<sup>249</sup> *In re Emergency Alert Solutions Grp., LLC*, 122 U.S.P.Q.2d 1088 (T.T.A.B. 2017). The genericness issue is discussed in Part I.C.10, above.

<sup>250</sup> *Id.* at 1093-94. For example, one of the questions was "Do the applicant's services involve or pertain to a LOCKDOWN ALARM?" Applicant, in its response, explained how its services might "involve or pertain to" an "emergency alarm." The Board deemed this response to be adequate: "We find the Examining Attorney's question far too freighted with legal implications to require a 'yes or no' answer. The question comes close to subsuming the ultimate question of whether the proposed mark is generic."

<sup>251</sup> *Id.* at 1094.

<sup>252</sup> *Id.* at 1095.

<sup>253</sup> *In re Harley*, 119 U.S.P.Q.2d 1755 (T.T.A.B. 2016).



whether the services comply with the Controlled Substances Act (CSA), and whether the applicants will be using hemp-based products in their services. He twice issued advisories regarding a possible refusal based on the ground that the use of the applied-for mark would not be lawful. The applicants complied in part, but not fully, with the Rule 2.61(b) request. The examining attorney then made the three refusals final.

In their appeal, the applicants framed the issue as follows: “Can an Applicant’s lawful use of a trademark be denied for use in connection with legal goods because the Applicant also sells substances that may be illegal under the CSA?”<sup>254</sup> The applicants did not address the three grounds for refusal that were issued by the Examining Attorney.

The Board observed that the applicant’s arguments “suggest that they are attempting to appeal a mere advisory statement made in the Examining Attorney’s Office Actions.”<sup>255</sup> But an advisory action is not a refusal to register. The TTAB has jurisdiction only over “a final decision of the examiner in charge of the registration of marks.”<sup>256</sup>

The filing of a notice of appeal has the effect of appealing all refusals or requirements made final. The applicants’ failure to address these refusals is a basis for affirming the refusal to register on all grounds.

## 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**

*Oakville Hills Cellar, Inc., dba Dalla Valle Vineyards v. Georgallis Holdings, LLC*

Concluding that substantial evidence supported the Board’s finding that the marks MAYARI and MAYA, both for wine, are sufficiently dissimilar to avoid confusion, the CAFC affirmed the Board’s dismissal of this Section 2(d) opposition.<sup>257</sup> Although the goods are identical, the channels of trade and classes of consumers

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<sup>254</sup> *Id.* at 1757. Note that the issue of registration has nothing to do with whether applicants may use the mark.

<sup>255</sup> *Id.*

<sup>256</sup> Section 20 of the Lanham Act, 15 U.S.C. § 1070, provides that “An appeal may be taken to the Trademark Trial and Appeal Board from any final decision of the examiner in charge of the registration of marks upon the payment of the prescribed fee.”

<sup>257</sup> *Oakville Hills Cellar, Inc., dba Dalla Valle Vineyards v. Georgallis Holdings, LLC*, 119 U.S.P.Q.2d 1286 (Fed. Cir. 2016).

are presumed to be the same, and the application and registration encompass inexpensive wines purchased with no more than ordinary care, the first *du Pont* factor was dispositive.

The CAFC reviews the Board's legal conclusions without deference and its factual findings for substantial evidence.<sup>258</sup> Likelihood of confusion is a question of law based on underlying findings of fact.<sup>259</sup> The determination of likelihood of confusion is based on the factors set forth in *In re DuPont*.<sup>260</sup> In the assessment of likelihood of confusion, the marks must be considered in their entirety as to appearance, sound, meaning, and commercial impression.

Although the word "MAYA" has established meanings, there was insufficient evidence to support Opposer Oakville's assertion that consumers would perceive MAYARI in two parts: as MAYA-and -RI. "Even assuming that consumers were to dissect MAYARI into separate components, Oakville failed to demonstrate to the Board why the dissection would be 'MAYA-RI,' not 'MAY-ARI' or 'MA-YARI.'"<sup>261</sup> As to sound, there was no evidence that consumers would emphasize "MAYA" in pronouncing MAYARI.

The record supported the Board's finding that MAYA is a familiar word, whereas MAYARI has no recognized meaning to U.S. consumers. The Board did not err in concluding that "most customers would likely perceive MAYA as a female personal name or the name of the pre-Columbian civilization" and would "perceive MAYARI as a coinage without meaning."<sup>262</sup>

Accordingly, the Board correctly found that the unfamiliar MAYARI is distinguishable from the familiar MAYA, and that the marks, considered in their entirety, are dissimilar as to appearance, sound, meaning, and overall commercial impression. We also conclude, on this record, that the Board did not err in balancing all relevant *DuPont* factors and in determining that the dissimilarity of the marks was sufficient to preclude a likelihood of confusion.<sup>263</sup>

The court observed once again that "a single *DuPont* factor may be dispositive in a likelihood of confusion analysis, especially when that single factor is the dissimilarity of the marks."<sup>264</sup>

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<sup>258</sup> *In re Pacer Tech.*, 338 F.3d 1348, 1349, 67 U.S.P.Q.2d 1629, 1630 (Fed. Cir. 2003).

<sup>259</sup> *In re Chatam Int'l Inc.*, 380 F.3d 1340, 1342, 71 U.S.P.Q.2d 1944, 1945 (Fed. Cir. 2004).

<sup>260</sup> *In re E.I. DuPont de Nemours & Co.*, 177 U.S.P.Q. 563 (C.C.P.A. 1973).

<sup>261</sup> *Oakville Hills Cellar, Inc., dba Dalla Valle Vineyards v. Georgallis Holdings, LLC*, 119 U.S.P.Q.2d at 1287.

<sup>262</sup> *Id.* at 1288.

<sup>263</sup> *Id.* at 1290.

<sup>264</sup> *Id.* See also *Odom's Tenn. Pride Sausage, Inc. v. FF Acquisition, L.L.C.*, 93 U.S.P.Q.2d 2030 (Fed. Cir. 2010); *Kellogg Co. v. Pack'em Enters., Inc.*, 21 U.S.P.Q.2d 1142 (Fed. Cir. 1991).

*Joseph Phelps Vineyards, LLC v. Fairmont Holdings, LLC*

In a brief, per curiam opinion, the CAFC vacated the Board's decision dismissing a petition for cancellation of a registration for the mark ALEC BRADLEY STAR INSIGNIA for "cigars, tobacco, cigar boxes, cigar cutters and cigar tubes."<sup>265</sup> The Board found that the respondent's mark was not likely to cause confusion with the petitioner's registered mark INSIGNIA for wines. Concluding that the Board had applied an "incorrect standard for fame,"<sup>266</sup> the CAFC remanded the case to the TTAB for a determination utilizing the correct standard.

The CAFC ruled that the Board erred in giving no weight at all to the fifth *du Pont* factor<sup>267</sup> after finding that Petitioner Phelps's mark INSIGNIA was not a famous mark. The CAFC pointed out that, unlike for dilution, fame for likelihood of confusion purposes is not an "all-or-nothing" proposition.<sup>268</sup> "[L]ikelihood of confusion fame 'varies along a spectrum from very strong to very weak.'"<sup>269</sup>

Petitioner Phelps submitted evidence that INSIGNIA wine is renowned in the marketplace for wine and among consumers of fine wine. The record included evidence of extensive recognition and praise for INSIGNIA brand wine. The CAFC was therefore "perplexed at the Board's finding that INSIGNIA wine has no 'fame,' giving no discernable weight to this factor."<sup>270</sup> The "fame" factor should have been given "reasonable weight" among the totality of circumstances.

In a concurring opinion, Judge Pauline Newman pointed out two additional issues that should be reviewed on remand. First, the Board failed to consider the actual usage of the respondent's mark, with the words "ALEC BRADLEY" separated from "STAR" and "INSIGNIA," in a different font and size.

The Board erred in declining to consider "illustrations of the mark as actually used," for precedent recognizes that such illustrations "may assist the TTAB in visualizing other forms in which the mark might appear."<sup>271</sup>

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<sup>265</sup> *Joseph Phelps Vineyards, LLC v. Fairmont Holdings, LLC*, 122 U.S.P.Q.2d 1733 (Fed. Cir. 2017).

<sup>266</sup> *Id.* at 1735.

<sup>267</sup> The fifth *du Pont* factor is "the fame of the prior mark (sales, advertising, length of use)." *In re E.I. DuPont de Nemours & Co.*, 177 U.S.P.Q. at 567.

<sup>268</sup> *Joseph Phelps Vineyards, LLC v. Fairmont Holdings, LLC*, 122 U.S.P.Q.2d at 1734.

<sup>269</sup> *Id.*, quoting *Palm Bay Imps., Inc. v. Veuve Clicquot Ponsardin Maison Fondée En 1772*, 396 F.3d 1369, 1374-74, 73 U.S.P.Q.2d 1689, 1691 (Fed. Cir. 2005) (quoting *In re Coors Brewing Co.*, 343 F.3d 1340, 1344 (Fed. Cir. 2003)).

<sup>270</sup> *Id.* at 1735.

<sup>271</sup> *Id.* at 1736, quoting *Citigroup Inc. v. Capital City Bank Grp., Inc.*, 637 F.3d 1344, 1353 (Fed. Cir. 2011).

Second, the issue of relatedness of the goods should be further considered, since the Board found that the evidence “suggests that the goods are sold in the same channels of trade to the same purchasers.”<sup>272</sup> Again, the Board treated this factor as an all-or-nothing proposition, but the evidence of relatedness should be considered on a “sliding scale.”<sup>273</sup>

Judge Newman pointed to the TTAB’s nonprecedential opinion in *In re Licores Veracruz, S.A. de C. V.*,<sup>274</sup> in which the Board reached a contrary conclusion on the relatedness issue with respect to rum and cigars:

[I]n conjunction with the arbitrary nature of the mark MOCAMBO, we find that cigars and rum will be encountered by the same consumers under circumstances that could, because of the identity of the marks, give rise to the mistaken belief that they originate from the same source. \*\*\* In view of the facts that the marks are identical and are a fanciful or arbitrary term, and the goods are related, move in the same channels of trade and are sold to the same consumers, we find that applicant’s mark MOCAMBO for “rum” is likely to cause confusion with the mark MOCAMBO for “cigars.”<sup>275</sup>

Here, the Board found that, because wine and cigars are products that differ in both composition and method of manufacture, they are not related. However, “relatedness is a broad concept; products may exhibit ‘relatedness’ when they ‘are complementary products sold in the same channels of trade to the same classes of consumers.’”<sup>276</sup>

Judge Newman observed that the Board should provide “reasonably consistent rulings on similar facts, to provide premises on which the public can rely.”<sup>277</sup>

## 2. Use in Commerce

### *Christian Faith Fellowship Church v. adidas AG*

In an impactful decision on the meaning of trademark “use in commerce,” the CAFC ruled that the sale of two hats at a church bookstore to an out-of-state resident constituted use in commerce of the applicant’s mark ADD A ZERO.<sup>278</sup> The Board had granted the

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<sup>272</sup> *Id.* at 1737.

<sup>273</sup> *Id.*

<sup>274</sup> Serial No. 7753913 (T.T.A.B. Jan. 26, 2012).

<sup>275</sup> *Id.* at 8, 10-11.

<sup>276</sup> *Joseph Phelps Vineyards, LLC v. Fairmont Holdings, LLC*, 122 U.S.P.Q.2d at 1737, quoting *In re Licores* at 10.

<sup>277</sup> *Id.*

<sup>278</sup> *Christian Faith Fellowship Church v. adidas AG*, 120 U.S.P.Q.2d 1640 (Fed. Cir. 2016).

petition of adidas AG for cancellation of two registrations owned by the Christian Faith Fellowship Church for the mark ADD A ZERO, in standard character and design form, for “clothing, namely shirts and caps,” finding that these sales were *de minimis* and insufficient to show use that affects interstate commerce.<sup>279</sup>

Section 1(a) of the Lanham Act provides that “[t]he owner of a trademark used in commerce may request registration of its trademark.”<sup>280</sup> “Commerce” is defined as “all commerce which may lawfully be regulated by Congress.”<sup>281</sup> To register a mark based on use in commerce, “one must sell or transport goods bearing the mark such that the sale or transport would be subject to Congress’s power under the Commerce Clause, which includes its power to regulate interstate commerce.”<sup>282</sup>

Here, the question was whether the Church made a sale of goods bearing the mark, in commerce regulable by Congress, before it applied to register its marks. The TTAB’s interpretation of the Lanham Act and the “legal tests it applies in measuring registrability” are subject to *de novo* review by the CAFC.<sup>283</sup>

Congress has broad power under the Commerce Clause. The Supreme Court’s has ruled that Congress may regulate activities that have a “substantial effect” on interstate commerce.<sup>284</sup>

In considering whether an activity has a substantial effect on commerce, one must consider the nature of the statutory scheme involved, regardless of whether the particular activity at issue is local or *de minimis* in nature.

“That [the farmer’s] own contribution to the demand for wheat may be trivial by itself is not enough to remove him from the scope of federal regulation where, as here, his contribution, taken together with that of many others similarly situated, is far from trivial.”<sup>285</sup>

[W]hen “a general regulatory statute bears a substantial relation to commerce, the *de minimis* character of individual

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<sup>279</sup> *Id.* at 1643. The church bookstore is located in Zion, Illinois, within five miles of the Wisconsin border. The purchases were made by one Charlotte Howard, a Wisconsin resident.

<sup>280</sup> 15 U.S.C. § 1051(a)(1).

<sup>281</sup> Section 45 of the Lanham Act, 15 U.S.C. 1127.

<sup>282</sup> *Christian Faith Fellowship Church v. adidas AG*, 120 U.S.P.Q.2d at 1642, citing *Larry Harmon Pictures Corp. v. Williams Rest. Corp.*, 929 F.2d 662, 664 (Fed. Cir. 1991) (citing U.S. Const. art. I, § 8); *see also In re Silenius Wines, Inc.*, 557 F.2d 806, 808-12, 194 U.S.P.Q. 261 (C.C.P.A. 1977).

<sup>283</sup> *Id.* at 1643, citing *In re Viterra Inc.*, 671 F.3d 1358, 1361 (Fed. Cir. 2012) (quoting *In re Save Venice N.Y., Inc.*, 259 F.3d 1346, 1351-52, 59 U.S.P.Q.2d 1778 (Fed. Cir. 2001)); *cf. Taylor v. United States*, 136 S. Ct. 2074, 2080 (2016) (holding the meaning of “commerce” in a different federal statute, the Hobbs Act, to be a question of law).

<sup>284</sup> *Id.*

<sup>285</sup> *Wickard v. Filburn*, 317 U.S. 111, 127-28 (1942).

instances arising under that statute is of no consequence,” and Congress has the power to regulate it under the Commerce Clause.<sup>286</sup>

The CAFC observed that its prior rulings in “use in commerce” cases reflect the broad scope of Congress’s Commerce Clause powers. For example, in *Larry Harmon*,<sup>287</sup> the court held that the Lanham Act’s requirement could be satisfied by a single-location restaurant and it refused to adopt a *de minimis* test for the “use in commerce” requirement. In *Silenus Wines*,<sup>288</sup> the CAFC ruled that the intrastate sale of imported French wine constituted “use in commerce.”

In the case at hand, the Court found it clear in light of those precedents that the Church’s sale of two “ADD A ZERO”-marked hats to an out-of-state resident is regulable by Congress under the Commerce Clause and, therefore, constitutes “use in commerce” under the Lanham Act.

We reach this conclusion without defining the outer contours of Congress’s Commerce Clause powers because the transaction at issue falls comfortably within the bounds of those powers already sketched for us by the Supreme Court. The Lanham Act is a comprehensive scheme for regulating economic activity—namely the marking of commercial goods—and the “use in commerce” pre-registration requirement is an “essential part” of the Act.<sup>289</sup>

The CAFC pointed out that the Church was not required to present evidence of “an actual and specific effect that its sale of hats to an out-of-state resident had on interstate commerce. Nor did it need to make a particularized showing that the hats themselves were destined to travel out of state.”<sup>290</sup>

Adidas’s argument that the Church must present actual proof that its sale to Ms. Howard directly affected commerce also contradicts precedent. “[P]roof that the defendant’s conduct in and of itself affected or threatened commerce is not needed. All that is needed is proof that the defendant’s conduct fell within a category of conduct that, in the aggregate, had the requisite effect.”<sup>291</sup>

The appellate court pointed out that the definition of “commerce” in the Lanham Act means “all commerce that may be lawfully

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<sup>286</sup> *Gonzalez v. Raich*, 545 U.S. 1, 17 (2005), quoting *United States v. Lopez*, 514 U.S. 549, 558 (1995).

<sup>287</sup> 929 F.2d at 663.

<sup>288</sup> 557 F.2d at 809.

<sup>289</sup> *Christian Faith Fellowship Church v. adidas AG*, 120 U.S.P.Q.2d at 1645.

<sup>290</sup> *Id.*

<sup>291</sup> *Id.*, quoting *Taylor v. United States*, 136 S. Ct. 2074, 2081 (2016).

regulated by Congress.” It concluded that “[b]ecause one need not direct goods across state lines for Congress to regulate the activity under the Commerce Clause, there is likewise no such *per se* condition for satisfying the Lanham Act’s ‘use in commerce’ requirement.”<sup>292</sup>

And so the CAFC reversed the TTAB’s decision and remanded the case to the Board for consideration of adidas’s other grounds for cancellation (abandonment and failure-to-function).

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

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

#### ***a. Likelihood of Confusion Found***

##### *Bond v. Taylor*

In a case that “illustrates the efficiency of the Board’s Accelerated Case Resolution procedure (‘ACR”),” the Board sustained a Section 2(d) opposition to registration of the mark BLACK MEN ROCK & Design for “caps, hats, jackets, t-shirts” and for “education services, namely, providing live and on-line classes, seminars, workshops in the field of personal development.”<sup>293</sup> The Board found the mark likely to cause confusion with the registered mark BLACK GIRLS ROCK! for “tee shirts,” “charitable services, namely organizing volunteer programs for at-risk teenage women of color,” and “entertainment, namely, a continuing award show broadcast over television; arranging and conducting of concerts; and entertainment services in the nature of live musical performances.”



Each party had filed an unsuccessful summary judgment motion, leading the Board to encourage the parties to stipulate to resolution of the proceeding via the ACR procedure. In order to take advantage of ACR, the parties must stipulate that the Board may resolve any genuine disputes of material fact “in the context of something less than a full trial.”<sup>294</sup>

<sup>292</sup> *Id.* at 1647. See *Gonzalez v. Raich*, 545 U.S. at 22 (“That the regulation [passed under the Commerce Clause] ensnares some purely intrastate activity is of no moment.”); *Wickard v. Filburn*, 317 U.S. at 125 (“[E]ven if . . . activity be local . . . it may still, whatever its nature, be reached by Congress if it exerts a substantial economic effect on interstate commerce . . .”).

<sup>293</sup> *Bond v. Taylor*, 119 U.S.P.Q.2d 1049 (T.T.A.B. 2016).

<sup>294</sup> *Id.* at 1051.

The parties agreed to invoke the Board's ACR procedure, and the Board approved the stipulation of the parties as follows:

- the Parties will principally rely upon the evidence submitted in connection with the two previously filed motions for summary judgment, and any supplemental declarations;
- the Parties may supplement their previously filed briefs on the motion for summary judgment, but will limit any supplemental briefs to ten pages;
- the Parties will forgo reply briefing;
- the burden of proof to establish her case by a preponderance of the evidence remains with Opposer; and
- the Board may resolve disputes as to any material fact which the Board may find to exist and may issue a final ruling after considering the parties' ACR submissions.<sup>295</sup>

The Goods/Services: The goods of the parties are in part identical, and these identical goods are presumed to travel in the same channels of trade to the same classes of purchasers.

As to the services, the Board found that the opposer's charitable services are related to the applicant's educational services. It noted that the applicant's recitation of services is not limited to "black girls." Moreover, the opposer testified that men participated in her programs. The evidence was, however, insufficient to show that the services of the parties are offered in the same trade channels.

The Marks: While there are differences in the marks, "the connotations and commercial impressions are similar and the similarities outweigh the differences."<sup>296</sup>

Both marks connote that the subject of the services ("black girls" and "black men") are "very good, impressive, or exciting." Thus, Opposer's and Applicant's marks suggest that the programs offered by Opposer and Applicant improve the self-images of the participants. Both the design in Applicant's mark, consisting of the silhouette of a man with his arms outstretched in a sign of victory, and the exclamation point in Opposer's mark emphasize the positive outcome the programs hope to have on the participants.<sup>297</sup>

The Board concluded that confusion is likely, and it entered judgment in favor of the opposer.

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<sup>295</sup> *Id.*

<sup>296</sup> *Id.* at 1056.

<sup>297</sup> *Id.* at 1055-56.



***b. Likelihood of Confusion Not Found******Primrose Retirement Communities, LLC v.  
Edward Rose Senior Living, LLC***

According “significant weight” to the applicant’s evidence of third-party use and registration of marks containing the word “rose” for retirement home services, the Board dismissed this opposition to registration of the mark ROSE SENIOR LIVING for “Rental of apartments; rental of residential housing; management of senior housing communities; Retirement homes; providing assisted living facilities; providing assisted living facilities for Alzheimer and dementia clients ; and Nursing home services; managed health care services” [SENIOR LIVING disclaimed].<sup>298</sup> The opposer had claimed a likelihood of confusion with its registered mark PRIMROSE for “providing congregate, independent, and assisted living facilities.”

The Board found the services to be identical or nearly identical, and it therefore presumed that the relevant trade channels and classes of consumers were the same.

Turning to the marks, the Board first considered the sixth *du Pont* factor, the number and nature of similar marks in use on similar services. The applicant submitted evidence of eight existing registrations for marks containing the word “rose” in the field of assisted living services, and more than ninety websites showing various ROSE or ROSE-containing marks used in connection with senior living communities and related services. In addition, the applicant provided expert testimony averring that the word “rose” is “commonly used as a naming convention for many senior living communities under different ownership.”<sup>299</sup> The expert listed seventy-six senior living communities using the word “Rose” as part of their names.

The Board observed that, in light of recent Federal Circuit decisions, evidence of extensive use and registration of a term by others “can be ‘powerful on its face,’ even where the specific extent and impact of the usage has not been established.”<sup>300</sup> Such evidence is relevant to show that a term “may have a normally understood and well-recognized descriptive or suggestive meaning, leading to the conclusion that that [term] is relatively weak,” and “can show that customers have been educated to distinguish between different marks on the basis of minute distinctions.”<sup>301</sup>

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<sup>298</sup> *Primrose Retirement Communities, LLC v. Edward Rose Senior Living, LLC*, 122 U.S.P.Q.2d 1030 (T.T.A.B. 2017).

<sup>299</sup> *Id.* at 1035.

<sup>300</sup> *Jack Wolfskin Ausrüstung Fur Draussen GmbH v. New Millennium Sports, S.L.U.*, 797 F.3d 1363, 116 U.S.P.Q.2d 1129, 1136 (Fed. Cir. 2015), quoting *Juice Generation, Inc. v. GS Enters. LLC*, 794 F.3d 1334, 115 U.S.P.Q.2d 1671, 1674 (Fed. Cir. 2015)).

<sup>301</sup> *Id.*, quoting *Juice Generation*, 115 U.S.P.Q.2d 1671 at 1674.

The Board concluded that customers have been exposed to so many different ROSE and ROSE-formative marks and names in connection with senior living communities that they likely have become alert to “minute distinctions” between the various marks.<sup>302</sup> Consequently, a mark comprising or containing the word “Rose” in this field “should be given a restricted scope of protection.”<sup>303</sup>

In other words, Opposer’s mark PRIMROSE is not entitled to such a broad scope of protection that it is a bar to the registration of every mark comprising, in whole or in part, the word “Rose”; it will only bar the registration of marks “as to which the resemblance to [Opposer’s mark] is striking enough to cause one seeing it to assume that there is some connection, association or sponsorship between the two.”<sup>304</sup>

With regard to the first *du Pont* factor, the similarity or dissimilarity of the marks, the Board observed once again that when the involved services are identical, a lesser degree of similarity is necessary to support a finding of likely confusion. It found ROSE to clearly be the dominant portion of the applicant’s mark. In the opposer’s mark, the initial element “PRIM” is prominent and gives the mark a sound and appearance different from the applicant’s mark.

As to meaning, each mark refers to a flowering plant, albeit different ones. The opposer pointed to the similarity in trade dress used by the parties, the Board noting that although it does not ordinarily look to trade dress for word marks (since the trade dress may be changed at any time), trade dress nonetheless may provide evidence as to whether the marks project confusingly similar commercial impressions. Here, the parties use a similar rose color and both include a picture of a flower. Thus the flower designs reinforce the meanings of PRIMROSE and ROSE.

In sum, although there are similarities between the marks, the marks are specifically different in sound, appearance and meaning. When viewed against the background of significant third-party uses and registrations as discussed above, these differences outweigh the similarities, resulting in different overall commercial impressions. We find that this factor weighs in favor of a finding of no likelihood of confusion.<sup>305</sup>

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<sup>302</sup> Primrose Retirement Communities, LLC v. Edward Rose Senior Living, LLC, 122 U.S.P.Q.2d at 1033. See *Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772*, 396 F.3d 1369, 73 U.S.P.Q.2d 1689, 1691 (Fed. Cir. 2005).

<sup>303</sup> *Id.* at 1036.

<sup>304</sup> *Id.* at 1036-37, quoting *Anthony’s Pizza & Pasta Int’l Inc. v. Anthony’s Pizza Holding Co.*, 95 U.S.P.Q.2d 1271, 1278 (T.T.A.B. 2009), *aff’d*, 415 Fed. Appx. 222 (Fed. Cir. 2010) (quoting *Pizza Inn, Inc. v. Russo*, 221 U.S.P.Q. 281, 283 (T.T.A.B. 1983)).

<sup>305</sup> *Id.* at 1038.

Turning to the fourth *du Pont* factor, the conditions under which purchases are made, the applicant's expert opined that the decision to purchase the involved services "is a very important, one-time decision and for most, is their largest lifetime expenditure."<sup>306</sup> The opposer's witness indicated that prospective purchasers "do their research before making this decision," and that "clients shopping for assisted living services take great care in selecting the facility."<sup>307</sup> The Board recognized, however, that in some cases this decision is made hastily and under duress. Nevertheless, given the nature of the services and their high cost, the conditions of sale favor a finding of no likelihood of confusion. And even though the Board must consider the least sophisticated potential purchaser, "a decision as important as choosing a senior living community will be made with some thought and research, even when made hastily."<sup>308</sup> Therefore, the Board found that the sixth *du Pont* factor favored the applicant.

Balancing the relevant *du Pont* factors, the Board concluded that confusion as to the source of the involved services is not likely, and it therefore dismissed the opposition.

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

### *Azeka Building Corp. v. Azeka*

In this dispute between two branches of the Azeka family, the Board sustained an opposition to registration of the mark AZEKA'S RIBS for "barbeque sauce" [RIBS disclaimed], finding rather easily that the mark is primarily merely a surname.<sup>309</sup>

Based on the *Eximius Coffee* ruling, the Board listed the following circumstances that may be probative in determining whether a mark is primarily merely a surname under Section 2(e)(4):

- 1) whether the term is the surname of anyone connected with the applicant;
- 2) whether the term has any recognized meaning other than as a surname;
- 3) whether evidence shows that the term has the structure and pronunciation of a surname;
- 4) whether there is contextual use related to surname significance; and

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<sup>306</sup> *Id.* at 1039.

<sup>307</sup> *Id.*

<sup>308</sup> *Id.*

<sup>309</sup> *Azeka Building Corp. v. Azeka*, 122 U.S.P.Q.2d 1477 (T.T.A.B. 2017). The Board's ruling on the issue of the opposer's abandonment of its pleaded mark is discussed in Part I.C.14., below.

- 5) whether the evidence shows use of the term as a surname is rare.<sup>310</sup>

AZEKA is obviously the applicant's surname. There was no evidence that AZEKA has any meaning other than as a surname. The third factor was neutral because the record was devoid of relevant evidence on structure and pronunciation. As a contextual clue, the use of the possessive for AZEKA'S is consistent with the perception of the term as a surname. And the evidence revealed 868 individuals with the surname "Azeka" and at least three websites showing use of AZEKA as a surname, "giving the surname at least some public exposure in the media."<sup>311</sup>

The addition of the word "RIBS" does not detract from the surname significance of "AZEKA," since "RIBS" is at least descriptive, if not generic, when used in connection with barbecue sauce.

In sum, there was nothing in the record to indicate that AZEKA would be perceived as anything other than a surname, and the applicant did not contend otherwise. And so the Board sustained the opposer's claim under Section 2(e)(4).

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

#### *Terry Nazon, d/b/a Terry Nazon Inc. v. Ghiorse*

In an opinion asking, but not answering, the important question, "What is SEXY ASTROLOGY?," the Board dismissed a Section 2(d) opposition to registration of that mark for "astrology consultation" because Opposer Terry Nazon failed to prove proprietary rights in her asserted mark SEXSTROLOGY, registered on the Supplemental Register for services in the nature of "astrology horoscopes."<sup>312</sup>

Opposer Nazon owns a Supplemental Registration for her mark, and so priority was not an issue.<sup>313</sup> However, a registration on the Supplemental Register is not entitled to the presumptions of Section 7(b) of the Lanham Act and is not evidence that Nazon owns proprietary rights in her mark.<sup>314</sup> A mark so registered is presumed

<sup>310</sup> *Id.* at 1481, citing *In re Eximius Coffee, LLC*, 120 U.S.P.Q.2d 1276, 1278 (T.T.A.B. 2016).

<sup>311</sup> *Id.* at 1482.

<sup>312</sup> *Terry Nazon, d/b/a Terry Nazon Inc. v. Ghiorse*, 119 U.S.P.Q.2d 1178 (T.T.A.B. 2016).

<sup>313</sup> *See King Candy Co. v. Eunice King's Kitchen, Inc.*, 182 U.S.P.Q. 108 (C.C.P.A. 1974).

<sup>314</sup> *Otter Products LLC v. BaseOneLabs LLC*, 105 U.S.P.Q.2d 1252 (T.T.A.B. 2012). Section 7(b) of the Lanham Act, 15 U.S.C. § 1057(b), provides: "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."

to be merely descriptive and Nazon had the burden to establish acquired distinctiveness.<sup>315</sup>

The good news for Nazon was this: since priority was not an issue, Nazon was not required to establish acquired distinctiveness prior to any date on which Applicant Ghiorse might rely. Nazon needed to show only that her mark “*now* has acquired distinctiveness.”<sup>316</sup>

Nazon claimed that she coined the term “SEXSTROLOGY” in 2004 for an article she was writing, combining the words “SEX” and “ASTROLOGY.” She uses the word “to define astrology as it pertains to men and woman [sic], as it pertains to relationships, and as it pertains to the interaction between men and women.”<sup>317</sup> The Board perceptively pointed out, however, that using the term “SEXSTROLOGY” in various materials did not constitute use as a service mark for astrology horoscopes.

Nazon provided vague testimony about use of SEXSTROLOGY on her Facebook page, at the terrynazon.com website, and in her blog. She uses @SEXSTROLOGY as her Twitter handle, but “using a term as part of a Twitter handle to identify oneself does not necessarily evidence trademark use for particular services.”<sup>318</sup> The Board found that this evidence as a whole did not show trademark rights in SEXSTROLOGY for astrology horoscopes.

Applicant Ghiorse submitted several examples of third-party use of “SEXSTROLOGY” or “SEXTROLOGY,” including several books, a Twitter page, Tumblr postings, and several websites, all with reference to astrology and relationships. A dictionary definition from “Definition Of, a community dictionary,” defined “sextrology” as “a contraction of sex + astrology; the stars to study the influence of one’s sex life and sexual relationships” [sic].<sup>319</sup> Indeed, Opposer Nazon admitted that there is voluminous third-party use of “sextrology,” and in her testimony she treated SEXSTROLOGY as “the name of the subject matter.”<sup>320</sup>

This evidence of multiple third-party and mainstream uses demonstrated the highly descriptive meaning of SEXSTROLOGY/SEXTROLOGY. The Board concluded that Nazon’s evidence regarding her use of SEXSTROLOGY was insufficient to overcome Applicant Ghiorse’s evidence of descriptiveness. Much of Nazon’s evidence was flawed, and in some of the evidence “Sexstrology” may have been viewed as the subject

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<sup>315</sup> See *Quaker State Ref. Corp. v. Quaker Oil Corp.*, 172 U.S.P.Q. 361, 363 (C.C.P.A. 1972).

<sup>316</sup> *Terry Nazon, d/b/a Terry Nazon Inc. v. Ghiorse*, 119 U.S.P.Q.2d at 1182. (Emphasis added by the Board.)

<sup>317</sup> *Id.*

<sup>318</sup> *Id.* at 1185.

<sup>319</sup> *Id.* at 1186.

<sup>320</sup> *Id.*

matter rather than as a source indicator. Furthermore, the number of third-party descriptive uses indicated that the opposer has not been the substantially exclusive user as required for a showing of acquired distinctiveness under Section 2(f).<sup>321</sup>

The Board concluded that Opposer Nazon failed to demonstrate that she has acquired proprietary rights in the term “SEXSTROLOGY” as a trademark for astrological horoscopes, and so the Board dismissed the opposition on that basis.

The Board also addressed, in the alternative, Nazon’s likelihood of confusion claim, assuming *arguendo* that the term had acquired distinctiveness. Treating Nazon’s mark as highly suggestive and entitled to only a narrow scope of protection, the Board found the involved marks, when considered in their entireties, different in meaning and commercial impression.

[T]he words SEXY and SEX have different meanings. When each is combined with the other element in the respective marks, the result is that Opposer’s mark (again, treating it as suggestive rather than descriptive) conveys that her “astrology horoscopes” services are concerned with the effect of the stars on one’s romantic life or the romantic compatibility of various astrological signs. Applicant’s mark, SEXY ASTROLOGY, on the other hand, does not convey such a meaning. It clearly references ASTROLOGY, and directly tells consumers that this is the subject of Applicant’s “astrology consultation” services. However, the term SEXY, as used with ASTROLOGY, does not have a clear meaning. What is SEXY ASTROLOGY?<sup>322</sup>

The Board concluded that confusion is not likely, and so even if Opposer Nazon had established trademark rights in the mark SEXSTROLOGY, her Section 2(d) claim was star-crossed.

#### 4. Failure to Function

##### *D.C. One Wholesaler, Inc. v. Chien*

The Board showed little love for this applicant, sustaining an opposition to registration of the mark “I ♥ DC” in the form shown first below, for various clothing items, and ordered cancellation of a registration (on the Supplemental Register) for the mark shown second below, for backpacks, clothing, and stuffed toys, on the ground that the applied-for marks fail to function as trademarks.<sup>323</sup>

<sup>321</sup> See, e.g., *Levi Strauss & Co. v. Genesco, Inc.*, 222 U.S.P.Q. 939, 940-41 (Fed. Cir. 1984); *Nextel Comm’ns Inc. v. Motorola Inc.*, 91 U.S.P.Q.2d 1393, 1408 (T.T.A.B. 2009).

<sup>322</sup> *Terry Nazon, d/b/a Terry Nazon Inc. v. Ghiorse*, 119 U.S.P.Q.2d at 1188.

<sup>323</sup> *D.C. One Wholesaler, Inc. v. Jonathan E. Chien*, 120 U.S.P.Q.2d 1710 (T.T.A.B. 2016).



Plaintiff D.C. One argued that the phrase “I ♥ DC” is a common slogan used in an informational sense, and that consumers are accustomed to seeing the phrase on goods from multiple sources.

The evidence confirmed that apparel bearing the phrase “I ♥ DC” is available from many sources. Other merchandise prominently displaying the phrase, such as mugs, teddy bears, aprons, etc., is also common. The plaintiff has offered such goods since at least 2005. A vendor testified that he saw similar merchandise since 2000 or 2001, that this type of product “was probably one of our most popular items from the very beginning,” and that he has purchased these goods from several different wholesalers.<sup>324</sup>

The plaintiff also showed that designs consisting of “I ♥” followed by other terms (RUGBY, KETCHUP, JESUS, etc.) are common in the souvenir industry. The plaintiff’s expert opined that customers and tourists purchase the items because they like the design or the product itself and do not care where they originated.

The defendant testified that he did not create the design, conceding that the logo “has been out since the ‘60s for anyone to use.” and he acknowledged that the design is used by others.

The Board concluded that the mark would not be perceived as an indicator of source for the goods on which it appears.

The record before us indicates that I ♥ DC has been widely used, over a long period of time and by a large number of merchandisers, as an expression of enthusiasm, affection or affiliation with respect to the city of Washington, D.C. This significance of the expression is reinforced by the fact that similar expressions in the form “I ♥\_\_” have also been widely used to express such enthusiasms with respect to other places and things.<sup>325</sup>

The Board noted that the souvenir marketplace is “awash” in products that display “I ♥ DC” as a prominent ornamental

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<sup>324</sup> *Id.* at 1714.

<sup>325</sup> *Id.* at 1716.

feature.<sup>326</sup> Consumers purchase the product because of this ornamentation, which appears as informational matter not associated with a particular source.

The defendant's use of the mark on hangtags, in a non-ornamental manner that is conventional for the display of trademarks, does not mandate a different outcome. The question is still whether the phrase functions as a trademark. Because of the informational nature and the ubiquity of the phrase, it does not convey source even when used on a hangtag.

## 5. Fraud

### *Daniel J. Quirk, Inc. v. Village Car Co.*

In this quixotic attempt to prove fraud on the USPTO,<sup>327</sup> the Board dismissed a petition for cancellation of registrations for the marks QUIRK and QUIRK AUTO PARK for "automobile dealership."<sup>328</sup> The petitioner asserted that the respondent's underlying applications were executed fraudulently because the respondent knew of and failed to disclose the petitioner's allegedly prior rights in the marks QUIRK and QUIRK WORKS TO SAVE YOU MONEY for auto dealerships. However, the petitioner failed to establish its prior rights, and it also failed to demonstrate that the respondent intended to deceive the USPTO.

As we all know, fraud must be proven "to the hilt' with clear and convincing evidence."<sup>329</sup> To prevail on its fraud claim, the petitioner was required to prove that:

- (1) Petitioner was the user of the same or a confusingly similar mark at the time the oath was signed;
- (2) Petitioner had legal rights superior to Respondent's rights at the time Respondent signed the applications for registration;
- (3) Respondent knew that Petitioner's rights in the mark were superior to Respondent's and either believed that a likelihood of confusion would result from Respondent's use of its mark or had no basis for believing otherwise; and that

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<sup>326</sup> *Id.*

<sup>327</sup> The Board has upheld only one fraud claim since the CAFC's decision in *In re Bose Corp.*, 91 U.S.P.Q.2d 1938, 1939 (Fed. Cir. 2009). That was in *Nationstar Mortgage LLC v. Ahmad*, 112 U.S.P.Q.2d 1361 (T.T.A.B. 2014)

<sup>328</sup> *Daniel J. Quirk, Inc. v. Village Car Co.*, 120 U.S.P.Q.2d 1146 (T.T.A.B. 2016).

<sup>329</sup> *In re Bose Corp.*, 91 U.S.P.Q.2d at 1939, quoting *Smith Int'l, Inc. v. Olin Corp.*, 209 U.S.P.Q. 1033, 1044 (T.T.A.B. 1981).



- (4) Respondent, in failing to disclose these facts to the USPTO, intended to procure a registration to which it was not entitled.<sup>330</sup>

Fraud will not lie against a party who holds an honest and good faith belief in its right to register a mark and who verifies the statutorily prescribed ownership statement, which is phrased in terms of subjective belief.<sup>331</sup>

As to the first requirement, the evidence showed that the petitioner was using the term “QUIRK” at the time the respondent filed its underlying applications. As to superior rights, however, the petitioner’s evidence fell short of proving it was the first user of the QUIRK marks.

The parties proceeded via the Board’s Accelerated Case Resolution procedure (“ACR”), stipulating that each could rely on the evidence submitted with their earlier, unsuccessful cross-motions for summary judgment. The petitioner relied on its own interrogatory responses, which was allowable because the responses had been submitted with its summary judgment motion. Nonetheless, the Board gave the responses limited weight. Although oral testimony may suffice to establish priority, the petitioner’s interrogatory responses “are not oral testimony, and are not conclusive on the question of priority.”<sup>332</sup> The Board deemed the interrogatory responses inadequate to prove priority.

Because the petitioner failed to prove superior rights in the mark QUIRK, its fraud claim failed. The Board nonetheless proceeded to consider the issue of fraudulent intent, again finding that the record evidence was insufficient.

The respondent acknowledged that, at the time its underlying applications were signed, it was aware that the petitioner was using its mark QUIRK in Southeastern Massachusetts. However, the respondent stated that it believed that no likelihood of confusion would result from concurrent use of the marks because the respondent was located in Maine, 250 miles from the petitioner. There was nothing in the record to indicate that this was not an honest belief that respondent had superior rights because the

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<sup>330</sup> Daniel J. Quirk, Inc. v. Village Car Co., 120 U.S.P.Q.2d at 1149, citing Qualcomm Inc. v. FLO Corp., 93 U.S.P.Q.2d 1768, 1770 (T.T.A.B. 2010); Intellimedia Sports Inc. v. Intellimedia Corp., 43 U.S.P.Q.2d 1203, 1205 (T.T.A.B. 1997).

<sup>331</sup> Woodstock’s Enters. Inc. (California) v. Woodstock’s Enters. Inc. (Oregon), 43 U.S.P.Q.2d 1440, 1443 (T.T.A.B. 1997), *aff’d*, 152 F.3d 942 (Fed. Cir. 1998).

<sup>332</sup> Daniel J. Quirk, Inc. v. Village Car Co., 120 U.S.P.Q.2d at 1151, citing Tzu Wei Chen Food Co., Ltd., v. Chia-chi Enters., Inc., 73 F.3d 379, 38 U.S.P.Q.2d 1932, 1935-37 (Fed. Cir. 1995).

petitioner's use was merely intrastate. While that belief may have been mistaken,<sup>333</sup> it did not amount to fraud.

The petitioner contended that "[t]he simple act of causing the . . . Applications to be filed . . . demonstrates the intention to procure registrations to which [the respondent] was not entitled."<sup>334</sup> The Board, however, observed that the mere filing of an application does not provide an inference that the applicant intended to deceive.

The petitioner also contended that deceptive intent may be inferred from the respondent's unprompted disclosure to the USPTO of the petitioner's use. The Board, however, saw that disclosure as demonstrating the opposite of bad intent.

Finally, the petitioner asserted that intent may be inferred from the fact that, based on his education, intellect, and experience in signing important documents, the respondent's president, Mr. Quirk, would appreciate "the legal consequences—and pitfalls—of signing oaths while withholding personal knowledge of information to the contrary."<sup>335</sup> The Board was unimpressed, noting that Mr. Quirk demonstrated candor in his communications with the USPTO.

To prove fraud, the petitioner was required to provide specific facts supporting an inference of the respondent's fraudulent intent. No evidence illuminated the respondent's beliefs as to its rights in the QUIRK or QUIRK-formative marks, or its beliefs as to the likelihood of confusion between the involved marks. In short, the petitioner failed to show, by direct or indirect evidence, that the respondent intended to deceive the USPTO.

And so the Board dismissed the petition for cancellation.

## 6. Genericness

### *Luxco, Inc. v. Consejo Regulador del Tequila, A.C.*

For those of you who think the term "Tequila" is generic, think again. The Board dismissed this opposition to registration of the mark TEQUILA as a certification mark for "distilled spirits, namely, spirits distilled from the blue tequilana weber variety of agave plant." Opposer Luxco failed to prove its claims of genericness, lack of legitimate control, and fraud.<sup>336</sup>

Applicant CRT is a private body authorized and approved under Mexican law to carry out activities of evaluation and certification of the production of Tequila. Opposer Luxco imports Tequila in bulk

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<sup>333</sup> The petitioner's intrastate use may have given it prior rights. See *Christian Faith Fellowship Church v. adidas AG*, 120 U.S.P.Q.2d 1640 (Fed. Cir. 2016), discussed in Part II.A.2, above.

<sup>334</sup> *Id.* at 1154.

<sup>335</sup> *Id.* at 1155.

<sup>336</sup> *Luxco, Inc. v. Consejo Regulador del Tequila, A.C.*, 121 U.S.P.Q.2d 1477 (T.T.A.B. 2017).

and sells its finished product to other distributors. It purchases the product from two Mexican suppliers, and the product is certified by CRT as authentic Tequila in accordance with Mexican law.

**Standing:** CRT asserted that Luxco lacked standing because, under current United States law, Luxco cannot use the term “Tequila” unless the product has been certified by CRT, and so the registration of TEQUILA as a certification mark will not change the commercial environment. The Board, however, pointed out that registration will “entail a new layer of protection under the Lanham Act, to which the opposer must answer, that does not currently exist.”<sup>337</sup> Therefore, Luxco has standing to bring its claims.

**Genericness:** A geographic certification mark is expressly exempted from the Section 2(e)(2) geographical descriptiveness bar,<sup>338</sup> and so a geographical name does not require secondary meaning to qualify for registration as a certification mark.<sup>339</sup> Opposer Luxco had the burden to prove by a preponderance of the evidence that the designation TEQUILA is generic.<sup>340</sup>

A certification mark that certifies regional origin as well as the qualities and characteristics associated with that origin “will not be deemed to have become a generic term as applied to particular goods unless it has lost its significance as an indication of regional origin for those goods.”<sup>341</sup> The public’s perception is the primary consideration in determining genericness.

The Board found the genus of goods to be those identified in the subject application, and the relevant consumers to be the purchasers of those goods. The question, then, was whether these relevant consumers perceive the term TEQUILA as an indicator of geographic origin or as merely the name of a certain type of alcoholic beverage regardless of its geographic origin and the methods and conditions for producing it.

The Tobacco Tax and Trade Bureau (“TTB”) of the U.S. Department of Treasury, charged with regulating the sale of

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<sup>337</sup> See Sections 2, 4, 7, 32, 34, 42, and 45 of the Lanham Act, 15 U.S.C. §§ 1052, 1054, 1057, 1114, 1116, 1124, and 1127. For example, registration will afford it the protection of the presumptions set forth in Section 7(b).

<sup>338</sup> Section 2(e)(2) of the Lanham Act, 15 U.S.C. § 1502(e)(2), in pertinent part, bars registration of a mark that “when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 1054 of this title.” Section 1054 (Section 4 of the Lanham Act, 15 U.S.C. § 1054) provides that “certification marks, including indications of regional origin, shall be registrable . . . in the same manner and with the same effect as are trademarks, by persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks.”

<sup>339</sup> *Cnty. of Roquefort v. William Faehndrich, Inc.*, 303 F.2d 494, 497, 133 U.S.P.Q. 633, 635 (2d Cir. 1962); *see also* *Tea Bd. of India v. Republic of Tea Inc.*, 80 U.S.P.Q.2d 1881, 1899 (T.T.A.B. 2006).

<sup>340</sup> *Luxco, Inc. v. Consejo Regulador del Tequila, A.C.*, 121 U.S.P.Q.2d at 1482.

<sup>341</sup> *Tea Bd. of India*, 80 U.S.P.Q.2d at 1887.

distilled spirits in the United States, classifies Tequila as a distinctive product of Mexico and prohibits the labeling of bottles as Tequila if the product is not manufactured in Mexico in compliance with Mexican law.<sup>342</sup> Therefore, those in the trade are presumptively aware of that classification, but that does not establish how purchasers perceive the term.

The Board reviewed dictionary definitions of “Tequila,” encyclopedia and website references, several expert reports, advertising and bottle labels for Tequila, recipes, new articles, retail signage, and consumer survey results. It observed that “a term that identifies a category of spirit would not be generic if it also serves to identify geographic origin (e.g., a type of spirit from Mexico).”<sup>343</sup>

The evidence . . . , particularly the information in the standard reference works, advertising and brand names engendering an association with Mexico, labels on every bottle sold that include the statement “Product of Mexico” or “Hecho en Mexico,” and Applicant’s survey finding that 55.4% of the respondents believe that Tequila indicates that the product is made in Mexico, counters Opposer’s assertion that Tequila is a generic term.<sup>344</sup>

The Board found that the record evidence was, at best, mixed, and “tends to show that Tequila has significance as a designation of geographic origin.”<sup>345</sup> Because Luxco failed to meet its burden to prove genericness by a preponderance of the evidence, the Board dismissed this count of the opposition.

Control: Opposer Luxco asserted that Applicant CRT cannot exercise the required control over use of the term “Tequila” because the TTB has authority over the use of “Tequila.” The Board pointed out, however, that the TTB has no authority to make determinations as to trademark registrability. The Board is not concerned with whether TTB labeling requirements have been met, and the TTB requirements are irrelevant to the issue of trademark registrability.

The Board also rejected Luxco’s argument that the Mexican government, and not Applicant CRT, owns the term “Tequila.” The applicant was authorized by the Mexican Institute of Intellectual Property to register TEQUILA as a certification mark because CRT is the organization that verifies compliance with the Official Mexican Standard for Tequila. The Board therefore concluded that CRT has the right and authority to control the use of the term TEQUILA as a certification mark in Mexico and in the United States, that CRT is exercising legitimate control, and that CRT is

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<sup>342</sup> Luxco, Inc. v. Consejo Regulador del Tequila, A.C., 121 U.S.P.Q.2d at 1485.

<sup>343</sup> *Id.* at 1497.

<sup>344</sup> *Id.*

<sup>345</sup> *Id.*

the owner of the certification mark for purposes of registration in the United States.<sup>346</sup>

Fraud: Luxco maintained that CRT misled the examining attorney into believing that TEQUILA has “special status” as an “appellation of origin” under U.S. trademark law. The Board, however, found that the examining attorney was not misled, and in any case was provided with the authorities upon which CRT was relying in asserting that Tequila is recognized as a distinctive product of Mexico. Moreover, the evidence suggested that CRT had a reasonable belief in the correctness of its position rather than an intent to deceive the USPTO.

Finally, Luxco claimed that CRT committed fraud by falsely stating to the Examining Attorney that “In terms of volume practically 100% of the tequila product sold in the world comes from a certified producer and certified brand.” The Board, however, found nothing in the record to support the claim that this statement was false or intended to deceive the USPTO.

And so the Board dismissed the opposition.

## 7. Family of Marks/Unity of Control

### *Wise F&I, LLC v. Allstate Insurance Company*

In this consolidated opposition proceeding, the Board ruled that the marks in a family of marks may be owned by different entities if there is “unity of control,” but because the opposers failed to plead unity of control, the Board dismissed the proceeding.<sup>347</sup> The opposer challenged registration of the marks MILEWISE and ALLSTATE MILEWISE for insurance services, based on claims of likelihood of confusion with the opposers’ alleged family of WISE-formative marks. Applicant Allstate moved to dismiss under Federal Rule of Civil Procedure 12(b)(6)<sup>348</sup> for failure to state a claim, asserting that the pleaded marks are not owned by a single entity and therefore cannot, as a matter of law, comprise a family of marks. Allstate further asserted that the opposers failed to allege that the common characteristic of the alleged family of marks is distinctive and that the marks have been used and promoted in such a way that

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<sup>346</sup> See TMEP Section 1306.05(b)(ii), which states: “The government of a region would be the logical authority to control the use of the name of the region. The government, either directly or through a body to which it has given authority, would have power to preserve the right of all persons entitled to use the mark and to prevent abuse or illegal use of the mark. The applicant may be the government itself . . . , one of the departments of a government, or a body operating with governmental authorization that is not formally a part of the government.”

<sup>347</sup> *Wise F&I, LLC v. Allstate Insurance Co.*, 120 U.S.P.Q.2d 1103 (T.T.A.B. 2016).

<sup>348</sup> Rule 12(b)(6), Fed. R. Civ. P., provides for the filing of a motion to dismiss on the ground of “failure to state a claim upon which relief can be granted.”

consumers would associate the common characteristic “WISE” with a single source.

Family of Marks/Unity of Control: Relying on the *Wella* decisions,<sup>349</sup> the opposers maintained that the family of marks doctrine requires only that the shared characteristic of the marks be recognized as indicative of a common origin of the goods or services, and that the common origin need not be a single entity. In *Wella I*, the CAFC vacated a TTAB decision that affirmed a refusal to register Wella AG’s mark WELLASTRATE in view of several Wella-formative marks owned by its U.S. subsidiary, pointing out that “If the Wella family of marks connotes to consumers only a single source for all Wella products, namely the Wella organization, it is difficult to see how Wella A.G.’s use of the mark ‘WELLASTRATE’ would cause confusion as to source because of Wella U.S.’s use of the other Wella marks.”<sup>350</sup> On remand, the Board observed that “[c]learly, the [Federal Circuit] views the concept of ‘source’ as encompassing more than ‘legal entity.’”<sup>351</sup>

The Board therefore agreed with the opposers here that “in the context of the ‘family of marks’ inquiry, the concept of common origin (‘source’) may encompass more than one entity.”<sup>352</sup>

In view of the *Wella I* and *Wella II* decisions, it logically follows that related entities can rely on a family of marks as a basis for a Section 2(d) claim—notwithstanding the fact that the pleaded marks are not all owned by a single entity—if the complaint contains sufficient factual allegations that they are related, and that there is unity of control over the pleaded marks such that the marks are indicative of a single source, and all of the other elements for pleading a family of marks are satisfied.<sup>353</sup>

With regard to “unity of control,” the TTAB stated in *Wella II* that:

Besides the existence of a legal relationship, there must also be a unity of control over the use of the trademarks. “Control” and “source” are inextricably linked. If, notwithstanding the legal relationship between entities, each entity exclusively controls the nature and quality of the goods to which it applies one or more of the various “WELLA” trademarks, the two entities are in fact separate sources.<sup>354</sup>

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<sup>349</sup> *In re Wella A.G.*, 787 F.2d 1549, 229 U.S.P.Q. 274 (Fed. Cir. 1986) (*Wella I*) and *In re Wella A.G.*, 5 U.S.P.Q.2d 1359, 1361 (TTAB 1987) (*Wella II*), *rev’d on other grounds*, 8 U.S.P.Q.2d 1365 (Fed. Cir. 1988).

<sup>350</sup> *Wella I*, 229 U.S.P.Q. at 276.

<sup>351</sup> *Wella II*, 5 U.S.P.Q.2d at 1361.

<sup>352</sup> *Wise F&I, LLC v. Allstate Insurance Company*, 120 U.S.P.Q.2d at 1109.

<sup>353</sup> *Id.*

<sup>354</sup> *Id.*, quoting *Wella II*, 5 U.S.P.Q.2d at 1361.

Here, the opposers pled only that three of the opposing entities are subsidiaries of Opposer Wise F&I. They failed to plead that use of the marks and the quality of the services “are controlled by one of the opposers such that the marks identify a single source for all of the services identified by the respective marks.”<sup>355</sup> In *Wella II*, Applicant Wella AG owned substantially all of the stock of Wella (USA), and thus “control[led] the activities and operations of Wella U.S., including the selection, adoption and use of the trademarks.”<sup>356</sup>

The Board ruled that an allegation of “unity of control” is a necessary element for claiming a family of marks for purposes of Section 2(d) when the marks are owned by separate legal entities. The opposers failed to make such an allegation and therefore failed to state a proper claim under Section 2(d) based upon ownership of a family of marks.

**Pleading a Family of Marks:** Aside from the ownership issue, the opposers failed to properly allege that they had established a family of marks.

To assert ownership of a family of marks a plaintiff must allege, and ultimately prove: (1) prior use of marks sharing a recognizable common characteristic; (2) that the common characteristic is distinctive (*i.e.*, not descriptive or highly suggestive or so commonly used in the trade that it cannot function as the distinguishing feature of any party’s mark); and (3) that prior to the defendant’s first use (or constructive first use) of its involved mark, plaintiff’s marks have been used and advertised in promotional material or in everyday sales activities in such a manner as to create common exposure and thereafter recognition among the purchasing public such that the common characteristic is itself indicative of a common origin of the goods or services.<sup>357</sup>

The opposers failed to allege that the common element “WISE” is distinctive and failed to allege that they have used and advertised the marks in such a manner that the public associates not only the individual marks, but also the common characteristic of the alleged family, with a single source. For that reason also, the notices of opposition fail to state a claim upon which relief can be granted.

**Leave to Amend:** The Board allowed the opposers thirty days within which to submit amended notices of opposition (or a single consolidated notice).

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<sup>355</sup> *Id*

<sup>356</sup> *Id.*

<sup>357</sup> *Id.* See, e.g., *Truescents LLC v. Ride Skin Care LLC*, 81 U.S.P.Q.2d 1334, 1337-38 (T.T.A.B. 2006) (Board rejected opposer’s claim of ownership of a family of GENUINE marks because opposer “failed to present any evidence showing that it has advertised and promoted its asserted GENUINE marks together as a family. . .”).

## 8. Claim Preclusion/Issue Preclusion

### *NH Beach Pizza LLC v. Cristy's Pizza Inc.*

In November 2015, the Board dismissed a cancellation petition brought by NH Beach Pizza LLC because NH failed to prove standing. NH then filed a new petition for cancellation on the same ground as the prior petition. The respondent moved for summary judgment on the basis of collateral estoppel (issue preclusion), arguing that the issue of standing had already been decided against Petitioner NH. The Board granted the motion and dismissed the new petition.<sup>358</sup>

Under *B & B Hardware, Inc. v. Hargis Industries, Inc.*,<sup>359</sup> issue preclusion bars the re-litigation of the same issue in a second action.

The application of issue preclusion requires: (1) identity of an issue in the current and a prior proceeding; (2) actual litigation of that issue in the prior proceeding; (3) that determination of the issue was necessary in entering judgment in the prior proceeding; and (4) that the party with the burden of proof on that issue in the second proceeding had a full and fair opportunity to litigate the issue in the prior proceeding.<sup>360</sup>

As to the first element, the petitioner pled the same basis for its standing as in the first proceeding: that it uses “the generic term ‘beach pizza’” to promote its goods and that the respondent claimed that this usage caused actual consumer confusion.

As to the second element, the issue of standing was actually litigated and decided in the prior proceeding. The fact that the basis for the decision was NH’s failure to provide evidence of its standing does not change the fact that the issue was actually litigated.

NH wrongly asserted that the original case was dismissed “without prejudice.” The Board noted that the case was “dismissed.” In any event, even in a case dismissed without prejudice, the issue decided is subject to issue preclusion. Claim preclusion may not apply, but issue preclusion will bar the re-litigation of the same standing argument in a second proceeding.

The Board pointed out that NH could have rectified its evidentiary deficiencies by pursuing an appeal of the Board’s decision pursuant to Section 21(b) of the Lanham Act,<sup>361</sup> which

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<sup>358</sup> *NH Beach Pizza LLC v. Cristy's Pizza Inc.*, 119 U.S.P.Q.2d 1861 (T.T.A.B. 2016).

<sup>359</sup> 575 U.S. \_\_\_, 135 S. Ct. 1293, 113 U.S.P.Q.2d 2045 (2015).

<sup>360</sup> *NH Beach Pizza LLC v. Cristy's Pizza Inc.*, 119 U.S.P.Q.2d at 1864, citing *Montana v. United States*, 440 U.S. 147, 153-154 (1979).

<sup>361</sup> Section 21(b) of the Lanham Act, 15 U.S.C. § 1071(b), provides that a person dissatisfied with the decision of the TTAB may seek review by way of civil action in the United States district courts. In such an appeal, a party may introduce new evidence, which evidence



would have allowed NH an opportunity to submit new evidence regarding its standing.

The third factor was met because the standing determination was necessary to the Board's prior decision. "Indeed, it was the reason that the Board dismissed the Prior Action."<sup>362</sup>

Finally, the fourth factor was satisfied because Petitioner NH was fully represented in the prior proceeding and had a full and fair opportunity to introduce testimony or other evidence on the issue of its standing.

And so the Board dismissed the petition for cancellation with prejudice.

*Chutter, Inc. v. Great Concepts, LLC*

The Board entered summary judgment in favor of the petitioner on the issue of claim preclusion in this proceeding seeking cancellation of a registration for the mark DANTANNA'S for "steak and seafood restaurant." The respondent contended that the petitioner's sole claim, based on the allegedly fraudulent filing of a Section 15 declaration, was barred in this proceeding because it could have been raised in an earlier cancellation proceeding that was brought by the petitioner and then dismissed for failure to prosecute. The Board, however, ruled that the claim of fraud in this proceeding was not based on the same transactional facts as the earlier fraud claim, and therefore was not barred.<sup>363</sup>

The earlier petition for cancellation was based on Section 2(a) false association and on fraud, the latter claim being founded on the allegation that the respondent, while prosecuting the underlying application, failed to inform that examining attorney that the mark identified a living individual.<sup>364</sup> That earlier proceeding was suspended pending the outcome of a lawsuit between the parties, and during the suspension the respondent filed its combined Section 8 and 15 declaration, stating that there was "no proceeding involving the rights [to register the same or keep the same on the register] pending and not disposed of either in the U.S. Patent and Trademark Office or in the courts."<sup>365</sup>

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will be considered *de novo* by the district court. See, e.g., *Swatch AG v. Beehive Wholesale, L.L.C.*, 109 U.S.P.Q.2d 1291 (4th Cir. 2014).

<sup>362</sup> *NH Beach Pizza LLC v. Cristy's Pizza Inc.*, 119 U.S.P.Q.2d at 1865.

<sup>363</sup> *Chutter, Inc. v. Great Concepts, LLC*, 119 U.S.P.Q.2d 1865 (T.T.A.B. 2016).

<sup>364</sup> Section 2(c) of the Lanham Act, 15 U.S.C. § 1052(c), in pertinent part, bars registration of a mark that [c]onsists of or comprises a name . . . identifying a particular living individual except by his written consent."

<sup>365</sup> Section 15 of the Lanham Act, 15 U.S.C. § 1065, entitled "Incontestability of right to use mark under certain conditions," provides for the filing a declaration confirming, *inter alia*, that the mark has been in continuous use for five consecutive years, that it is still in use, and that "there is no proceeding involving said rights pending in the United States Patent and Trademark Office or in a court and not finally disposed of."

When the lawsuit ended, the Board sua sponte reviewed the petition for cancellation and found both claims insufficiently pleaded. It gave the petitioner permission to file an amended petition, but the petitioner did not do so, and so the Board dismissed the first proceeding with prejudice.

The respondent argued that the petitioner is now barred from raising the issue of fraud vis-a-vis the Section 15 declaration because that claim could have been raised in the prior proceeding, but was not.

Under the doctrine of claim preclusion (formerly known as *res judicata*), a judgment on the merits in a prior suit bars a second suit involving the same parties (or their privies) and based on the same cause of action. “A valid and final judgment rendered in favor of the defendant bars another action by the plaintiff on the same claim and encompasses claims that were raised or could have been raised in the earlier action.”<sup>366</sup>

In short, a second suit will be barred by claim preclusion if: (1) there is identity of the parties (or their privies); (2) there has been an earlier final judgment on the merits of a claim; and (3) the second claim is based on the same set of transactional facts as the first.<sup>367</sup>

Here there was no dispute as the first and second requirements. As to the third, the respondent maintained that the petitioner could have brought the fraud claim based on the respondent’s Section 15 filing before the first cancellation proceeding was dismissed. The Board observed, however, that the phrase “could have been raised” does not refer to any claim whatsoever that was ripe at the time of or during the prior proceeding, but only to “a different cause of action or theory of relief” based on “the same transactional facts” as earlier involved.<sup>368</sup>

The Restatement of Judgments refers to a “common nucleus of operative facts.”<sup>369</sup> “[R]elevant factors include whether the facts are so woven together as to constitute a single claim in their relatedness in time, space, origin, or motivation, and whether, taken together, they form a convenient unit for trial purposes.”<sup>370</sup> The precedents caution against readily extending claim preclusion to claims that were not before the court, particularly when the prior action was dismissed on procedural grounds.<sup>371</sup>

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<sup>366</sup> *Chutter, Inc. v. Great Concepts, LLC*, 119 U.S.P.Q.2d at 1868. *See Urock Network, LLC v. Sulpasso*, 115 U.S.P.Q.2d 1409, 1410 n.4 (T.T.A.B. 2015) (citing *Senju Pharm. Co. v. Apotex Inc.*, 746 F.3d 1344, 110 U.S.P.Q.2d 1261, 1263 (Fed. Cir. 2014)).

<sup>367</sup> *Id. See Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 326 n.5 (1979).

<sup>368</sup> *Id.* at 1869.

<sup>369</sup> Restatement (Second) of Judgments § 24 (1982).

<sup>370</sup> *Chutter, Inc. v. Great Concepts, LLC*, 119 U.S.P.Q.2d at 1870. *See* comment b to Section 24 of the Restatement (Second) of Judgments.

<sup>371</sup> *Id.*

The Board noted that here the first fraud claim concerned a failure to reveal during ex parte examination of the underlying application, that the mark identified a living individual. In contrast, the second proceeding involves alleged fraud based on a different representation made at a time removed by six years from the ex parte issue involved in the prior proceeding. The earlier claim involved communication with the examining attorney, while the later claim involved communication with the Post Registration Section of the USPTO. “These are very different fact sets, and the transactions are unrelated; they are not ‘so woven together as to constitute a single claim in their relatedness in time, space, origin, or motivation . . . .’”<sup>372</sup>

Therefore, the Board denied the respondent’s motion for summary judgment and instead entered summary judgment sua sponte in favor of the petitioner on the defense of claim preclusion.

## 9. Procedural Issues

### *a. Timeliness of Notice of Opposition*

#### *DFC Expo LLC v. Coyle*

It didn’t take long for someone to trip over the new electronic filing requirements at the TTAB. DFC Expo LLC tried to oppose Brian Coyle’s application to register the mark SODA CITY FIRE DEPT. for “Mobile beverage cart services featuring self-serve gourmet soda,” but it turned out to be a false alarm. DFC’s submission of its notice of opposition was untimely, did not include the required fee payment, and was filed on paper without the required petition to the Director of the USPTO.<sup>373</sup>

Potential Opposer DFC filed a request for, and was granted, an extension of time to February 6, 2017, to oppose Coyle’s application. In a letter accompanying the notice of opposition, DFC’s counsel claimed that on February 6, he attempted to file the notice electronically via the ESTTA website, but could not access the payment screen.<sup>374</sup> He then, on that same day, mailed the notice to the USPTO but, since he did not have any “extra business checks,” he promised to contact the Board upon return to his office and stated that he would make payment at that time.

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<sup>372</sup> *Id.*, quoting Restatement (Second) of Judgments § 24, comment b.

<sup>373</sup> DFC Expo LLC v. Coyle, 121 U.S.P.Q.2d 1903 (T.T.A.B. 2017).

<sup>374</sup> Apparently, DFC’s counsel attempted to upload a Microsoft Word document, which ESTTA does not accept. ESTTA is an acronym for the USPTO’s Electronic System for Trademark Trials and Appeals.

Untimeliness: The notice of opposition was filed without a certificate of mailing under Trademark Rule 2.197(a),<sup>375</sup> and so the effective date of the filing was the date of receipt by the USPTO, February 9, 2017.<sup>376</sup> Because the effective filing date was three days after the deadline date, the notice was untimely and could not be considered by the Board. That alone was reason enough not to institute an opposition proceeding.

No Fee: Another ground for rejecting the notice was DFC's failure to pay the required fee.<sup>377</sup> The Board noted that the deadline and payment requirements are statutory and cannot be waived by the Office.<sup>378</sup>

No Petition: Finally, under the recent amendments to the Trademark Rules of Practice that took effect on January 14, 2017, a notice of opposition must be filed electronically via the ESTTA system.<sup>379</sup> However, in oppositions to applications under Lanham Act Sections 1 or 44 (but not Section 66),<sup>380</sup> the notice of opposition may be filed in paper form if "ESTTA is unavailable due to technical problems, or when extraordinary circumstances are present."<sup>381</sup> However, in such cases, the paper opposition must "be accompanied by a petition to the Director under Rule 2.146, with the fees therefor and the showing required."<sup>382</sup>

DFC did not file the required petition with its notice of opposition. The explanation set forth in DFC's cover letter was not a petition, and even if it were, it did not include the requisite verified explanation of the reasons for the paper filing. The USPTO's internal data showed that DFC attempted to upload a Microsoft Word document at 1:45 PM, that ESTTA was unavailable due to technical problems from about 2 PM to 4 PM, and that DFC made no subsequent attempt to file the notice electronically.

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<sup>375</sup> Trademark Rule 2.197(a), 37 C.F.R. § 2.197(a)(1) provides that correspondence will be considered timely if it mailed prior to the due date, is properly addressed, includes sufficient first-class postage, and includes a certificate stating the date of deposit.

<sup>376</sup> Trademark Rule 2.195, 37 C.F.R. § 2.195 states that "[t]rademark correspondence received in the Office is given a filing date as of the date of receipt" (with certain exceptions inapplicable here).

<sup>377</sup> See *Vibe Records In. v. Vibe Media Grp. LLC*, 88 U.S.P.Q.2d 1280 (T.T.A.B. 2008).

<sup>378</sup> Section 13 of the Lanham Act, 15 U.S.C. § 1063, states that an opposition may be filed "upon payment of the prescribed fee, within thirty days after publication of the mark."

<sup>379</sup> Trademark Rule 2.101(b)(1), 37 C.F.R. § 101(b)(1), states that "[a]n opposition to an application must be filed by the due dates . . . through ESTTA."

<sup>380</sup> An opposition to an application based on Section 66(a) of the Lanham Act must be filed through ESTTA "and may not under any circumstances be filed in paper form." See Trademark Rule 2.101(b)(3), 37 C.F.R. § 101(b)(3). Electronic filing is required in Section 66(1) cases in order to ensure compliance with the notification provisions of the Madrid Protocol.

<sup>381</sup> Trademark Rule 2.101(b)(2), 37 C.F.R. § 101(b)(2).

<sup>382</sup> *Id.*

In sum, Potential Opposer's submission of the notice of opposition in paper form is not acceptable because it was not timely-filed, it was not accompanied by the requisite fee, and it was not accompanied by a Petition to the Director. The remedy for Potential Opposer lies in filing a petition to cancel once a registration issues.<sup>383</sup>

***b. Tolling of Section 14 for Adding Cancellation Claim***

*Ashland Licensing & Intellectual Property LLC v.  
Sunpoint International Group USA Corp.*

Ashland Licensing (owner of the mark VALVOLINE) petitioned to cancel two registrations for the mark MAXOLINE, in standard character and design forms, for "lubricants for automobiles," within five years of issuance of each of the registrations, on the grounds of likelihood of confusion and abandonment. After the five-year anniversary dates of the registrations, Ashland filed a motion to add a claim for nonuse. The Board ruled that the commencement of a cancellation proceeding tolls Section 14 of the Lanham Act for the purpose of adding claims against a challenged registration.<sup>384</sup>

Section 14(1) provides that, prior to the fifth anniversary date of a registration, a party may plead any available ground for cancellation of a registration.<sup>385</sup> However, a petition to cancel filed after that date must be restricted to certain grounds enumerated in Section 14(3) (genericness, fraud, abandonment, functionality, and a few others).<sup>386</sup> Nonuse is not one of the enumerated exceptions.

In *The Williamson-Dickie Mfg. Co. v. Mann Overall Co.*,<sup>387</sup> the CCPA ruled that in an opposition proceeding commenced prior to

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<sup>383</sup> DFC Expo LLC v. Coyle, 121 U.S.P.Q.2d at 1906.

<sup>384</sup> Ashland Licensing & Intellectual Property LLC v. Sunpoint Int'l Grp. USA Corp., 119 U.S.P.Q.2d 1125 (T.T.A.B. 2016).

<sup>385</sup> Section 14 of the Lanham Act, 15 U.S.C. § 1064, states in pertinent part: "A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged, including as a result of a likelihood of dilution by blurring or dilution by tarnishment under section 1125(c) of this title, by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905: (1) Within five years from the date of the registration of the mark under this chapter."

<sup>386</sup> Section 14(3) states, in pertinent part, that a registration may be cancelled "At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or is functional, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsection (a), (b), or (c) of section 1052 of this title for a registration under this chapter, or contrary to similar prohibitory provisions of such said prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used."

<sup>387</sup> 359 F.2d 450, 149 U.S.P.Q. 518 (C.C.P.A. 1966).

the fifth anniversary of the opposer's pleaded registration, Section 14 does not bar a Section 2(d) counterclaim to cancel the pleaded registration even though more than five years have then passed since issuance of the registration. The Board found that the issue in this case "presents a variation on the same theme," and it held that "so long as the cancellation proceeding commences within five years of the date of registration, the five-year limitation under Trademark Act Section 14 is tolled by the commencement of a cancellation action for the purpose of adding claims against the registration by that petitioner."<sup>388</sup>

The Board observed that its ruling "will aid the Board in its work."<sup>389</sup> If tolling were not allowed, that might discourage settlement discussions between the parties, and it might encourage "foot-dragging" during discovery by a party "who finds the risk of a motion to compel may be less than the potential risk of additional claims."<sup>390</sup>

In sum, the petitioner who learns of further grounds for cancellation, and acts without undue delay, may seek to add those grounds, even if the subject registration has passed its fifth anniversary during the pendency of the cancellation proceeding. With this decision we see no contravention of the legislative purpose of Trademark Act Section 14 in limiting the risk of cancellation of registrations. A petition to cancel has been filed before the five-year anniversary date of the registration, and so the registration already is at risk. To hold that the availability of additional claims will vary with the speed with which petitioner obtains discovery responses jeopardizes the Board's orderly disposition of its cases.<sup>391</sup>

**Timeliness of Motion:** The Board next examined whether the petitioner Ashland acted in a timely manner. Ashland maintained that it learned of the facts supporting the nonuse claim during a certain deposition, and that the information was not known to Ashland at the time of filing the petition for cancellation. The respondent contended that the proposed amendment was untimely since Ashland did not bring its motion until almost one year later. The Board, however, noted that proceedings "largely were suspended, or there was good cause to believe that proceedings would be suspended, from the time Petitioner learned of the new information."<sup>392</sup> And so the Board ruled that Ashland did not unduly delay in bringing its motion to amend.

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<sup>388</sup> Ashland Licensing & Intell. Prop. LLC v. Sunpoint Int'l Grp. USA Corp., 119 U.S.P.Q.2d at 1128.

<sup>389</sup> *Id.* at 1130.

<sup>390</sup> *Id.*

<sup>391</sup> *Id.*

<sup>392</sup> *Id.* at 1131.

Proper Pleading: Finally, the Board pointed out that Ashland had not properly pleaded its nonuse claim. Ashland alleged that the registered marks were not in use at the time of filing of the underlying applications. However, the applications were filed under Section 1(b), based on intent to use, and so no use was required prior to filing.

The Board observed that in an inter partes proceeding, it will consider evidence of use that occurred after the filing of the statement of use but within the original or extended period for filing the statement of use.<sup>393</sup> Therefore a proper allegation of nonuse with regard to a Section 1(b) application should state that the marks were not in use as of those later dates. The Board allowed Ashland fifteen days to file an amended petition for cancellation.

### ***c. Board Discretion to Decide Issues***

#### ***Azeka Building Corp. v. Azeka***

Although the Section 2(e)(4) surname ruling in this opposition was dispositive as to the issue of registrability of the applicant's mark, the Board exercised its discretion to consider the opposer's likelihood of confusion claim, and particularly the issue, raised as a defense by the applicant, of whether the opposer had abandoned its rights in its pleaded AZEKA'S RIBS mark for marinated ribs.<sup>394</sup>

The applicant urged the Board to consider the opposer's Section 2(d) claim in order to put to rest the "family feud" between the parties as to which is entitled to claim rights in the AZEKA name in the future. The applicant did not dispute that there is a likelihood of confusion caused by concurrent use of the opposer's mark AZEKA'S RIBS for marinated ribs prepared with a "secret sauce" and the applicant's identical mark for barbecue sauce. The applicant argued that the confusion issue is rendered moot by the opposer's abandonment of its rights in the pleaded mark.

The Board has discretion to decide only the claims necessary to enter judgment and dispose of the case at hand, and is not required to decide every pleaded claim. Nonetheless, it was persuaded that it should decide the applicant's abandonment defense, which, according to the applicant, was the main controversy between the parties.

The Board agreed that contemporaneous use of the marks would likely cause confusion, but it noted that priority is an element that

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<sup>393</sup> *Id.* citing *Embarcadero Techs., Inc. v. Delphix Corp.*, 117 U.S.P.Q.2d 1518, 1523 (T.T.A.B. 2016). The Board noted that the Trademark Rules allow an applicant to submit evidence of use that occurred after the filing of a statement of use but within the original or extended period for filing the statement of use. *See* Trademark Rule 2.88(e), 37 C.F.R. § 2.88(e).

<sup>394</sup> *Azeka Building Corp. v. Azeka*, 122 U.S.P.Q.2d 1477 (T.T.A.B. 2017). The Section 2(e)(4) ruling is discussed in Part II.B.2, above.

the opposer must establish for a likelihood of confusion claim. If the opposer has abandoned rights in its mark, then the mark “becomes available for others to adopt and use as a trademark.”<sup>395</sup>

The Board found, and the opposer did not deny, that the period of nonuse of the opposer’s mark exceeded ten years. A three-year period of nonuse is enough to establish a rebuttable presumption of abandonment with intent not to resume use.<sup>396</sup> The burden of production then shifted to the opposer to produce evidence that it intended to resume use.

The opposer pointed to sporadic attempts to license the mark, but the Board found that they fell short of rebutting the presumption of abandonment.

Essentially the evidence in this case does not show, except in one instance, focused negotiations toward execution of a license agreement; rather, these mostly “one and done” contacts were sporadic, cursory and, given the lack of Opposer’s follow-up in most instances, half-hearted, with zero licenses executed. Opposer’s efforts were neither consistent nor sustained. Evidence of vague discussions concerning the potential use of the mark at some unknown point in the future are insufficient to show an intent to resume use.<sup>397</sup>

The opposer gave no explanation as to why it could not use the mark AZEKA’S RIBS on its own, without a license. “[T]he record simply is devoid of any evidence showing a specific and consistent plan to resume use during a period of ten years.”<sup>398</sup>

And so the Board concluded that the opposer’s pleaded mark was abandoned. Therefore, the opposer could not demonstrate priority of its pleaded mark, and its Section 2(d) claim failed.

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<sup>395</sup> *Id.* at 1483.

<sup>396</sup> See Section 45 of the Lanham Act, 15 U.S.C. § 1127, which states, in pertinent part, that “A mark shall be deemed to be ‘abandoned’ if . . . the following occurs: (1) when its use has been discontinued with intent not to resume 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.”

<sup>397</sup> *Azeka Building Corp. v. Azeka*, 122 U.S.P.Q.2d at 1488.

<sup>398</sup> *Id.*



## PART III. LITIGATION IN THE FEDERAL COURTS AND STATE COURTS OF GENERAL JURISDICTION

*By Theodore H. Davis Jr.*

### *A. Infringement, Unfair Competition, and Related Torts*

#### 1. Establishing Liability

#### *a. Violations of Trademark and Service Mark Rights*

##### i. Defining Claimed Marks

Under Section 45 of the Act, a trademark conceivably can consist of “any word, name, symbol, or device, or any combination thereof”; the same statute contains a substantively identical definition of “service mark.”<sup>399</sup> These definitions are deliberately broad, and they can make challenges to plaintiffs’ descriptions of their claimed marks difficult,<sup>400</sup> but successful challenges can and do occur on occasion.<sup>401</sup> For example, the Tenth Circuit balked at accepting a claim of protection to the appearance of packaging featuring “a combination and arrangement of colors defined by a red into yellow background with a black banner/header that includes white letters. More specifically, the . . . [trade dress] includes red and yellow as the dominate [sic] background colors.”<sup>402</sup> The plaintiff described certain additional details “typically” found on its packaging, but the variability in how the presented elements appeared<sup>403</sup> weighed

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<sup>399</sup> 15 U.S.C. § 1127 (2012).

<sup>400</sup> *See, e.g.,* Battle Sports Sci., LLC v. Shock Doctor, Inc., 225 F. Supp. 3d 824, 837 (D. Neb. 2016) (denying motion to dismiss because “[the plaintiffs] provide[] a detailed list of primarily nonfunctional elements that [they] allege[] make [their] trade dress distinctive and include[] a series of photographs that clarify the basis for [their] trade-dress infringement claim”).

<sup>401</sup> *See, e.g.,* Sara Designs, Inc. v. Classic Time Watch Co., 234 F. Supp. 3d 548, 555 (S.D.N.Y. 2017) (dismissing claim of protectable trade dress rights to configurations of jewelry because “[t]he Complaint fails to articulate the precise nature of the trade dress Plaintiff purports to claim, and merely contains a high level description of features of several watches, such as ‘gradient chain,’ ‘lobster claw closure,’ and ‘leaf-shaped logo,’ without allegations as to whether and how those features are distinctive”); Tracey Tooker & TT Ltd. v. Whitworth, 212 F. Supp. 3d 429, 434 (S.D.N.Y. 2016) (dismissing claim of protectable trade dress to hat styles because “[t]he complaint fails to identify the elements of [the plaintiffs] product design for which she seeks trade dress protection”).

<sup>402</sup> *Quoted in* Fourney Indus. v. Daco of Mo., Inc., 835 F.3d 1238, 1251 (10th Cir. 2016).

<sup>403</sup> Referring to “the variety of packaging that [the plaintiff] has used [for] its products,” the court explained that:

What once was packaging consisting of a bright-yellow oval surrounded by a red background topped by black and yellow bars with yellow and black lettering, eventually became a red-fade-into-yellow-fade-into-red background with a black bar and white lettering, and finally ended up as a yellow-fade-into-red background with a black bar and white lettering.

*Id.* at 1252-53 (citations omitted).

against a holding that the plaintiff adequately had articulated a protectable trade dress:

[The plaintiff's] description is too vague to satisfy our requirement that the color scheme be used in combination with a well-defined shape, pattern, or other distinctive design. . . .

. . . [The plaintiff] has used the combination of red, yellow, white, and black in such diverse ways that there is no consistent shape, pattern, or design we can discern from its description of its [trade dress] or from the examples it provides.<sup>404</sup>

Another court reached much the same conclusion on a defense motion for summary judgment.<sup>405</sup> The plaintiff manufactured boats, and it claimed to own a protectable trade dress comprising the “sheer line” of its vessels. The plaintiff responded to the defendants’ discovery requests by serving photographs of nine of its models and the statement that “[t]he sheer line is the sweeping, curved shape formed by the upper edge of the side of the hull from the bow to the stern.”<sup>406</sup> The court granted the defendants’ motion with the observation that “[the plaintiff] seeks to enjoin [the defendants] from infringing [the plaintiff's] trade dress. But, if [the plaintiff's] founder cannot describe with words the infringed feature, neither can an injunction. Because [the plaintiff] fails to describe the allegedly distinctive and infringed sheer line, the trade-dress claim cannot succeed.”<sup>407</sup>

Outside the trade dress context, a New York federal district court set forth the rules governing claims of non-copyright claims of rights in musical works.<sup>408</sup> On the one hand, the court held, “a musical composition cannot be protected *as its own trademark* under the Lanham Act.”<sup>409</sup> But, on the other hand, “like many other types of creative works protectable by the copyright laws, such as graphic designs, musical compositions may become sufficiently associated with a particular product or producer so as to garner trademark protection.”<sup>410</sup> In any case, the particular claim before the court failed for want of evidence or testimony of such an association in the summary judgment record.<sup>411</sup>

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<sup>404</sup> *Id.* at 1252, 1253.

<sup>405</sup> *See* *Yellowfin Yachts, Inc. v. Barker Boatworks, LLC*, 237 F. Supp. 3d 1230 (M.D. Fla. 2017), *appeal docketed*, No. 17-11176 (11th Cir. Mar. 15, 2017).

<sup>406</sup> *Quoted in id.* at 1236.

<sup>407</sup> *Id.*

<sup>408</sup> *See* *TufAmerica, Inc. v.Codigo Music LLC*, 162 F. Supp. 3d 295 (S.D.N.Y. 2016).

<sup>409</sup> *Id.* at 332 (quoting *EMI Catalogue P'ship v. Hill, Holliday, Connors, Cosmopolulos Inc.*, 228 F.3d 56, 64 (2d Cir. 2000)).

<sup>410</sup> *Id.*

<sup>411</sup> *Id.* at 332-33.

## ii. Establishing Protectable Rights

### (A) *The Effect of Registrations on the Mark-Validity Inquiry*

#### (1) The Effect of Federal Registrations

If a claimed mark is not registered on the Principal Register, its owner bears the burden of proving the mark's validity,<sup>412</sup> but, even if a registration on the Principal Register has not yet become incontestable under Section 15,<sup>413</sup> Sections 7(b) and 33(a) of the Act both recognize the registration as "prima facie evidence" of the validity of the registered mark.<sup>414</sup> As always, courts differed on the precise nature of that evidence. On the one hand, some applied the majority rule that "[a] party seeking to cancel a registered mark must prove the grounds for cancellation and overcome the statutory presumption of validity that attaches to a registered mark by a preponderance of the evidence";<sup>415</sup> indeed, one court confirmed this

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<sup>412</sup> See, e.g., *Checker Car Club of Am., Inc. v. Fay*, 262 F. Supp. 3d 621, 626 (N.D. Ill. 2017) ("When the identifying word, term, name, symbol or device claimed as a trade name or mark is not registered with the United States Patent and Trademark Office, the burden is on the claimant . . . to establish that it is entitled to protection under § 43(a) of the Lanham Act." (quoting *Platinum Home Mortg. Corp. v. Platinum Fin. Grp.*, 149 F.3d 722, 727 (7th Cir. 1998)); *AMID, Inc. v. Medic Alert Found. United States, Inc.*, 241 F. Supp. 3d 788, 801 (S.D. Tex. 2017) ("Because [the plaintiff] did not register its claimed trade dress, it is not entitled to the presumptions registration provides. [The plaintiff] must show that its claimed trade dress is valid, distinctive, and not functional."); *Hoenig Dev., Inc. v. Dial Indus.*, 213 F. Supp. 3d 895, 902 (E.D. Mich. 2016) ("In the absence of a trademark registration, Plaintiffs must prove that they [have] a mark entitled to protection under the law, i.e., a common law trademark . . ."); *United States Dist. Ct. S. Dist. of Tex. Victoria Div. v. Greeson*, 167 F. Supp. 3d 835, 839 (S.D. Tex. 2016) ("Registration is not necessary for the claims [the lead plaintiff] brought under Section 43(a) of the Lanham Act and Texas common law. But cancellation of the registration would result in him having to litigate validity for those claims without a presumption in his favor."); *Fashion Week, Inc. v. Council of Fashion Designers of Am., Inc.*, 121 U.S.P.Q.2d 1041, 1047 (S.D.N.Y. 2016) ("For a registration on the Supplemental Register, there is no prima facie evidence of the validity of the registered mark, the registrant's ownership of that mark, and exclusive right to use that mark.").

<sup>413</sup> 15 U.S.C. § 1065 (2012).

<sup>414</sup> *Id.* §§ 1057(b), 1115(a).

<sup>415</sup> *Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V.*, 188 F. Supp. 3d 22, 97-98 (D.D.C. 2016), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017); see also *Caiz v. Roberts*, 224 F. Supp. 3d 944, 950 (C.D. Cal. 2016) ("When a plaintiff pursues a trademark action involving a properly registered mark, that mark is presumed valid, and the burden of proving that the mark is generic rests upon the defendant." (quoting *Solid 21, Inc. v. Hublot of Am.*, 109 F. Supp. 3d 1313, 1322 (C.D. Cal. 2015), *rev'd*, 685 F. Appx. 530 (9th Cir. 2017))), *judgment entered*, No. CV No. 15-09044-RSWL-AGRx, 2016 WL 7335777 (C.D. Cal. Dec. 16, 2016), *appeal docketed*, No. 17-55051 (9th Cir. Jan 12, 2017); *ZW USA, Inc. v. PWD Sys., LLC*, 208 F. Supp. 3d 1025, 1041 (E.D. Mo. 2016) ("The party seeking to cancel [the] registration of a mark always bears the burden of persuasion, that is, the ultimate burden of proving invalidity of the registration by a preponderance of the evidence." (quoting *Cold War Museum, Inc. v. Cold War Air Museum, Inc.*, 586 F.3d 1352, 1358 (Fed. Cir. 2009)); *Meth Lab Cleanup, LLC v. Bio Clean, Inc.*, 205 F. Supp. 3d 1243,

allocation of the parties' respective burdens applies even if the challenger to a registration previously has prevailed in a proceeding before the Trademark Trial and Appeal Board.<sup>416</sup> On the other hand, however, one held that *prima facie* evidence of validity merely shifts the burden of production to a party challenging the significance of that evidence.<sup>417</sup>

In contrast, the "conclusive evidence" of mark validity represented by incontestable registrations under Section 33(b)<sup>418</sup> received greater respect.<sup>419</sup> Specifically, courts gave that evidence a burden-of-proof-shifting effect. One weighing a genericness-based challenge to the validity of a mark covered by such a registration therefore explained that "[r]egistration of a mark establishes a rebuttable presumption that the term is not generic. In order to overcome the presumption, the alleged infringer must demonstrate the mark's genericness by a preponderance of the evidence."<sup>420</sup> Addressing a functionality-based challenge to a mark covered by an incontestable registration of a product design, another court agreed: "When a trademark owner sues for infringement of a registered and incontestable mark, the infringer bears the burden to rebut the presumption of the mark's protectability by a preponderance of the

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1250 (W.D. Wash. 2016) ("[A] properly registered trademark 'is presumed valid, and the burden of proving that the mark is generic rests upon the defendant.'" (quoting *Krav Maga Ass'n of Am., Inc. v. Yanilov*, 464 F. Supp. 2d 981, 985 (C.D. Cal. 2006)); *Yah Kai World Enters. v. Napper*, 195 F. Supp. 3d 287, 315 (D.D.C. 2016) ("[T]he registration of a mark is *prima facie* evidence of its distinctiveness; thus, by virtue of [the plaintiffs'] registration, the [registered] mark . . . is presumptively distinctive. This means that [the defendant] bears the burden of rebutting this presumption by a preponderance of the evidence; to carry this burden, he must show that, despite its registration, the mark was (or has become) generic, and therefore, is not entitled to protection.")).

<sup>416</sup> See *Paletaria La Michoacana*, 188 F. Supp. 3d at 97.

<sup>417</sup> See *JFJ Toys, Inc. v. Sears Holdings Corp.*, 237 F. Supp. 3d 311, 329 (D. Md. 2017) ("Trademark registration is *prima facie* evidence that the registered term is not generic. That said, a party can still challenge a mark registered on the Principal Register because registration '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.' The presumption of validity simply shifts the burden of producing evidence that the term is generic to the party seeking to invalidate the registration." (footnote omitted) (citations omitted) (quoting 15 U.S.C. § 1115(a)).

<sup>418</sup> 15 U.S.C. § 1115(b) (2012).

<sup>419</sup> See, e.g., *Michael Kors, LLC v. Hernandez Int'l Inc.*, 120 U.S.P.Q.2d 1762, 1780 (S.D. Tex. 2016) ("Except in certain limited circumstances, ownership of a protectable mark is proven where a mark is federally registered and has become 'incontestable' under §§ [8] [sic] and [15].").

Of course, to receive that respect, an incontestable registration must, in fact, be incontestable. For an opinion addressing the validity of affidavits filed under Section 15 but ultimately concluding that factual disputes precluded resolution of the issue as a matter of law, see *Deere & Co. v. FIMCO Inc.*, 239 F. Supp. 3d 964, 1011-13 (W.D. Ky. 2017).

<sup>420</sup> *Pub. Impact, LLC v. Boston Consulting Grp.*, 169 F. Supp. 3d 278, 286 (D. Mass. 2016) (citations omitted), *appeal dismissed*, No. 16-1400 (1st Cir. Oct. 18, 2016).

evidence.”<sup>421</sup> A third court observed that the validity of an incontestably registered mark “cannot . . . be challenged on the ground[] that it is merely descriptive.”<sup>422</sup>

## (2) The Effect of State Registrations and Corporate Name Reservations

The Supreme Court of Vermont set straight a defendant who based his claim of priority of rights on a registration of his claimed mark with the Vermont Secretary of State.<sup>423</sup> The summary judgment record established the plaintiff had allowed its own state registration of the same mark to lapse, allowing the defendant to stake his claim. There was no dispute, however, that the plaintiff had used the name well prior to that occurrence, and that led to the downfall of the defendant’s strategy. Noting that the state trademark act provided that “[n]othing herein shall adversely affect the rights or the enforcement of rights in marks acquired in good faith at any time at common law,”<sup>424</sup> the court confirmed that the plaintiff’s prior use of the disputed mark gave the plaintiff, and not the defendant, priority of rights.<sup>425</sup>

### (B) Ownership

True bare-knuckle fights over the ownership of marks were rare, but one turning on California law occurred in a dispute over the dissolution of a cooperative that operated a chain of pizza restaurants.<sup>426</sup> As dissenters from the vote converting the cooperative into a franchise model, the counterclaim defendants purported to elect a new board of directors for the cooperative on the theory that the other members had voluntarily withdrawn from it by choosing to become franchisees. The counterclaim defendants’ rump board then purported to assign the former cooperative’s marks to a new entity and recorded that assignment document with the USPTO.

In the subsequent lawsuit, the counterclaim defendants (the new franchisor and the former members of the cooperative who had voted in favor of the conversion) successfully challenged what they characterized as the misappropriation of their marks. After weighing the parties’ cross-motions for summary judgment, the

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<sup>421</sup> *Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F. Supp. 3d 245, 258 (S.D.N.Y. 2016), *aff’d*, 699 F. App’x 93 (2d Cir. 2017).

<sup>422</sup> *CrossFit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295, 1305 (N.D. Ga. 2017) (quoting *Dieter v. B & H Indus.*, 880 F.2d 322, 328 (11th Cir. 1989)).

<sup>423</sup> *See TLOC Senior Living, LLC v. Bingham*, 145 A.3d 1266 (Vt. 2016).

<sup>424</sup> *Id.* at 1270-71 (alteration in original) (quoting Vt. Stat. Ann. tit. 9, § 2532 (2017)).

<sup>425</sup> *Id.* at 1271.

<sup>426</sup> *See English & Sons, Inc. v. Straw Hat Rests., Inc.*, 176 F. Supp. 3d 904 (N.D. Cal. 2016).

court held that the bylaws of the cooperative rendered the conversion vote binding on any dissenters. Specifically, those dissenters enjoyed only two options, either to cash out or to convert their restaurants into franchises: As the court explained, “[t]he . . . vote did not offer members the option of continuing on as members of a persisting . . . cooperative.”<sup>427</sup> From that holding, the counterclaim defendants’ claims to the disputed marks crumbled quickly, with the court ultimately ordering them to “roll back everything that they did as a putative new [cooperative],” including the execution and filing of whatever documents were necessary to confirm the counterclaim defendants’ ownership of the disputed marks.<sup>428</sup>

In another ownership dispute, a battle between the manufacturer and distributor of goods bearing a disputed mark, the Third Circuit turned to Professor McCarthy’s treatise and applied the following test:

As Professor McCarthy explains, where initial ownership between a manufacturer and its exclusive distributor is at issue and no contract exists, the manufacturer is the presumptive trademark owner unless the distributor rebuts that presumption using a multi-factor balancing test designed to examine the distribution agreement in effect between the parties. The six factors that should be considered are: (1) “[w]hich party invented or created the mark”; (2) “[w]hich party first affixed the mark to goods sold”; (3) “[w]hich party’s name appeared on packaging and promotional materials in conjunction with the mark”; (4) “[w]hich party exercised control over the nature and quality of goods on which the mark appeared”; (5) “[t]o which party did customers look as standing behind the goods, e.g., which party received complaints for defects and made appropriate replacement or refund”; and (6) “[w]hich party paid for advertising and promotion of the trademarked product.”<sup>429</sup>

The upshot was that “as between a manufacturer and its exclusive distributor, there is a rebuttable presumption of initial trademark ownership in favor of the manufacturer . . . .”<sup>430</sup> With the distributor unable to rebut that presumption, the manufacturer prevailed as a matter of law.<sup>431</sup>

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<sup>427</sup> *Id.* at 914.

<sup>428</sup> *Id.* at 920.

<sup>429</sup> *Coverttech Fabricating, Inc. v. TVM Bldg. Prods., Inc.*, 855 F.3d 163, 171 (3d Cir. 2017) (alterations in original) (quoting *Doebler’s Pa. Hybrids, Inc. v. Doebler*, 442 F.3d 812, 826 (3d Cir. 2006)).

<sup>430</sup> *Id.*

<sup>431</sup> *Id.* at 173-74.

A third notable ownership clash addressed the issue of whether the purchase of real property on which a business once operated necessarily transfers to the purchaser any service mark owned by that business.<sup>432</sup> According to the summary judgment record in that case, the defendants had purchased a plot of land formerly occupied by a defunct Las Vegas strip club that used the CRAZY HORSE TOO mark. Granting the plaintiff's motion for summary judgment, the court held the purchase did not in and of itself convey the rights to the mark in addition to those to the land. The transaction therefore did not give the defendants priority of rights vis-à-vis the plaintiff, which had adopted a confusingly similar mark in between the time the original club permanently ceased operations and the defendants' acquisition of the original club's real estate.<sup>433</sup>

Two other doomed claims of ownership, both by the same plaintiff and in the same case, failed even to make it past the pleadings stage.<sup>434</sup> The plaintiff's complaint in that action asserted the plaintiff had once owned a particular registered mark, which the defendants allegedly had transferred from the plaintiff via a fraudulent assignment. That averment, the court held on the defendants' motion to dismiss, might support some of the plaintiff's causes of action but not that for infringement: Specifically, the court found the complaint "devoid of any allegations that [the plaintiff] claims an ownership interest in the mark after the transfer to [the lead defendant]."<sup>435</sup> The plaintiff's claim to a second mark, which rested on the allegation that the lead defendant had launched and registered the mark while employed by the plaintiff, similarly met with misfortune after the court concluded that allegation<sup>436</sup> did not establish an ownership interest in the mark.

In a final priority dispute, an ill-advised-in-retrospect date of first use in a registration helped trip up the plaintiff relying on the registration as evidence of its rights.<sup>437</sup> There was no dispute that a third party had shipped goods bearing the disputed mark into the United States and that the plaintiff ultimately had sold the goods to end consumers. Nevertheless, the parties differed on whether the third party had addressed the goods to the plaintiff (in which case the plaintiff would enjoy priority of rights) or to the lead defendant, who had sold them to the plaintiff (in which case the defendants would be the prior users). The plaintiff's theory of the case depended on a date of first use earlier than the one recited in a registration it

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<sup>432</sup> See *Russell Rd. Food & Beverage, LLC v. Galam*, 180 F. Supp. 3d 724 (D. Nev. 2016).

<sup>433</sup> *Id.* at 735-38.

<sup>434</sup> See *Kische USA LLC v. Simsek*, 121 U.S.P.Q.2d 1255 (W.D. Wash. 2016).

<sup>435</sup> *Id.* at 1264.

<sup>436</sup> *Id.*

<sup>437</sup> See *Threeline Imps., Inc. v. Vernikov*, 239 F. Supp. 3d 542 (E.D.N.Y. 2017).

had secured covering the disputed mark, leading the court to hold that:

Where an applicant seeks to prove a date earlier than the date alleged in its [trademark] application, a heavier burden has been imposed on the applicant than the common law burden of preponderance of the evidence. The reason for such an increased evidentiary burden, supported by common sense, is that a change of position from one considered to have been made against interest at the time of filing of the application requires enhanced substantiation.<sup>438</sup>

Aided by this allocation of the burden of proof and the standard of proof, as well as by favorable documentary evidence and inconsistent testimony by the plaintiff's primary witness, the defendants successfully established they had received the goods in question from the third party, which meant they had sold them to the plaintiff before the plaintiff's sales to consumers. A finding of priority in the defendants' favor resulted.<sup>439</sup>

### ***(C) The Common-Law Requirements for Mark Validity***

#### ***(1) Use in Commerce***

##### ***(a) The Nature and Quality of Use in Commerce Necessary to Establish Protectable Rights***

"It is a 'bedrock principle[] of trademark law' that trademark ownership 'is not acquired by federal or state registration,' but rather 'from prior appropriation and actual use in the market';<sup>440</sup> mere plans to use a mark are inadequate in the absence of actual use.<sup>441</sup> In an application of that bedrock principle, the Seventh Circuit confirmed that diminishing sales of goods bearing a disputed mark nevertheless can suffice for the purpose of determining priority of rights.<sup>442</sup> The trial record under scrutiny by that court contained evidence and testimony of sales by the defendant's predecessor beginning as early as 1995. Those sales reached a peak of 3,586 units in 2008 and extended to 40 states in 2010. By 2012, however, sales were limited to 501 units in only 28 states. The appellate court accepted the plaintiff's argument that sales by the defendant's predecessor had "certainly declined" over the years at

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<sup>438</sup> *Id.* at 558 (quoting *Hydro-Dynamics, Inc. v. George Putnam & Co.*, 811 F.2d 1470, 1473 (Fed. Cir. 1987)).

<sup>439</sup> *Id.* at 560.

<sup>440</sup> *S.C. Johnson & Son, Inc. v. Nutraceutical Corp.*, 835 F.3d 660, 665 (7th Cir. 2016) (alteration in original) (quoting *Allard Enters. v. Advanced Programming Res., Inc.*, 146 F.3d 350, 356 (6th Cir. 1998)).

<sup>441</sup> *Poneman v. Nike, Inc.*, 161 F. Supp. 3d 619, 628 (N.D. Ill. 2016).

<sup>442</sup> *S.C. Johnson & Son*, 835 F.3d at 669-70.



issue, but it nevertheless concluded the defendant had established its priority of rights.<sup>443</sup>

The Eleventh Circuit also affirmed a claim of prior use by a plaintiff following a trial.<sup>444</sup> It did so by looking to “evidence showing, first, adoption, and, second, use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark, is competent to establish ownership, even without evidence of actual sales.”<sup>445</sup> Reviewing the trial record, the court cited evidence the plaintiff had entered into a ten-year contract to provide the United States government with rifles bearing its mark, pursuant to which it had delivered over \$11 million worth of inventory prior to the defendant’s entry into the marketplace; moreover, “[a]ll the while, [the plaintiff] received extensive media attention, which credited [the plaintiff] with winning the [government] bid and tracked the development of [the plaintiff’s] . . . weapon system for the military.”<sup>446</sup> In rapid succession, the court then rejected three responsive arguments by the defendant, namely, that: (1) the plaintiff’s sales were to the government, rather than civilians, which the court disposed of by crediting the plaintiff’s analogous use of its mark in the civilian market;<sup>447</sup> (2) the plaintiff had listed a date of first use in an application to register its mark other than the one claimed in the litigation;<sup>448</sup> (3) the government, rather than the plaintiff, had “invented” the disputed mark;<sup>449</sup> and the plaintiff’s use had been unlawful.<sup>450</sup>

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<sup>443</sup> *Id.* at 670.

<sup>444</sup> *See* FN Herstal SA v. Clyde Armory Inc., 838 F.3d 1071 (11th Cir. 2016), *cert. denied*, 137 S. Ct. 1436 (2017).

<sup>445</sup> *Id.* at 1081 (alteration omitted) (quoting *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1195 (11th Cir. 2001)).

<sup>446</sup> *Id.*

<sup>447</sup> As the court explained, “[a]lthough actual sales [to civilians] were not made until [after the defendant’s first use in 2008], these ‘open and notorious’ promotional activities in 2005 and 2006 sufficiently created an association in the relevant portion of the public’s mind so that they identified the [plaintiff’s] rifles with [the plaintiff].” *Id.* at 1082.

<sup>448</sup> *Id.* (“[The plaintiff’s] USPTO applications and registrations are not relevant to the foregoing analysis. Neither federal nor Georgia law requires that a party assert a trademark registration before bringing Lanham Act or state law claims.”).

<sup>449</sup> On this issue, the court properly noted that “[u]nlike patent law, rights in trademarks are not gained through discovery or invention of the mark, but only through actual usage.” *Id.* (quoting J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 16:11 (4th ed. 2015)).

<sup>450</sup> The defendant grounded its attack on the lawfulness of the plaintiff’s use in part in the theory the plaintiff had violated a federal regulation by associating itself with the mark during the bid process. As the court noted, however, “[b]ecause [the government] acknowledged that the guidance regarding the applicability of this regulation to [the plaintiff’s] contract was unclear, the Court cannot find that [the plaintiff’s] advertisements . . . constituted a *per se* violation of federal regulations.” *Id.* at 1088. The court also rejected a backup argument asserted by the defendant, which was that the plaintiff’s use of the disputed mark violated 18 U.S.C. § 701 (2016), a criminal statute

At the trial court level, one finding of priority use arose in part from a wholly fictional use in commerce.<sup>451</sup> The plaintiff produced the animated television series *SpongeBob SquarePants* as well as associated motion pictures and a musical, all of which featured recurring scenes set in an underwater diner operating under the mark THE KRUSTY KRAB. Although the plaintiff apparently licensed the mark for use in connection with consumer merchandise, the court's finding the plaintiff enjoyed protectable rights rested largely on the fictional services associated with the mark. Specifically, "[b]ecause 'The Krusty Krab' is a recurring element of the 'SpongeBob SquarePants' show, the court finds that the mark is eligible for trademark protection."<sup>452</sup>

A finding of cognizable use in commerce came from a different federal district court on more traditional facts.<sup>453</sup> Reviewing the counterclaim plaintiff's preliminary injunction motion, the court framed the issue of priority in the following manner:

A two-part test is utilized to determine whether a party has proved "prior use" of a mark sufficient to establish ownership: a party must submit (1) evidence showing adoption, and (2) "use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark."<sup>454</sup>

The counterclaim plaintiffs satisfied the first of these requirements through uncontroverted declaration testimony they had used their claimed mark "on all of its product labels, product packs, advertisements, billboards, videos, and other promotional materials";<sup>455</sup> "this competent evidence," the court concluded, "is sufficient to demonstrate adoption."<sup>456</sup> The court then found the

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prohibiting the unauthorized private use of any governmental insignia. Although there was no apparent dispute the plaintiff had used a governmental seal on two of its brochures, the court held that:

The district court found that [the defendant] failed to show that [the plaintiffs] alleged violation of this statute was material to [the plaintiffs] development of trademark rights . . . . We agree. Use of an emblem on two of a multitude of promotional materials is at best *de minimus* and not "of such gravity and significance that the usage must be considered unlawful—so tainted that, as a matter of law, it could create no trademark rights."

*FN Herstal SA*, 838 F.3d at 1088 (quoting *Gen. Mills Inc. v. Health Valley Foods*, 24 U.S.P.Q.2d 1270, 1274 (T.T.A.B. 1992)).

<sup>451</sup> See *Viacom Int'l Inc. v. IJR Capital Invs., LLC*, 242 F. Supp. 3d 563 (S.D. Tex. 2017), *appeal docketed*, No 17-20334 (5th Cir. May 10, 2017).

<sup>452</sup> *Id.* at 569.

<sup>453</sup> See *USA Nutraceuticals Grp. v. BPI Sports, LLC*, 165 F. Supp. 3d 1256 (S.D. Fla. 2016).

<sup>454</sup> *Id.* at 1263 (quoting *Crystal Entm't & Filmworks, Inc. v. Jurado*, 643 F.3d 1313, 1321 (11th Cir. 2011)).

<sup>455</sup> *Quoted in id.*

<sup>456</sup> *Id.*

counterclaim plaintiffs' use had been sufficiently public to satisfy the second prong of the relevant test, citing the counterclaim plaintiffs' submission of a "multitude of materials" they had used their claimed mark "on social media such as Facebook and Instagram, in widely distributed print media such as Men's Fitness Magazine, as well as in other print advertisements, at trade shows, and on promotional items."<sup>457</sup> The counterclaim plaintiffs therefore had demonstrated their priority of rights.

Not all claims of prior use in commerce proved convincing, however. For example, the putative owner of the LIVEWELL PLANNER mark for a weekly planner unsuccessfully sought a temporary restraining order against the sale of a competing planner under the LIVING WELL mark.<sup>458</sup> If the only issue at stake was whether the plaintiff's date of first use preceded the defendant's introduction of the particular mark challenged by the plaintiff, the plaintiff might have prevailed. Unfortunately for the plaintiff, however, the court found that the defendant had not pulled its mark "out of thin air or stole[n] [it] from Plaintiff."<sup>459</sup> On the contrary, the record demonstrated the defendant's principal had used the LIVING WELL SPENDING LESS mark for a blog by the time of the plaintiff's date of first use. That circumstance raised two issues, either potentially fatal to the plaintiff's claim of priority: (1) it might be possible for the defendant to "tack" its date of first use of the LIVING WELL mark back to its adoption of the LIVING WELL SPENDING LESS mark,<sup>460</sup> and (2) "[e]ven if Defendants cannot successfully invoke the tacking doctrine, it may be that *Plaintiff's* use of 'Livewell Planner' actually infringes upon prior trademark or service mark rights Defendants have in 'Living Well.'"<sup>461</sup>

Another plaintiff unsuccessfully advanced a claim of priority to the FASHION FOR FOOD mark for what the court described as "providing both marketing services to cutlery, tableware, and flatware manufacturers, as well as retail services—namely, selling cutlery, tableware, and flatware—to consumers."<sup>462</sup> The plaintiff based that claim on its use of the subsidiary language in the last line of the following exhibit:<sup>463</sup>

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<sup>457</sup> *Id.* at 1269.

<sup>458</sup> *See* Kotori Designs, LLC v. Living Well Spending Less, Inc., 120 U.S.P.Q.2d 1319 (M.D. Fla.), *preliminary injunction denied*, 120 U.S.P.Q.2d 1800 (M.D. Fla. 2016).

<sup>459</sup> *Id.* at 1322.

<sup>460</sup> *Id.* at 1322-23.

<sup>461</sup> *Id.* at 1323.

<sup>462</sup> RGB Plastic, LLC v. First Pack, LLC, 184 F. Supp. 3d 649, 659 (N.D. Ill. 2016).

<sup>463</sup> *Id.*

## Bamboo Acrylic Blocks Skewer 3.5 in., 1000 count box



Price: \$49.00  
 SKU: RWB0177  
 Brand: [Restaurantware, LLC](#)  
 Rating: ★★★★★ ( 2 product reviews )  
 Availability: Usually ships within 24 hours.  
 Delivery Time: [View our delivery map](#)  
 Shipping: Calculated at checkout  
 Quantity:  [ADD TO CART](#)

**Recommend** 3 people recommend this. [Sign Up](#) to see what your friends recommend.



[SHARE](#) [f](#) [t](#) [e](#)

## Product Description

These 3.5" skewers are an incredibly fun addition to any party. The bamboo picks are sold as a 3 color mix pack consisting of clear, cocoa and green. These are truly fashion for food!

The court found the exhibit unconvincing, noting that “[t]his use of ‘fashion for food’ to describe bamboo skewers does not qualify as use of the *service* mark in commerce. The problem is that merely incorporating ‘Fashion for Food’ into a *product* description says nothing about any service that [the plaintiff] provides.”<sup>464</sup> The defendant therefore was entitled to summary judgment on that aspect of the plaintiff’s case.<sup>465</sup>

The defendant’s challenge to a second exhibit allegedly documenting the plaintiff’s service mark use produced mixed results. That exhibit consisted of the following sign, displayed by the plaintiff at a trade show:



<sup>464</sup> *Id.* at 659-60.

<sup>465</sup> *Id.* at 660.

Further granting the defendant's summary judgment motion in part, the court held the plaintiff's proffered showing inadequate as a matter of law to demonstrate use of the FASHION FOR FOOD mark in connection with marketing services.<sup>466</sup> At the same time, however, the exhibit did create a factual dispute over whether the plaintiff had used the mark for its retail services, even if, as the court remarked, the exhibit was not a "textbook example" of such a use.<sup>467</sup>

Finally, the court reached the same conclusion with respect to two other of the plaintiff's exhibits, namely, the following business card and packaging material:<sup>468</sup>



Once again, the court split the proverbial baby with respect to each. As to the business card, it observed that:

[T]he business card directs customers to [the] website for [the plaintiff's] retail services. . . . A potential customer could gather from the card that "Fashion for Food" was a tagline used to identify and lure customers to [the plaintiff's] online tableware retail website. . . . [B]ecause the business card uses "Fashion for Food" to promote and advertise [the plaintiff's] retail services, a reasonable factfinder could conclude that it meets the use-in-commerce requirement.

. . . .

Just looking at the business card, however, it is impossible to tell whether [the plaintiff] engaged in *marketing* services for manufacturers. And, just as the 8.5 x 11 inch sign was not directed or shown to manufacturers, there is no evidence that [the plaintiff] ever handed out its business cards to manufacturers. In fact, [the plaintiff's] co-founder claimed that he gave business cards "to potential customers in order to help them find and use [the] website." The website, however, is part of [the plaintiff's] *retail* services, not its *marketing* services. Thus, even viewing the evidence in

<sup>466</sup> *Id.* at 661-62.

<sup>467</sup> *Id.* at 661.

<sup>468</sup> *Id.* at 663.

the light most favorable to [the plaintiff], the business card does not evidence a “direct association” between “Fashion for Food” and marketing services, and as a result, does not meet the use-in-commerce requirement for those services.<sup>469</sup>

For much the same reasons, it concluded the packaging material similarly created a factual dispute as to the plaintiff’s use of the mark for retail services, but not with respect to marketing services; the defendant was once more entitled to summary judgment as to the latter.<sup>470</sup>

As documented by the discussion immediately above, some reported opinions did not resolve the use-in-commerce inquiries before them. In an opinion deferring such a resolution, the Second Circuit vacated a district court’s finding as a matter of law that a counterclaim plaintiff had not used its mark prior to its opponent’s date of first use.<sup>471</sup> The appellate court saw ample evidence in the summary judgment record creating a factual dispute on the issue, including the counterclaim plaintiff’s launch of a website accessible at a domain name corresponding to its claimed mark: Although that evidence might not have been sufficient in and of itself, the counterclaim plaintiff also had introduced into the record examples of advertising material bearing the mark, which tipped the scales in favor of a vacatur and remand.<sup>472</sup>

Finally, entry of summary judgment proved inappropriate in a case between two former business partners claiming rights to the same mark for a patented spring-loaded drawer organizing device.<sup>473</sup> Prior to striking a deal with the defendant to manufacture and sell the device, the plaintiffs shopped it around to a number of third parties without success, which led the defendant to claim the plaintiff had never itself used the device in commerce. In denying the defendant’s bid to prevail as a matter of law, the court cited evidence in the summary judgment record that the plaintiffs’ marketing materials had displayed their claimed mark and that the defendant’s vice president referred to the plaintiffs’ device by the mark even before the parties’ representatives had met to discuss a possible relationship. Together with the plaintiffs’ efforts to identify a company to produce a mold for its device, these considerations created a factual dispute on the issue of the plaintiff’s priority of use.<sup>474</sup>

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<sup>469</sup> *Id.* at 663, 664-65 (twelfth alteration in original) (citations omitted).

<sup>470</sup> *Id.* at 665-66.

<sup>471</sup> *See* Cross Commerce Media, Inc. v. Collective, Inc., 841 F.3d 155 (2d Cir. 2016).

<sup>472</sup> *Id.* at 168.

<sup>473</sup> *See* Hoenig Dev., Inc. v. Dial Indus., 213 F. Supp. 3d 895 (E.D. Mich. 2016).

<sup>474</sup> *Id.* at 903.

***(b) Use in Commerce Through Tacking***

The constructive-use doctrine of tacking allows marks to evolve without the evolution working a forfeiture of their owners' rights. Faced with a priority dispute involving confusingly similar marks, one group of plaintiffs sought to avail themselves of the doctrine, only to learn the hard way how strict the test for tacking can be.<sup>475</sup> The following graphics capture the various iterations of the plaintiffs' mark, which was used in connection with frozen ice cream treats:<sup>476</sup>



During a bench trial, the plaintiffs argued the images created the same commercial impression because they featured a central female figure and, additionally, because the varying Spanish verbiage surrounding that figure only referenced or described her. To the contrary, the court found, “[t]he Court’s consideration of these marks, side-by-side and without any evidence concerning how consumers in the marketplace perceive them, does not compel the conclusion that they present the same continuing commercial impression.”<sup>477</sup> Specifically, “[t]he changes in wording also, of course, mean that the marks are aurally distinct. Even the Indian Girls themselves differ visually in terms of color and various other features, including her belt, the ruffles of her skirt, her eyes, and

<sup>475</sup> See *Paletteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V.*, 188 F. Supp. 3d 22 (D.D.C. 2016), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).

<sup>476</sup> *Id.* at 58.

<sup>477</sup> *Id.*

her headdress.”<sup>478</sup> The plaintiffs therefore failed to meet the “exceedingly strict” standard for tacking.<sup>479</sup>

### *(c) Use Through Licensees*

The claimant to a mark need not itself use the mark in commerce to acquire protectable rights: Instead, as reflected in Section 5 of the Act,<sup>480</sup> properly licensed uses can do the job. An example of Section 5 in action appeared in litigation brought by the manager of a network of affiliated healthcare service providers.<sup>481</sup> The plaintiff owned two registrations of the marks it sought to protect, and the defendants generally did not contest the marks’ validity. Nevertheless, they claimed in a motion for summary judgment that the plaintiff had failed to demonstrate it had ever used the marks. The court denied the defendants’ motion and granted that of the plaintiff on the same subject. As the court explained:

The Lanham Act extends its protections to registered marks in legitimate use by a registrant’s “related companies.” When a related company uses a mark with a registrant’s permission, that use “shall inure to the benefit of the registrant,” so long as the registrant maintains sufficient control over the licensee’s use. Authorized use by a related party will maintain a trademark owner’s rights even when the *only* use of the mark is by the related party. Trademark licensing agreements between a registrant and related parties, whether written or implied, will avail the registrant of the Act’s protections.<sup>482</sup>

Because the plaintiff had proffered undisputed testimony its subsidiaries used the registered marks pursuant to agreements with the plaintiff, that use inured to the plaintiff’s benefit.<sup>483</sup>

The same doctrinal rule helped resolve a dispute in which the parties advanced competing claims to the same mark for a patented spring-loaded drawer organizing device.<sup>484</sup> In successfully responding to the defendant’s motion for summary judgment and prosecuting its own, the plaintiff called the court’s attention to a license agreement between the parties, which authorized the defendant to use the plaintiffs’ “invention.” The defendant sought to dispel the significance of the agreement by pointing out that the

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<sup>478</sup> *Id.* at 59 n.21.

<sup>479</sup> *Id.* at 60 (quoting *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1048 (9th Cir. 1999)).

<sup>480</sup> 15 U.S.C. § 1065 (2012).

<sup>481</sup> *See UHS of Del., Inc. v. United Health Servs., Inc.*, 227 F. Supp. 3d 381 (M.D. Pa. 2016).

<sup>482</sup> *Id.* at 390-91 (citations omitted) (quoting 15 U.S.C. § 1055 (2012)).

<sup>483</sup> *Id.* at 391.

<sup>484</sup> *See Hoenig Dev., Inc. v. Dial Indus.*, 213 F. Supp. 3d 895 (E.D. Mich. 2016).



agreement's salient terms did not mention the mark at issue, but the court found a reference to the plaintiff's ownership of the mark in the agreement's preamble more probative. That reference, as well as a definition of "invention" that swept in the marks associated with it, established a factual dispute on the question of whether the defendant's use had been a licensed one that gave the plaintiff priority of rights.<sup>485</sup>

### *(d) Use-Based Geographic Rights*

The territorial nature of trademark rights played a central role in the resolution of a dispute between manufacturers of frozen ice cream treats.<sup>486</sup> The court found that the plaintiffs had been the first to use their marks in the United States. Having lost that initial priority-based issue, the defendant challenged the validity of the plaintiffs' uses because, it argued, the plaintiffs had adopted and registered their marks in the United States in bad faith only after seeing those of the defendant in Mexico. The court rejected this argument, observing that "[the defendant] has not been able to provide, nor can the Court locate, any case in which a court has denied a national senior user rights in a mark because the mark was previously used outside of the United States and the national senior user adopted the mark in bad faith."<sup>487</sup> Thus, it concluded, "[i]f the Court were to hold that [the lead plaintiff] was not entitled to any rights in its marks on the basis of bad faith, despite the fact that it was first to use its marks in the United States, it would appear that the Court would be the first to do so in the history of American trademark law."<sup>488</sup> In the final analysis, "[n]o matter how unethical [the lead plaintiff's] actions may seem to an outside observer, . . . the Lanham Act does not regulate all aspects of business morality."<sup>489</sup>

This did not, however, mean the plaintiffs deserved a nationwide injunction to protect their registered marks. To the contrary, the court invoked the *Dawn Donut* doctrine<sup>490</sup> to hold that "[u]nder the Lanham Act, a federal registrant is entitled to enjoin a remote junior user of the mark if there is a likelihood of the registrant's entry into the disputed area."<sup>491</sup> "In other words," the court explained, "the registrant has a nationwide *right*, but the injunctive *remedy* does

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<sup>485</sup> *Id.* at 904-05.

<sup>486</sup> *See* *Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V.*, 188 F. Supp. 3d 22 (D.D.C. 2016), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).

<sup>487</sup> *Id.* at 89.

<sup>488</sup> *Id.* at 91.

<sup>489</sup> *Id.* at 91-92.

<sup>490</sup> *See* *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 362 (2d Cir. 1959).

<sup>491</sup> *Paleteria La Michoacana*, 188 F. Supp. 3d at 118 (alteration in original) (quoting *Foxtrap, Inc. v. Foxtrap, Inc.*, 671 F.2d 636, 640 (D.C. Cir. 1982)).

not ripen until the registrant shows a likelihood of entry into the disputed territory.”<sup>492</sup> Although there were at least some geographic areas in which the parties’ confusingly similar marks were used and in which the plaintiffs therefore deserved injunctive relief, the court held that “[the lead plaintiff] cannot simply make a naked assertion that it is ‘ready to begin sales’ in new markets and thereby obtain an injunction against a junior user under the *Dawn Donut* rule.”<sup>493</sup> The final injunction entered by the court therefore did not reach those new markets.<sup>494</sup>

## (2) Distinctiveness

### (a) *Inherent Distinctiveness of Verbal and Two-Dimensional Design Marks*

#### (i) Generic Designations

Not surprisingly, an attempt to claim exclusive rights to the phrase “meth lab cleanup” for the decontamination of illegal clandestine drug lab sites and related services came to naught, despite the plaintiff’s ownership of several federal registrations.<sup>495</sup> En route to a finding the phrase was generic as a matter of law, the court cited the following categories of evidence as probative to the relevant inquiry:

(1) generic use by competitors of the mark that has not been contested by the owner of the mark; (2) generic use of the trademark by the proponent of the trademark; (3) dictionary definitions to determine public usage; (4) generic usage in the media of the trademark, such as in trade journals and newspapers; (5) testimony of persons in the trade; and (6) consumer surveys.<sup>496</sup>

In support of their motion for summary judgment, the defendants submitted “thirty-nine declarations from [their] employees, former employees, and others in the industry, attesting that the term “meth lab cleanup” is used by everyone in the industry generically to name the services they offer, and has been used that way for the last 30 years.”<sup>497</sup> The defendants bolstered that testimony with documentary evidence in the form of printouts of competitors’ websites, a deck of its own PowerPoint slides predating the

<sup>492</sup> *Id.* at 119 (quoting J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 26:33 (2010 ed.)).

<sup>493</sup> *Id.*

<sup>494</sup> *Id.* at 120.

<sup>495</sup> See *Meth Lab Cleanup, LLC v. Bio Clean, Inc.*, 205 F. Supp. 3d 1243 (W.D. Wash. 2016).

<sup>496</sup> *Id.* at 1250 (quoting *Calista Enters. v. Tenza Trading Ltd.*, 43 F. Supp. 3d 1099, 1116 (D. Or. 2014)).

<sup>497</sup> *Id.*

plaintiff's date of first use, and "numerous examples of the term 'meth lab cleanup,' or similar terms, being used in newspaper articles, in the names of legislation, on governmental agencies' websites, and in online Yellow Pages."<sup>498</sup> As if all that were not enough, the defendants also availed themselves of dictionary definitions of the individual words making up the claimed mark and, critically, "four different examples of [the plaintiff] itself using the phrase in a generic way."<sup>499</sup> The plaintiff countered with "bare statements" from its principals that the phrase had not been in common use at the time the plaintiff adopted it, as well as the theories that the true generic descriptor for the parties' services was "clandestine drug lab assessment and decontamination" and that the defendants had fabricated their evidence, but its responsive showing ultimately was "clearly contradicted" by the defendants' showing.<sup>500</sup> Summary judgment of genericness resulted even though the defendants had failed to submit direct evidence of consumers' perceptions of the claimed mark.<sup>501</sup>

As always, some opinions addressing claims of genericness either rejected them<sup>502</sup> or put off resolving them.<sup>503</sup> The leading example of such an opinion came in a declaratory judgment action seeking a finding the GOOGLE mark was generic and therefore unprotectable for Internet search services.<sup>504</sup> That theory failed as a matter of law before the district court assigned to the case, and it fared no better in an appeal to the Ninth Circuit. As summarized by the appellate court, the counterclaim defendant based his attack on

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<sup>498</sup> *Id.*

<sup>499</sup> *Id.* at 1251.

<sup>500</sup> *Id.*

<sup>501</sup> *Id.* at 1252-53.

<sup>502</sup> *See, e.g.,* Sturgis Motorcycle Rally, Inc. v. Rushmore Photo & Gifts, Inc., 239 F. Supp. 3d 1128, 1137-40 (D.S.D. 2017) (declining, without extensive discussion of record, to overturn jury finding that plaintiff's STURGIS, STURGIS BIKE WEEK, STURGIS MOTORCYCLE RALLY, and STURGIS RALLY RACES for an annual motorcycle rally and related goods were not generic), *appeal docketed*, No. 17-2712 (8th Cir. Aug. 8, 2017); ZW USA, Inc. v. PWD Sys., LLC, 208 F. Supp. 3d 1025, 1043 (E.D. Mo. 2016) ("Defendant submitted no evidence that [the registered mark] ONEPUL is generic for dog waste bags or a particular genus of dog waste bag that can be dispensed with a single movement of the hand."); Bulbs 4 E. Side, Inc. v. Ricks, 199 F. Supp. 3d 1151, 1158 (S.D. Tex. 2016) (rejecting defense claim that federally registered JUST BULBS mark was generic but without otherwise placing mark on spectrum of distinctiveness).

<sup>503</sup> *See, e.g.,* A.V.E.L.A., Inc. v. Estate of Marilyn Monroe, LLC, 241 F. Supp. 3d 461, 477-78 (S.D.N.Y. 2017) (denying motion to dismiss resting on allegation that multiple registered marks consisting in whole or in part of Marilyn Monroe's name were generic for various goods and services); Diamond Foods, Inc. v. Hottrix, LLC, 119 U.S.P.Q.2d 1553, 1564 (N.D. Cal. 2016) (declining to accept invitation in motion to dismiss to find trade dress of icon associated with counterclaim plaintiffs' downloadable software application generic as a matter of law).

<sup>504</sup> *See Elliott v. Google, Inc.*, 860 F.3d 1151 (9th Cir. 2017), *cert. denied*, 138 S. Ct. 362 (2017).

the mark's validity primarily on the theories that "(1) it is an indisputable fact that a majority of the relevant public uses the word 'google' as a verb—i.e., by saying 'I googled it,'" and (2) verb use constitutes generic use as a matter of law."<sup>505</sup>

The court faulted that theory for several reasons, the first of which was that "a claim of genericide or genericness must be made with regard to a particular type of good or service."<sup>506</sup> This, the court held, rendered meritless the counterclaim defendant's theory that a mark could become generic for an *act*, here, that of conducting Internet searches:

If there were no requirement that a claim of genericide relate to a particular type of good, then a mark like IVORY, which is "arbitrary as applied to soap," could be cancelled outright because it is "generic when used to describe a product made from the tusks of elephants." This is not how trademark law operates: Trademark law recognizes that a term may be unprotectable with regard to one type of good, and protectable with regard to another type of good. In this way, the very existence of arbitrary marks as a valid trademark category supports our conclusion that a claim of genericide must relate to a particular type of good or service.<sup>507</sup>

The second flaw in the counterclaim defendant's position was that "verb use does not automatically constitute generic use."<sup>508</sup> To begin with:

When Congress amended the Lanham Act to specify that the primary significance test applies to claims of genericide, it specifically acknowledged that a speaker might use a trademark as the name for a product, i.e., as a noun, and yet use the mark with a particular source in mind, i.e., as a trademark. It further explained that:

A trademark can serve a dual function—that of [naming] a product while at the same time indicating its source. Admittedly, if a product is unique, it is more likely that the trademark adopted and used to identify that product will be used as if it were the identifying name of that product. But this is not conclusive of whether the mark is generic.

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<sup>505</sup> *Id.* at 1155.

<sup>506</sup> *Id.* at 1157.

<sup>507</sup> *Id.* (quoting *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 n.6 (2d Cir. 1976)).

<sup>508</sup> *Id.*

In this way, Congress has instructed us that a speaker might use a trademark as a noun and still use the term in a source-identifying trademark sense.<sup>509</sup>

Moreover, the court had “already implicitly rejected [the counterclaim defendants’] theory that only adjective use constitutes trademark use” in an opinion holding that consumers’ requests for “a coke” did not render the COCA-COLA mark generic for beverages.<sup>510</sup> “In the same way,” the court held, “we now recognize that an internet user might use the verb ‘google’ in an indiscriminate sense, with no particular search engine in mind; or in a discriminate sense, with the Google search engine in mind.”<sup>511</sup>

Turning to the summary judgment record, the court affirmed the district court’s finding as a matter of law that the counterclaim defendant had failed to demonstrate use of the GOOGLE mark in the required “indiscriminate sense.” Although the counterclaim defendant proffered alleged survey evidence explained by “a qualified survey expert,”<sup>512</sup> “alleged generic use by the media and by consumers,”<sup>513</sup> additional expert witness testimony (apparently from lexicographers),<sup>514</sup> and dictionary definitions,<sup>515</sup> the entirety of his showing focused on uses of the disputed mark as a verb, which, to reiterate, failed to address the proper test for genericness.<sup>516</sup> The counterclaim defendant’s showing was equally devoid of evidence Google itself had used its own mark as an undifferentiated noun.<sup>517</sup> Finally, the counterclaim defendant had failed to demonstrate “there is no efficient alternative for the word ‘google’ as a name for ‘the act’ of searching the internet regardless of the search engine used,”<sup>518</sup> or, in other words, “there is no way to describe ‘internet search engines’ without calling them ‘googles.’”<sup>519</sup> Under these circumstances, the district court had not erred in rejecting the counterclaim defendant’s case as a matter of law.<sup>520</sup>

In a different dispute, this one involving the sale of air-powered toy rockets, the plaintiffs’ registrations of their STOMP and STOMP ROCKET marks played a significant role in the plaintiffs’ successful

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<sup>509</sup> *Id.* at 1157-58 (alteration in original) (quoting S. Rep. No. 98-627, at 5 (1984)).

<sup>510</sup> *Id.* at 1158 (citing *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1255 (9th Cir. 1982)).

<sup>511</sup> *Id.*

<sup>512</sup> *Id.* at 1160.

<sup>513</sup> *Id.*

<sup>514</sup> *Id.* at 1161.

<sup>515</sup> *Id.* at 1161-62.

<sup>516</sup> *Id.* at 1162.

<sup>517</sup> *Id.*

<sup>518</sup> *Id.*

<sup>519</sup> *Id.*

<sup>520</sup> *Id.* at 1163.

prosecution of a motion for summary judgment.<sup>521</sup> The defendants' showing in response to that motion might ordinarily have created a factual dispute on the issue of the validity of the plaintiffs' marks, especially as it included a press release and a letter from one of the plaintiffs characterizing "stomp rocket" as a generic term for rockets launched with air or water pressure when users stomped on a rubberized bladder. Nevertheless, the court found that "[t]hese statements also included capitalization of 'Stomp Rocket' with the 'TM' (trademark) symbol, undercutting any claims that Plaintiff[s] meant that Stomp Rocket is 'generic' as a matter of trademark law";<sup>522</sup> moreover, "[w]hile evidence of the owner's generic use may be 'strong evidence of genericness,' [there] must be "repeated and consistent instances of such usage."<sup>523</sup> The court then rejected the defendants' reliance on additional claimed evidence of genericness, including uses disclosed through Google searches<sup>524</sup> and dictionary definitions.<sup>525</sup> Finally, as a "policy consideration[]," the court found that "[m]aintaining STOMP and STOMP ROCKET as protectable marks does not erect expensive or syntactically convoluted barriers to Defendants calling its toy launcher by another easily definable and non-infringing name."<sup>526</sup> The defendants therefore failed to place the validity of the plaintiffs' marks in dispute.<sup>527</sup>

Similarly, after placing the burden on a defendant to prove the genericness of the incontestably registered PUBLIC IMPACT mark for consulting services, one court concluded that burden had not been met in response to a motion for preliminary injunctive relief.<sup>528</sup> Although the defendant introduced "a list of 27 third-party uses of

<sup>521</sup> See *JFJ Toys, Inc. v. Sears Holdings Corp.*, 237 F. Supp. 3d 311 (D. Md. 2017).

<sup>522</sup> *Id.* at 331.

<sup>523</sup> *Id.* (quoting *Retail Servs., Inc. v. Freebies Publ'g*, 364 F.3d 535, 545 (4th Cir. 2004); *Pom Wonderful LLC v. Hubbard*, No. CV1306917RGKJPRX, 2016 WL 3621281, at \*7 (C.D. Cal. June 29, 2016)).

<sup>524</sup> The court cited three reasons for dismissing the defendants' Google-related evidence: (1) it was unauthenticated and therefore hearsay; (2) the search results were "of little worth because the search term is too narrowly defined and yields results which only include the term 'stomp rocket'" and because "[t]his search reveals nothing about how air launcher toys of similar design are referred [to] in the relevant commercial market so as to aid the factfinder in determining whether STOMP or STOMP ROCKET are indeed generic terms describing air launcher toys." *Id.*

<sup>525</sup> The defendants' proffered dictionary evidence contained no definition of "stomp rocket," which presented a problem because, as the court observed, "[w]here one of the challenged marks includes a composite mark made up of ordinary terms, the definitions of the component parts provide little probative value of the terms' genericness." *Id.* at 333 n.8. In addition, that evidence did not define "stomp" in any way relevant "to a rocket or toy of any kind." *Id.*

<sup>526</sup> *Id.* On this issue, the court noted the apparent ease with which the defendants had rebranded their goods after receiving the plaintiffs' challenge. *Id.*

<sup>527</sup> *Id.* at 334.

<sup>528</sup> See *Pub. Impact, LLC v. Boston Consulting Grp.*, 169 F. Supp. 3d 278 (D. Mass. 2016), *appeal dismissed*, No. 16-1400 (1st Cir. Oct. 18, 2016).

the words ‘public impact,’” the court declined to give the list dispositive effect because some of the uses reflected in it were outside the United States and because others used “only the words ‘Public’ or ‘Impact,’ and do not use the entire phrase or mark PUBLIC IMPACT, thus providing only weak evidence that the mark is generic”;<sup>529</sup> moreover, the court noted, “it appears that many of the example usages of the phrase ‘public impact’ do not use it to refer to ‘consulting services,’ which is the relevant genus for the inquiry.”<sup>530</sup> The court then rejected a second showing by the defendant in the form of “extensive evidence of media usage of the phrase”<sup>531</sup> because:

When used in this manner, the words ‘public impact’ refer to the actual ‘effect’ of policy initiatives, and not to the process of designing or planning those initiatives, which might fall within the genus of consulting services for which plaintiff’s mark is used. Put another way, plaintiff uses the mark in connection with selling the *service* of planning or designing policy initiatives meant to have an effect on the public, whereas the examples submitted by [defendant] appear to use the words to refer to the hoped-for *result* of those services.<sup>532</sup>

A different defendant’s inability to rebut the *prima facie* evidence of validity attaching to a registration that had not yet become incontestable led to a finding of nongenericness for the EVERLASTING LIFE service mark when used in connection with a restaurant and market for natural foods.<sup>533</sup> A former member of a religious organization associated with the plaintiffs, the defendant argued that third-party religious and spiritual groups also used the mark, but the court found that argument missed the point. Instead, it concluded after a bench trial that:

[E]ven if “everlasting life” is [a] common phrase in religious circles, the generic nature of a term for the purpose of the trademark-infringement analysis must be evaluated *in the context* of the service or goods to which the term is being applied. [The defendant] does not (and apparently cannot) contend that the term “Everlasting Life” is commonly used in the restaurant or food-services industry, or that the public typically perceives that phrase as primarily designating restaurant services. And, indeed, it is precisely because this Court finds that the phrase “Everlasting Life” is not

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<sup>529</sup> *Id.* at 287.

<sup>530</sup> *Id.*

<sup>531</sup> *Id.*

<sup>532</sup> *Id.* at 288.

<sup>533</sup> *See Yah Kai World Enters. v. Napper*, 195 F. Supp. 3d 287 (D.D.C. 2016).

ordinarily associated with the provision of food (and is, at most, suggestive of vegan, healthy meals) that the Court concludes that [the defendant] has failed to rebut the presumption that the mark is inherently distinctive with respect to the products and services of a vegan restaurant or grocery store and therefore, is entitled to trademark protection.<sup>534</sup>

Finally, in a case in which a factual dispute over genericness precluded the grant of a defense motion for summary judgment, the comedian and actor known as “Larry the Cable Guy” sought to protect his GIT-R-DONE tagline for entertainment services.<sup>535</sup> Seeking to invalidate the plaintiff’s claim of rights, the defendant introduced expert testimony from a lexicographer of third-party use and also relied on the undisputed fact that the plaintiff had not invented his tagline. Those showings were not enough to carry the day, however, at least as a matter of law: With respect to the first, the court explained, “[the expert’s] report does not address the uses of ‘Git-R-Done’ with respect to the products or services by either party to this lawsuit,”<sup>536</sup> and, with respect to the second, “Shell, Camel, and Apple[] did not invent those words . . . , but they are still entitled to trademark protection in the context of gasoline, cigarettes, and computers.”<sup>537</sup>

## (ii) Descriptive Marks

Courts generally treat laudatory terms as descriptive and therefore unprotectable in the absence of acquired distinctiveness. Against the background of this rule, a New York federal district court tackled the question of whether the deliberate misspelling of a laudatory word could render the resulting mark inherently distinctive.<sup>538</sup> The disputed mark in question was ELIT, used in connection with vodka. The court noted as an initial matter that the mark’s owner had “simply dropped the last letter of a well-known word that is synonymous—in adjectival form—with excellence and exclusivity.”<sup>539</sup> That circumstance, the court held, was fatal to the owner’s claim its mark was not, in fact, merely laudatory of its goods: “ELIT (as a bastardization of ELITE) falls into a category of marks aptly described in the case law as “self-laudatory” terms—

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<sup>534</sup> *Id.* at 315-16 (citations omitted).

<sup>535</sup> *See* Git-R-Done Prods., Inc. v. Giterdone C Store, LLC, 226 F. Supp. 3d 684 (S.D. Miss. 2016).

<sup>536</sup> *Id.* at 690.

<sup>537</sup> *Id.*

<sup>538</sup> *See* Classic Liquor Imps., Ltd. v. Spirits Int’l B.V., 201 F. Supp. 3d 428 (S.D.N.Y. 2016).

<sup>539</sup> *Id.* at 443.



that is, “[m]arks that extol some feature or attribute of the goods or services.”<sup>540</sup>

Another analysis of descriptiveness, albeit a less than extensive one, came at the hands of a different court tasked with placing on the spectrum of distinctiveness the plaintiff’s MEDICAL EXERCISE SPECIALIST mark for the certification of fitness professionals working with post-rehabilitation patients.<sup>541</sup> Invoking Fifth Circuit authority while weighing the plaintiff’s motion for a preliminary injunction, the court initially held that:

Indicia [of a mark’s descriptiveness] include: (1) the mark’s dictionary definition corresponds with its meaning and context; (2) upon hearing the mark, one need not use “imagination, thought and perception to reach a conclusion as to the nature of goods”; (3) “competitors would be likely to need the terms used in the trademark in describing their products”; and (4) others would have used the term in marketing a similar service or product.<sup>542</sup>

Despite this restatement of the relevant governing doctrine, as well as acknowledging the plaintiff had made a showing under each of the relevant considerations,<sup>543</sup> the court did not engage in a factor-by-factor analysis while rejecting the defendant’s argument that the mark was generic, holding merely instead that “the Court [is] unconvinced that the mark is generic simply because it consists of a combination of generic terms.”<sup>544</sup> The plaintiff’s contention the mark was suggestive fared no better, however, with the court concluding in cursory fashion the plaintiff had failed to demonstrate that contention was likely to succeed on the merits.<sup>545</sup>

An Illinois federal district court reached several findings of descriptiveness despite the presence of an apparently arbitrary word in the plaintiffs’ claimed marks.<sup>546</sup> The plaintiff operated a club to promote the preservation, enjoyment, and exchange of

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<sup>540</sup> *Id.* (alteration in original) (quoting J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 11:17 (4th ed.)).

<sup>541</sup> *See Jones v. Am. Council on Exercise*, 245 F. Supp. 3d 853 (S.D. Tex. 2017).

<sup>542</sup> *Id.* at 860 (alteration in original) (quoting *Xtreme Lashes, LLC v. Xtended Beauty, Inc.*, 576 F.3d 221, 232 (5th Cir. 2009)).

<sup>543</sup> *Id.* (“[The plaintiff] claims that no competitor has used his mark for over twenty years, that the mark is not in the dictionary and thus has no ordinary significance to the public, that imagination is required to determine what a Medical Exercise Specialist does, and that there is no evidence of widespread use by others in the industry. He also cites evidence in the form of affidavits from individuals who work in the industry that indicates that these individuals perceive the term as being unique to [the plaintiff’s] program, at least until [the defendant] started using the term in 2015.” (citation omitted)).

<sup>544</sup> *Id.*

<sup>545</sup> *Id.*

<sup>546</sup> *See Checker Car Club of Am., Inc. v. Fay*, 262 F. Supp. 3d 621 (N.D. Ill. 2017).

information concerning taxi cabs produced by the defunct Checker Motors Corporation, in connection with which it used the CHECKER CAR CLUB OF AMERICA, CHECKER CAR CLUB, and CHECKER WORLD marks. In support of a preliminary injunction motion, the plaintiff asserted its marks possessed inherent distinctiveness, but it failed to back up that claim with any explanation of why; not surprisingly, therefore, the court accepted the defendant's argument the marks were descriptive.<sup>547</sup>

Needless to say, geographically descriptive terms also fall within the larger category of descriptive marks.<sup>548</sup> One court confirmed this proposition in a battle over three marks, MICHOACANA, LA MICHOACANA, and LA MICHOACANA NATURAL, under which the counterclaim plaintiff sold frozen ice cream treats.<sup>549</sup> In finding the marks lacked inherent distinctiveness, the court explained that “the terms ‘MICHOACANA’ and ‘LA MICHOACANA’ are descriptive of a type of product that is understood in the minds of consumers to have originated in the Mexican state of Michoacán, and it is not primarily associated with [the counterclaim plaintiff] or any other single source.”<sup>550</sup>

A final determination of descriptiveness was perhaps the shakiest of the year.<sup>551</sup> The federally registered mark at issue was MASTERMIND for musical recordings, performances, and entertainment services. In granting a defense motion for summary judgment, the court credited dictionary definitions proffered by both parties and observed:

Defendants assert that “Mastermind” is descriptive as it applies to “creative artists,” based on Oxford Dictionary’s definition of “Mastermind” as “a person with an outstanding intellect” and the first usage example references “an eminent musical mastermind.” Plaintiff utilizes Merriam–Webster’s definition of “Mastermind” which means “to plan and organize something” as a noun and as a verb “a person who plans and organized something.” Of interest, Merriam–Webster also includes a definition of “Mastermind” as “a

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<sup>547</sup> *Id.* at 1178.

<sup>548</sup> *See, e.g.,* Fashion Week, Inc. v. Council of Fashion Designers of Am., Inc., 121 U.S.P.Q.2d 1041, 1047 (S.D.N.Y. 2016) (“The marks at issue in this case are not inherently distinctive because [the plaintiff] does not contend that the terms NEW YORK FASHION WEEK, NYFW, and NYFW THE RUNWAY SHOWS are suggestive, fanciful, or arbitrary [for the organization of fashion shows in New York City]. Indeed the parties appear to agree that the terms are descriptive.”).

<sup>549</sup> *See* Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V., 188 F. Supp. 3d 22 (D.D.C. 2016), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).

<sup>550</sup> *Id.* at 83.

<sup>551</sup> *See* Caiz v. Roberts, 224 F. Supp. 3d 944 (C.D. Cal. 2016), *judgment entered*, No. CV No. 15-09044-RSWL-AGRx, 2016 WL 7335777 (C.D. Cal. Dec. 16, 2016), *appeal docketed*, No. 17-55051 (9th Cir. Jan 12, 2017).

person who supplies the directing or creative intelligence for a project.”<sup>552</sup>

Moreover, the court noted, the defendants had submitted “overwhelming evidence” that “many others in the rap industry have utilized the mark ‘Mastermind’ in album titles, web sites, and song lyrics,” a showing that disposed of the plaintiff’s assertion “that such a mental leap or imagination is required to attribute ‘Mastermind’ to audio and visual recordings, audio recordings featuring music, musical video recordings, live performances, and other goods and services . . . .”<sup>553</sup>

### (iii) Suggestive Marks

The past year saw several federal appellate opinions conclude the marks before them were suggestive. At issue in one Second Circuit appeal was the inherent distinctiveness of the COLLECTIVE mark for the operation of an online advertising network, which the district court had found descriptive as a matter of law.<sup>554</sup> Referring to dictionary definitions of the word “collective,” the court of appeals found “three plausible associations between those definitions and [the counterclaim plaintiff’s] products”: (1) the counterclaim plaintiff was putatively “able to analyze vast amounts of data in order to help clients identify effective marketing opportunities, a service that could be described as ‘collective’ in nature—or, perhaps, producing a ‘collective’ of relevant data”;<sup>555</sup> (2) “[the counterclaim plaintiff] points to its capacity to identify marketing opportunities across multiple electronic devices, which could be framed as offering consumers a ‘collective’ of marketing platforms”;<sup>556</sup> and (3) “in the most general sense, the [counterclaim plaintiff’s] software works to aggregate advertising opportunities and present them, as a ‘collective,’ to users.”<sup>557</sup> The court remarked of these considerations that “[t]hese associations lack the specificity that would enable an average consumer to intuit the nature of [the counterclaim plaintiff’s] business from the ‘collective’ mark, at least absent considerable imaginative effort (or luck).”<sup>558</sup> That the USPTO routinely had registered other “collective” marks owned by the plaintiff further supported the court’s determination the mark was suggestive, rather than descriptive.<sup>559</sup>

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<sup>552</sup> *Id.* at 951 (citations omitted).

<sup>553</sup> *Id.*

<sup>554</sup> *See* Cross Commerce Media, Inc. v. Collective, Inc., 841 F.3d 155 (2d Cir. 2016).

<sup>555</sup> *Id.* at 163-64.

<sup>556</sup> *Id.* at 164.

<sup>557</sup> *Id.*

<sup>558</sup> *Id.*

<sup>559</sup> *Id.* at 165-67.

In another appellate opinion, the Fifth Circuit declined to disturb a jury finding of inherent distinctiveness for the STREAMLINE PRODUCTION SYSTEMS mark, which the plaintiff used in connection with natural gas processing equipment and the custom manufacturing of the same goods.<sup>560</sup> The jury instructions did not mandate the mark's placement on any particular spot of the spectrum of distinctiveness, but the court of appeals deemed it suggestive. Specifically, "Streamline Production Systems' describes [the plaintiffs] products at a sufficiently high level of generality that it requires imagination on the part of customers to deduce the nature of its products."<sup>561</sup> The deference due the jury's finding of inherent distinctiveness generally sealed the deal in the plaintiff's favor.<sup>562</sup>

The Fourth Circuit also reached a determination of mark suggestiveness in an appeal in which a district court judge had reached the same conclusion.<sup>563</sup> The federally registered mark at issue was F 450, used in connection with hair care products. That "[i]n the hair care industry, '450' often refers to the temperature to which one can heat hair before it melts or scorches"<sup>564</sup> played a role in the court's conclusion the mark was inherently distinctive, as did the USPTO's decision to register the mark without requiring a showing of acquired distinctiveness.<sup>565</sup> In the final analysis, though, the defendant failed to contest the issue.<sup>566</sup>

At the trial court level, a bench trial before a Virginia federal district court produced a finding that the SELECT AUTO IMPORTS mark was suggestive and therefore inherently distinctive when used in connection with an automobile dealership.<sup>567</sup> Although the laudatory nature of "select" might have led to the court considering the word descriptive, the court gave considerable weight to the USPTO's registration of the mark with a disclaimer of only "auto imports" (and not "Select").<sup>568</sup> Beyond that consideration, the court found, "[i]t is clear, in any event, that 'Select' is suggestive because the term 'connote[s] some quality, ingredient, or characteristic of a product' and does not 'go as far as describing the product.'"<sup>569</sup>

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<sup>560</sup> See *Streamline Prod. Sys., Inc. v. Streamline Mfg., Inc.*, 851 F.3d 440 (5th Cir. 2017).

<sup>561</sup> *Id.* at 452.

<sup>562</sup> *Id.* at 452-53.

<sup>563</sup> See *Grayson O Co. v. Agadir Int'l LLC*, 856 F.3d 307 (4th Cir. 2017).

<sup>564</sup> *Id.* at 312.

<sup>565</sup> *Id.* at 315 n.5.

<sup>566</sup> *Id.* at 315.

<sup>567</sup> See *Select Auto Imps. Inc. v. Yates Select Auto Sales, LLC*, 195 F. Supp. 3d 818 (E.D. Va. 2016).

<sup>568</sup> *Id.* at 832.

<sup>569</sup> *Id.* (alteration in original) (quoting *Teaching Co. v. Unapix Entm't, Inc.*, 87 F. Supp. 2d 567, 576 (E.D. Va. 2000)).

The argan tree is a species of plant endemic to Morocco, and that geographic provenance might be expected to have some relevance to a determination of the distinctiveness of the MOROCCANOIL mark for hair-care products consisting in part of oil derived from the fruit of that particular plant.<sup>570</sup> Not so, however, according to a California federal district court hearing a motion for preliminary injunctive relief by the owners of that mark. Albeit without extended analysis, that court held variations on the mark protectable in the absence of a showing of acquired distinctiveness: “Here, [the plaintiff’s] marks appear to be suggestive because a consumer must make a ‘mental leap’ to understand the term ‘MoroccanOil’ refers to hair and body products that contain argan oil.”<sup>571</sup>

So too did a motion for a temporary restraining order produce a finding of suggestiveness.<sup>572</sup> Although the motion ultimately failed in light of the plaintiff’s inability to prove irreparable harm, the plaintiff successfully established its LIVEWELL PLANNER mark was an inherently distinctive indicator of origin for the weekly planners the plaintiff sold under it. The court’s analysis of the issue was not extensive, but it did quote approvingly the plaintiff’s argument that “[t]he terms [sic] ‘live well’ suggests a desired result of using the product.”<sup>573</sup> From there, it concluded that “[f]or purposes of resolving this Motion, the Court agrees that the ‘Livewell Planner’ mark likely falls into the ‘suggestive’ category and is thus a distinctive mark, deserving of trademark protection.”<sup>574</sup>

Finally, a motion for a default judgment led a different court to find the CROSSFIT mark suggestive when used in connection with fitness training and related goods.<sup>575</sup> As the court explained that finding:

The mark CROSSFIT® is a combination of the terms, “cross” and “fit,” which are both commonly associated with exercise and fitness. The term “cross” has been used in sports and fitness as in cross-training to refer to combining different sports or types of exercises in order to improve a person’s fitness and performance. The combination of the terms into a single unique word places the mark in the “suggestive”

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<sup>570</sup> See *MoroccanOil, Inc. v. Zotos Int’l, Inc.*, 230 F. Supp. 3d 1161 (C.D. Cal. 2017).

<sup>571</sup> *Id.* at 1173 (quoting *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1047 (9th Cir. 1999)).

<sup>572</sup> See *Kotori Designs, LLC v. Living Well Spending Less, Inc.*, 120 U.S.P.Q.2d 1319 (M.D. Fla.), *preliminary injunction denied*, 120 U.S.P.Q.2d 1800 (M.D. Fla. 2016).

<sup>573</sup> Quoted in *id.* at 1322.

<sup>574</sup> *Id.*

<sup>575</sup> See *CrossFit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295 (N.D. Ga. 2017).

category, requiring a leap of the imagination to get from the mark to the product.<sup>576</sup>

#### (iv) Arbitrary Marks

“[A]n arbitrary mark ‘has a significance recognized in everyday life, but the thing it normally signifies is unrelated to the product or service to which the mark is attached, such as CAMEL cigarettes or APPLE computers.’”<sup>577</sup> Although definitions such as this one appeared in the case law with relative frequency, applications of them to reach actual findings of arbitrariness were comparatively rare. One such finding resulted from an infringement suit brought by the owner of the federally registered CAVA MEZZE GRILL mark for restaurant services.<sup>578</sup> Without referencing the English translation of “cava”—“cave”—the court perfunctorily observed that “[the plaintiff’s] mark is conceptually strong insofar as the word ‘Cava’ is arbitrary and not descriptive of a fast-casual restaurant serving Mediterranean food.”<sup>579</sup>

Another exception to the general dearth of determinations of arbitrariness occurred in an action brought by the owner of the CRAZY HORSE III mark for a Las Vegas strip club.<sup>580</sup> Addressing the mark’s protectability, the court found that its constituent words did not “directly describe the nature, quality, or features of a strip club, nor do they convey the impression of a strip club, and therefore the mark is not generic, descriptive, or suggestive. [The mark] is also not fanciful, because the words ‘Crazy Horse III’ are commonly used in the English language.”<sup>581</sup> Arbitrariness therefore was the last category of distinctiveness left standing.<sup>582</sup>

#### (v) Coined or Fanciful Marks

One court observed that “[f]anciful marks are ‘coined words’ that have been invented or selected for the sole purpose of functioning as a trademark, like ‘CLOROX,’ for bleach.”<sup>583</sup> Another opined in similar fashion that “[s]ome examples of fanciful marks are

<sup>576</sup> *Id.* at 1306.

<sup>577</sup> *Progressive Distrib. Servs., Inc. v. United Parcel Serv., Inc.*, 856 F.3d 416, 428 (6th Cir.) (quoting *Therma-Scan, Inc. v. Thermoscan, Inc.*, 295 F.3d 623, 613 (6th Cir. 2002)), *cert. denied*, 138 S. Ct. 91 (2017).

<sup>578</sup> *See Cava Grp. v. Mezeh-Annapolis, LLC*, 119 U.S.P.Q.2d 1593 (D. Md. 2016).

<sup>579</sup> *Id.* at 1600.

<sup>580</sup> *See Russell Rd. Food & Beverage, LLC v. Galam*, 180 F. Supp. 3d 724 (D. Nev. 2016).

<sup>581</sup> *Id.* at 735.

<sup>582</sup> *Id.*

<sup>583</sup> *Quoc Viet Foods, Inc. v. VV Foods, LLC*, 192 F. Supp. 3d 1067, 1071 (C.D. Cal. 2016).

Clorox®, Kodak®, Polaroid®, and Exxon® . . . .”<sup>584</sup> And still another held that “‘Kodak’ is an example of a ‘fanciful’ mark because it was ‘invented solely for [its] use as [a] trademark[.]’”<sup>585</sup> Nevertheless, reported opinions were devoid of any readily apparent findings that particular marks actually fell into these categories.

***(b) Inherent Distinctiveness of Trade Dress and  
Nontraditional Marks***

In *Wal-Mart Stores, Inc. v. Samara Bros.*,<sup>586</sup> the Supreme Court not only held that product configurations cannot qualify as inherently distinctive indicators of origin, it set forth a tie-breaker in cases in which distinguishing between those configurations and product packaging might be difficult: “To the extent there are close cases, we believe that courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning.”<sup>587</sup> That rule came into play in litigation over the protectability of the following metal plate for shoes, which the plaintiff sought to characterize as equivalent to a word mark or packaging:<sup>588</sup>



Invoking the Supreme Court’s holding in *Wal-Mart*, the court rejected that attempt:

Despite [the plaintiffs] efforts to shoehorn the [claimed mark] into the trademark category, it does not fit. Rather,

<sup>584</sup> *JFJ Toys, Inc. v. Sears Holdings Corp.*, 237 F. Supp. 3d 311, 328 (D. Md. 2017) (quoting *J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition* §§ 11.03, 11.04 (4th ed. 2014)).

<sup>585</sup> *Forney Indus. v. Daco of Mo., Inc.*, 835 F.3d 1238, 1245 (10th Cir. 2016) (alterations in original) (quoting *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 11 n.12 (2d Cir. 1976)).

<sup>586</sup> 529 U.S. 205 (2000).

<sup>587</sup> *Id.* at 215.

<sup>588</sup> See *LVL XIII Brands, Inc. v. Louis Vuitton Malletier S.A.*, 209 F. Supp. 3d 612 (S.D.N.Y. 2016), *aff’d*, No. 16-3488-CV, 2017 WL 6506353 (2d Cir. Dec. 20, 2017). The graphic in the text accompanying this footnote appears in the file-wrapper history of the plaintiff’s application to register its mark, namely, Serial No. 85868102 (filed March 6, 2013).

. . . the [claimed mark] serves a primarily aesthetic function: making [the plaintiff's] sneakers appear more enticing. Accordingly, the [claimed mark] can be classified only as a product design feature which is not inherently distinctive. To prevail on its Lanham Act claims, [the plaintiff] must therefore show that the [claimed mark] acquired secondary meaning.<sup>589</sup>

The Tenth Circuit tackled an issue left open by the Supreme Court's decisions in *Two Pesos, Inc. v. Taco Cabana, Inc.*<sup>590</sup> and *Qualitex Co. v. Jacobson Products Co.*,<sup>591</sup> namely, whether a combination of two colors can in and of itself qualify as an inherently distinctive indicator of origin.<sup>592</sup> The colors at issue were red and yellow, which the plaintiff used in the following representative manner:<sup>593</sup>



Seeking to overturn the grant of a defense motion for summary judgment, the plaintiff argued its undifferentiated use of the colors was inherently distinctive, but the appellate court disagreed. Under its reading of the Supreme Court's opinions, "the use of color in product packaging can be inherently distinctive (so that it is unnecessary to show secondary meaning) only if specific colors are used in combination with a well-defined shape, pattern, or other

<sup>589</sup> *LVL XIII Brands*, 209 F. Supp. 3d at 654.

<sup>590</sup> 505 U.S. 763 (1992).

<sup>591</sup> 514 U.S. 159 (1995).

<sup>592</sup> *See Forney Indus. v. Daco of Mo., Inc.*, 835 F.3d 1238 (10th Cir. 2016).

<sup>593</sup> *Id.* at 1242.



distinctive design.”<sup>594</sup> The district court therefore had properly disposed of the plaintiff’s claims as a matter of law.

A claim of trade dress rights by the operator of a chain of Mediterranean-themed restaurants likewise met with rough justice at the hands of a Maryland district court.<sup>595</sup> The plaintiff’s alleged trade dress consisted of a number of elements, including: “(1) a dark hardwood façade/background with the [plaintiff’s registered logo]; (2) orange, black, and white color signage; (3) two-color signs made up of white letters with an accentuated orange ‘V’; (4) orange and white color scheme; (5) a store layout featuring the counter at the back and an open kitchen plan.”<sup>596</sup> Unfortunately for the plaintiff, the summary judgment record assembled by both parties demonstrated that the plaintiff’s locations employed these elements only to varying degrees. As a matter of law, the court concluded, that circumstance precluded the plaintiff from establishing the inherent distinctiveness of the elements.<sup>597</sup>

Another opinion, this one from a Texas federal district court, rejected a claim of inherent distinctiveness for three different trade dresses on a preliminary injunction motion.<sup>598</sup> The plaintiff sold medical identification bracelets and tags bearing the wearer’s important medical information. It struggled to define its primary claimed trade dress, so much so that it offered different definitions at three stages of the litigation: Each claimed trade dress, however, generally comprised materials promoting the plaintiff’s goods and services, such as mailers, easel displays, and reproductions of the plaintiff’s bracelets. The plaintiff’s failure to define its claims “with sufficient clarity or consistency” did not help its bid for a finding of inherent distinctiveness,<sup>599</sup> but the plaintiff’s real problem was that each of its various trade dresses “falls somewhere in the middle of the product-packaging and product-design spectrum.”<sup>600</sup> Heeding the Supreme Court’s admonition that “[t]o the extent there are close cases, we believe that courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning,”<sup>601</sup> the court found the plaintiff’s claimed trade dresses not inherently distinctive and therefore unprotectable in the absence of acquired distinctiveness.<sup>602</sup>

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<sup>594</sup> *Id.* at 1248.

<sup>595</sup> *See* Cava Grp. v. Mezeh-Annapolis, LLC, 119 U.S.P.Q.2d 1593 (D. Md. 2016).

<sup>596</sup> *Id.* at 1604.

<sup>597</sup> *Id.* at 1604-05.

<sup>598</sup> *See* AMID, Inc. v. Medic Alert Found. United States, Inc., 241 F. Supp. 3d 788 (S.D. Tex. 2017).

<sup>599</sup> *Id.* at 807.

<sup>600</sup> *Id.* at 808.

<sup>601</sup> Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205, 215 (2000).

<sup>602</sup> *AMID*, 241 F. Supp. 3d at 808.

In contrast, a pair of plaintiffs successfully secured a finding of inherent distinctiveness for several packages in which they sold high-end hair-care products.<sup>603</sup> According to those plaintiffs, each of their packages featured the following elements individually or in conjunction with each other: “(1) a distinctive turquoise blue color; (2) copper orange lettering, graphics and background design elements; (3) copper orange and white letting, the word ‘MOROCCANOIL’ in vertical and horizontal orientation, graphics and background design elements on a turquoise blue background; and (4) an amber bottle packaged in a rectangular blue box.”<sup>604</sup> Weighing the plaintiffs’ motion for a preliminary injunction, the court found no need for a showing of acquired distinctiveness because “[t]he . . . Trade Dress is based on packaging which does not appear to have any inherent meaning and does not describe the product. Instead, its function is identification.”<sup>605</sup>

### ***(c) Acquired Distinctiveness***

#### **(i) Opinions Finding Acquired Distinctiveness**

So long as it is not generic, a claimed mark lacking inherent distinctiveness can acquire distinctiveness, or “secondary meaning,”<sup>606</sup> the existence of which is a factual question.<sup>607</sup> Although that process typically takes time, the Eleventh Circuit affirmed a finding of acquired distinctiveness based on only a twenty-two month interval between the plaintiff’s and the defendant’s respective dates of first use.<sup>608</sup> It did so by applying its usual four-part test, which took into account:

(1) the length and manner of its use; (2) the nature and extent of advertising and promotion; (3) the efforts made by the plaintiff to promote a conscious connection in the public’s mind between the name and the plaintiff’s product or

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<sup>603</sup> See *Moroccanoil, Inc. v. Zotos Int’l, Inc.*, 230 F. Supp. 3d 1161 (C.D. Cal. 2017).

<sup>604</sup> *Id.* at 1169.

<sup>605</sup> *Id.* at 1172.

<sup>606</sup> See *Bd. of Regents of the Univ. of Houston Sys. on Behalf of the Univ. of Houston Sys. & its Member Insts. v. Houston Coll. of Law, Inc.*, 214 F. Supp. 3d 573, 584 (S.D. Tex. 2016) (finding acquired distinctiveness for plaintiff’s unregistered UNIVERSITY OF HOUSTON LAW CENTER mark based on defendant’s apparent failure to contest issue and without extensive discussion of record).

<sup>607</sup> See, e.g., *Sturgis Motorcycle Rally, Inc. v. Rushmore Photo & Gifts, Inc.*, 239 F. Supp. 3d 1128, 1140-41 (D.S.D. 2017) (declining, without extensive discussion of record, to overturn jury finding of acquired distinctiveness for geographically descriptive marks), *appeal docketed*, No. 17-2712 (8th Cir. Aug. 8, 2017).

<sup>608</sup> See *FN Herstal SA v. Clyde Armory Inc.*, 838 F.3d 1071 (11th Cir. 2016), *cert. denied*, 137 S. Ct. 1436 (2017).

business; and (4) the extent to which the public actually identifies the name with the plaintiff's product or venture.<sup>609</sup>

Addressing the first of these factors, the court acknowledged that Section 2(f) of the Act allows the USPTO to “accept as *prima facie* evidence that [an applied-for] mark has become distinctive . . . proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made.”<sup>610</sup> Whatever the significance of Section 2(f) might be in the registration context, the court rejected the defendant's argument that the statute required five years of exclusive use before a finding of acquired distinctiveness was appropriate. To the contrary, the court concluded, “the five-year duration of use expressed in [Section 2(f)] [is] a ‘purely arbitrary measure’ and . . . that [t]here is no fixed rule as to the length of time a symbol must be in use before it can achieve secondary meaning.”<sup>611</sup>

From there, the remaining factors fell into place in the plaintiff's favor. For example, the plaintiff had bid on a government contract for the sales of goods bearing the disputed mark, and its success in doing so had generated “extensive media attention.”<sup>612</sup> Likewise, the plaintiff's sales of branded goods bearing its mark under the contract had exceeded “millions of dollars.”<sup>613</sup> The plaintiff similarly benefitted from its investment of “a substantial amount” into the promotion of its mark, which included the distribution of “brochures, flyers, T-shirts, hats, and other promotional items bearing [its] mark.”<sup>614</sup> Finally, the substantial evidence supporting the plaintiff's case included the affixation of its mark to its goods,<sup>615</sup> testimony by the defendant's former CEO the mark was “well-known and uniquely associated” with the plaintiff,<sup>616</sup> and the defendant's deliberate imitation of the plaintiff's mark.<sup>617</sup>

The Fifth Circuit's seven-factor test for acquired distinctiveness led a Texas federal district court to find as a matter of law that the mark THE KRUSTY KRAB was protectable for restaurant services, even though the plaintiff had provided those services only in the context of a fictional television series, two motion pictures, a

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<sup>609</sup> *Id.* at 1084 (quoting *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1513 (11th Cir. 1984)).

<sup>610</sup> 15 U.S.C. § 1052(f) (2012).

<sup>611</sup> *FN Herstal*, 838 F.3d at 1084 (fourth alteration in original) (quoting J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 15:54 (4th ed. 2015)).

<sup>612</sup> *Id.*

<sup>613</sup> *Id.*

<sup>614</sup> *Id.* at 1085.

<sup>615</sup> *Id.* at 1085-86.

<sup>616</sup> *Id.* at 1086.

<sup>617</sup> *Id.*

musical, and at least some licensed products.<sup>618</sup> In granting the plaintiff's motion for summary judgment, the court observed that:

This court uses the following seven-factor test to determine whether a mark has acquired secondary meaning: (1) length and manner of use of the mark or trade dress, (2) volume of sales, (3) amount and manner of advertising, (4) nature of use of the mark or trade dress in newspapers and magazines, (5) consumer-survey evidence, (6) direct consumer testimony, and (7) the defendant's intent in copying the [mark].<sup>619</sup>

The plaintiff satisfied this test through a showing resting as much on the success of the *SpongeBob SquarePants* franchise, which featured the fictional restaurant associated with the mark, as much as anything else. Specifically, the court found that:

[The plaintiff] provided ample evidence to support it meets this multi-factored test, including declarations and exhibits that summarize eleven seasons of "SpongeBob SquarePants," and highlighting episodes that reference "The Krusty Krab," its eponymous owner "Mr. Krabs," and its featured menu item, the "Krabby Patty." The record also shows the reach of [the plaintiff] and its brands, such as the approximately one billion page views for nick.com accessed via its website and mobile applications, the \$470 million in gross receipts and \$197 million in advertising expenses for two "SpongeBob SquarePants" feature films, and numerous print and Internet advertisements for "The Krusty Krab" licensed consumer merchandise.<sup>620</sup>

In contrast, some courts reached findings of acquired distinctiveness in actions arising from more traditional facts. Those included a New York federal district court, which found the following logo had acquired distinctiveness as a matter of law for shoes, boots, and sandals:<sup>621</sup>

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<sup>618</sup> See *Viacom Int'l Inc. v. IJR Capital Invs., LLC*, 242 F. Supp. 3d 563 (S.D. Tex. 2017), *appeal docketed*, No 17-20334 (5th Cir. May 10, 2017).

<sup>619</sup> *Id.* at 570 (alteration in original) (quoting *Test Masters Educ. Servs., Inc. v. Robin Singh Educ. Servs., Inc.*, 799 F.3d 437, 445 (5th Cir. 2015)).

<sup>620</sup> *Id.* (citations omitted).

<sup>621</sup> See *LVL XIII Brands, Inc. v. Louis Vuitton Malletier S.A.*, 209 F. Supp. 3d 612 (S.D.N.Y. 2016), *aff'd*, No. 16-3488-CV, 2017 WL 6506353 (2d Cir. Dec. 20, 2017). The graphic in the text accompanying this footnote is taken from the drawing for U.S. Reg. 2361695 (issued June 27, 2000).



In support of that conclusion, the court cited: “(1) [the mark’s owner’s] more than century-long use of the logo on a wide variety of products; (2) its extensive marketing and advertising of products bearing the logo; and (3) the fame the logo has achieved as a result.”<sup>622</sup>

A less lengthy period of use—a mere thirty-four years—also produced a determination as a matter of law of acquired distinctiveness for the JUST BULBS mark for lightbulbs.<sup>623</sup> Not only did that period of time weigh in the plaintiff’s favor, the plaintiff also adduced evidence of “nearly \$1.4 million, a total of “almost \$300,000” in advertising expenditures, and “unsolicited, nationwide media coverage, including the David Letterman Show, articles in the New York Times, the New York Daily News and New York Magazine, and a variety of trade publications.”<sup>624</sup> An additional consideration weighing in the plaintiff’s favor was the defendant’s bad faith: Although the defendant previously used his [www.justbulbs.com](http://www.justbulbs.com) domain name only to sell plant bulbs (a circumstance that allowed him to defeat an earlier UDRP proceeding brought by the plaintiff), he had begun selling lightbulbs with full knowledge of the plaintiff’s prior rights.

Findings of acquired distinctiveness also came after trials, including one before a Virginia federal district court.<sup>625</sup> That court held that “[s]econdary meaning . . . can be shown through, among other things, length and exclusivity of the mark’s use, advertising expenditures, and sales success.”<sup>626</sup> The court then found each of those factors favored the plaintiff’s position: “Here, [the plaintiff] has exclusively used the mark for nearly three decades in the Washington, D.C. metropolitan area, has spent millions on advertising, and has enjoyed commercial success.”<sup>627</sup> The defendant responded in part with trademark registrations and state business registrations of similar third-party marks, but the court rejected

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<sup>622</sup> *LVL XIII Brands*, 209 F. Supp. 3d at 680-81.

<sup>623</sup> *See Bulbs 4 E. Side, Inc. v. Ricks*, 199 F. Supp. 3d 1151 (S.D. Tex. 2016).

<sup>624</sup> *Id.* at 1159.

<sup>625</sup> *See Select Auto Imps. Inc. v. Yates Select Auto Sales, LLC*, 195 F. Supp. 3d 818 (E.D. Va. 2016).

<sup>626</sup> *Id.* at 833.

<sup>627</sup> *Id.*

them because they did not constitute “evidence as to the extent of actual day-to-day use of such marks.”<sup>628</sup> It then dismissed the defendant’s showing for the additional reason that the plaintiff had no obligation to pursue potential third-party defendants outside of its own geographic markets; indeed, the court observed, the plaintiff was ineligible to do so.<sup>629</sup>

A Colorado federal district court articulated the following test for acquired distinctiveness en route to a finding after a bench trial that two geographically descriptive marks had achieved protectable status:

A plaintiff may establish secondary meaning of its mark through the use of direct evidence, such as consumer surveys and consumers’ testimony. Secondary meaning may also be established though circumstantial evidence regarding: (1) the length and manner of its use; (2) the nature and extent of advertising and promotion of the mark; and (3) the efforts made to promote a conscious connection, in the public’s mind, between the mark and a particular product or service.<sup>630</sup>

The court’s actual application of the test was more flexible than this restatement might suggest. The plaintiff provided certification services in the field of medical and aesthetic laser use, and the court found that unspecified direct evidence “from students, a competitor . . . , and laser manufacturers” favored a finding of acquired distinctiveness.<sup>631</sup> Moving on to circumstantial evidence, the court credited the plaintiff’s showings that “the marks have been used for many years to identify [the plaintiff], advertised on multiple websites and on [the plaintiff’s] materials, and consistently associated with [the plaintiff] to distinguish its services from those offered by other laser education facilities”;<sup>632</sup> moreover, the defendant’s use of identical reproductions of the marks had generated actual confusion among consumers.<sup>633</sup> These considerations sufficed to demonstrate the validity of the plaintiff’s marks.<sup>634</sup>

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<sup>628</sup> *Id.*

<sup>629</sup> As the court explained, “[a]lthough a federal trademark registration provides a nationwide ‘presumption of priority,’ injunctive relief for the senior user is appropriate only ‘in those areas where the senior user can show sufficient actual use.’” *Id.* (quoting *Emergency One, Inc. v. Am. Fire Eagle Engine Co.*, 332 F.3d 264, 268-69 (4th Cir. 2003)).

<sup>630</sup> *Electrology Lab., Inc. v. Kunze*, 169 F. Supp. 3d 1119, 1156 (D. Colo. 2016) (citation omitted).

<sup>631</sup> *Id.* at 1157.

<sup>632</sup> *Id.*

<sup>633</sup> *Id.*

<sup>634</sup> *Id.*

Finally, one finding of acquired distinctiveness came on a preliminary injunction motion.<sup>635</sup> The Illinois federal district court weighing the motion applied Seventh Circuit authority to hold that “[t]o establish secondary meaning, a court may consider several factors to decide whether secondary meaning has been acquired or established: (1) the amount and manner of advertising; (2) the sales volume; (3) the length and manner of use; (4) consumer testimony; and (5) consumer surveys.”<sup>636</sup> The court’s discussion of the issue did not strictly adhere to those factors, however, but instead rested on showings the plaintiff had continuously used the marks it sought to protect since 1984 and, additionally, that the marks had “been mentioned in the media over the years.”<sup>637</sup> Those considerations were enough for the court to find that “plaintiff has established a more-than-negligible chance of showing that these marks have acquired secondary meaning and are protected for purposes of its unfair competition claim.”<sup>638</sup>

## (ii) Opinions Declining to Find Acquired Distinctiveness

Despite the highly factual nature of the acquired-distinctiveness inquiry, two New York federal district courts unusually disposed of claims of trade dress protection at the pleadings stage, with the first taking the even more unusual step of denying the plaintiff leave to replead.<sup>639</sup> The claimed trade dress at issue before the first court consisted of rectangular bar soaps modeled on the components of the periodic table of elements. Reviewing the recitations of the plaintiff’s amended complaint, the court found them lacking under the Second Circuit’s test for distinctiveness, which takes into consideration “(1) advertising expenditures; (2) consumer studies linking the mark to a source; (3) unsolicited media coverage of the product; (4) sales success; (5) attempts to plagiarize the mark; and (6) length and exclusivity of the mark’s use.”<sup>640</sup> Specifically, the court observed, “absent from the pleadings are facts concerning actual consumer surveys, unsolicited media coverage, sales success, specific advertising expenditures, or specific acts by others, in addition to plaintiff, to plagiarize the plaintiff’s trade dress. On balance, these factors weigh against an inference that plaintiff’s trade dress has acquired a secondary meaning.”<sup>641</sup> The plaintiff’s

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<sup>635</sup> See *Checker Car Club of Am., Inc. v. Fay*, 262 F. Supp. 3d 621 (N.D. Ill. 2017).

<sup>636</sup> *Id.* at 627 (quoting *Platinum Home Mortg. Corp. v. Platinum Fin. Grp.*, 149 F.3d 722, 728 (7th Cir. 1998)).

<sup>637</sup> *Id.*

<sup>638</sup> *Id.*

<sup>639</sup> See *Bubble Genius LLC v. Smith*, 239 F. Supp. 3d 586 (E.D.N.Y. 2017).

<sup>640</sup> *Id.* at 598 (quoting *U-Neek, Inc. v. Wal-Mart Stores, Inc.*, 147 F. Supp. 2d 158, 172 (S.D.N.Y. 2001)).

<sup>641</sup> *Id.* at 600.

troubles did not end there, for the court next held that “[p]laintiff’s claims are deficient as a matter of law, and plaintiff has failed to show how the legal deficiencies can be cured, and has already had an opportunity to amend the complaint.”<sup>642</sup> It therefore refused to allow the plaintiff a third bite at the apple.

The second court finding allegations of acquired distinctiveness fatally deficient at the pleadings stage did so in an action to protect the allegedly distinctive appearance of the plaintiff’s watches.<sup>643</sup> The complaint broadly averred that the plaintiff was “known primarily for its unique and famous Wrap Style Watches,” and that “Plaintiff’s trade dress is widely recognized by consumers as being associated with Plaintiff and has developed secondary meaning in the marketplace.”<sup>644</sup> Nevertheless, the court concluded, “the Complaint fails to plead any facts, such as ones relating to Plaintiff’s advertising expenditures, consumer surveys, marketing coverage or prior attempts to plagiarize Plaintiff’s trade dress, that would support a proper inference of secondary meaning.”<sup>645</sup> The complaint therefore failed to state a cause of action upon which relief could be granted.

The factual nature of the acquired-distinctiveness inquiry also did prevent its resolution on defense motions for summary judgment.<sup>646</sup> For example, in a trade dress action in which the defendant had prevailed below on summary judgment, the Tenth Circuit covered the two types of evidence potentially relevant to acquired distinctiveness inquiries.<sup>647</sup> First, “[s]econdary meaning can be established through ‘direct evidence, such as consumer surveys or testimony from consumers.’”<sup>648</sup> Second, a plaintiff can rely on circumstantial evidence consisting of:

- (1) the length and manner of the trade dress’s use; (2) the nature and extent of advertising and promotion of the trade dress; (3) the efforts made in the direction of promoting a conscious connection, in the public’s mind, between the trade dress and a particular product or venture; (4) actual

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<sup>642</sup> *Id.* at 604.

<sup>643</sup> *See* Sara Designs, Inc. v. Classic Time Watch Co., 234 F. Supp. 3d 548 (S.D.N.Y. 2017).

<sup>644</sup> *Quoted in id.* at 556.

<sup>645</sup> *Id.*

<sup>646</sup> *See, e.g.,* Comite Fiestas de la Calle San Sebastian, Inc., 207 F. Supp. 3d 129, 142 (D.P.R. 2016) (finding lack of acquired distinctiveness as a matter of law for use in connection with festival lacked acquired distinctiveness in light of evidence and testimony that plaintiff and defendant shared equal responsibility for festival and that attendees therefore had no reason to associate the mark exclusively with plaintiff).

<sup>647</sup> *See* Forney Indus. v. Daco of Mo., Inc., 835 F.3d 1238 (10th Cir. 2016).

<sup>648</sup> *Id.* at 1253 (quoting *Donchez v. Coors Brewing Co.*, 392 F.3d 1211, 1218 (10th Cir. 2004)).



consumer confusion; (5) proof of intentional copying; or (6) evidence of sales volume.<sup>649</sup>

In the absence of direct evidence, the plaintiff's circumstantial evidence fell short. That evidence consisted of "extensive promotional and advertising efforts at more than 10,000 stores . . . over each of the past 25 years," "over half a billion dollars in sales of over 4,000 different products" associated with the claimed trade dress, and consistent use of the trade dress.<sup>650</sup> Although acknowledging that "advertising can be strongly probative,"<sup>651</sup> the court also held that "advertising alone is typically unhelpful to prove secondary meaning when it is not directed at highlighting the trade dress,"<sup>652</sup> a circumstance the court saw reflected in the summary judgment record before the district court. The court similarly characterized the plaintiff's sales evidence as "unavailing" because "[i]t provides total sales volume but gives no indication of how those sales relate to the color mark."<sup>653</sup> Likewise, the plaintiff's allegations of exclusive use for twenty years proved inadequate to the task because they were conclusory and contradicted by the defendant's showing to the contrary.<sup>654</sup> The evolution of the plaintiff's trade dress over those two decades was a final consideration disposing of its claim of acquired distinctiveness.<sup>655</sup>

Yet another reported opinion giving the boot to a claim of acquired distinctiveness as a matter of law arose from a battle between two purveyors of shoes and drove home the point that secondary meaning must exist as of the defendant's date of first use.<sup>656</sup> The claimed mark consisted of a metal plate attached to the toes of the plaintiff's shoes, which appeared in the marketplace a mere eight months before the introduction of the defendants' allegedly infringing use. Even had the plaintiff's use been exclusive (which the summary judgment record demonstrated was not the case), the court held "[t]hat duration . . . far too brief to support secondary meaning."<sup>657</sup> The plaintiff's problems did not end there, however, for it had neither engaged in "traditional paid

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<sup>649</sup> *Id.* (quoting *Savant Homes, Inc. v. Collins*, 809 F.3d 1133, 1146 (10th Cir. 2016)).

<sup>650</sup> *Id.*

<sup>651</sup> *Id.*

<sup>652</sup> *Id.* at 1254.

<sup>653</sup> *Id.*

<sup>654</sup> *Id.*

<sup>655</sup> *Id.* at 1255 ("[The plaintiff's] packaging has changed significantly over the 20 years described by [its witness]. How then is a consumer supposed to have come to associate the packaging with [the plaintiff]? [The witness] cannot say that [the plaintiff] has *exclusively* used its trade dress for 20 years, since it has not even *continuously* used the same trade dress for 20 years.").

<sup>656</sup> See *LVL XIII Brands, Inc. v. Louis Vuitton Malletier S.A.*, 209 F. Supp. 3d 612 (S.D.N.Y. 2016), *aff'd*, No. 16-3488-CV, 2017 WL 6506353 (2d Cir. Dec. 20, 2017).

<sup>657</sup> *Id.* at 663.

advertising”<sup>658</sup> nor “established that any of its promotional materials called attention to the [claimed mark] as an indication of source”;<sup>659</sup> those deficiencies precluded acceptance of the plaintiff’s argument that “its ‘savvy exploitation of low- and no-cost promotion via social media’ and celebrity endorsements eliminated the need for traditional paid advertising.”<sup>660</sup> Moreover, the plaintiff also failed to rebut or distinguish adverse survey evidence adduced by the defendants,<sup>661</sup> to document favorable media coverage featuring the claimed mark,<sup>662</sup> to demonstrate the sales success of shoes bearing it,<sup>663</sup> or intentional plagiarism of its mark by the defendants (or any other party).<sup>664</sup> “In sum,” the court concluded, “not one relevant factor supports a finding of secondary meaning.”<sup>665</sup>

Despite having the benefit of several federal registrations of its claimed mark, a different plaintiff similarly failed to fend off a defense motion for summary judgment in an application of the Ninth Circuit’s test for acquired distinctiveness:

To determine whether a descriptive mark has secondary meaning, a finder of fact considers: (1) whether actual purchasers of the product bearing the claimed trademark associate the trademark with the producer, (2) the degree and manner of advertising under the claimed trademark, (3) the length and manner of use of the claimed trademark, and (4) whether use of the claimed trademark has been exclusive.<sup>666</sup>

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<sup>658</sup> The plaintiff claimed to have spent \$82,000 promoting its shoes. Nevertheless:

[N]early half of [the plaintiff’s] advertising expenditures were spent in connection with its launch party and the two trade shows it attended . . . —none of which were open to the general public. Such promotion cannot be assumed to have fostered *consumer* association of the [the claimed mark] with [the plaintiff].

*Id.* at 655.

<sup>659</sup> *Id.*

<sup>660</sup> *Id.* at 656.

<sup>661</sup> *Id.* at 657-58.

<sup>662</sup> *Id.* at 658-59.

<sup>663</sup> The court found from the summary judgment record that “[o]f the 1,000 pairs of sneakers [the plaintiff] manufactured for its first collection, only half sold, generating \$141,241 in revenue. The remainder were returned to [the plaintiff] to be donated.” *Id.* at 660. The plaintiff sought to explain away its “modest sales figures” by citing its decision to stop selling its shoes because of confusion caused by the defendant’s entry into the market, but the court rejected this argument because “even if that were true, it would not change matters, because [the plaintiff] must show that the [claimed mark] acquired secondary meaning *before* [the defendant’s] . . . Sneaker came on the market.” *Id.*

<sup>664</sup> *Id.* at 660-63.

<sup>665</sup> *Id.* at 665.

<sup>666</sup> See *Meth Lab Cleanup, LLC v. Bio Clean, Inc.*, 205 F. Supp. 3d 1243, 1253 (W.D. Wash. 2016) (quoting *Yellow Cab Co. of Sacramento v. Yellow Cab of Elk Grove, Inc.*, 419 F.3d 925, 930 (9th Cir. 2005)).

In prosecuting its various applications under Section 2(f), the plaintiff represented to the USPTO that it enjoyed the substantially exclusive use of its mark, but the defendants demonstrated the inaccuracy of that representation with a showing that “competitors, newspaper reporters, governmental agencies, and online Yellow Pages all used the [disputed mark] to describe the services offered by all competitors in the industry, and not just [the plaintiff].”<sup>667</sup> Because “[the defendants have] shown that [the plaintiff’s] use was not substantially exclusive,” the court held, “[the defendants have] overcome the presumption of validity created by the registration, and shifted the burden back to [the plaintiff] to show that consumers associate the [claimed mark] with [its] company.”<sup>668</sup> In an attempt to carry that burden, the plaintiff relied upon testimony from its principals and sub-contractors, as well as \$92,521 in advertising spend over a five-year period and “a couple of print ads.”<sup>669</sup> Nothing in the plaintiff’s submissions, however, created a factual dispute as to the lack of distinctiveness of its mark.

An application of the same Ninth Circuit factors similarly disposed of the case brought by another federal registrant on a defense motion for summary judgment.<sup>670</sup> The plaintiff was a rap musician, and a key consideration underlying the court’s finding that his mark lacked acquired distinctiveness as a matter of law was the defendant’s showing of extensive third-party use of the identical mark in the entertainment industry. In particular, the court rejected the plaintiff’s “conclusory statement that he is the only person in the hip-hop industry on the West Coast” to use the disputed mark, as well as his argument that evidence mined from the social media platform Myspace was irrelevant “because the website is not a relevant, active, or popular website.”<sup>671</sup> The plaintiff’s case also suffered from his inability to substantiate his allegations of actual confusion<sup>672</sup> and the absence of any dates on hard-copy promotional materials.<sup>673</sup> Under these circumstances, the “overwhelming evidence” proffered by the defendants overcame the

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<sup>667</sup> *Id.*

<sup>668</sup> *Id.* at 1253-54.

<sup>669</sup> *Id.* at 1254.

<sup>670</sup> See *Caiz v. Roberts*, 224 F. Supp. 3d 944 (C.D. Cal. 2016), *judgment entered*, No. CV No. 15-09044-RSWL-AGRx, 2016 WL 7335777 (C.D. Cal. Dec. 16, 2016), *appeal docketed*, No. 17-55051 (9th Cir. Jan. 12, 2017).

<sup>671</sup> With respect to the second of these arguments, the court concluded that “[t]he fact that a website is not as popular as it once was does not change the fact that it does exist and there are other artists utilizing [the disputed mark] in one form or another.” *Id.* at 952-53.

<sup>672</sup> *Id.* at 952.

<sup>673</sup> *Id.* at 953.

evidence of mark validity represented by the plaintiff's registration.<sup>674</sup>

Findings of no acquired distinctiveness also occurred after full trials on the merits of the issue.<sup>675</sup> For example, three geographically descriptive marks claimed by a counterclaim plaintiff fell victim to findings they had not acquired the distinctiveness necessary to render them protectable.<sup>676</sup> Applying the D.C. Circuit's test on the issue, the court held first that "commonly considered evidence for ascertaining whether secondary meaning has attached to a mark includes survey evidence, the length and manner of use of the name, the nature and extent of advertising and promotion of the name, the volume of sales, and instances of actual confusion."<sup>677</sup> A chief consideration driving the court's findings of unprotectability was its conclusion that "[the counterclaim plaintiff] offered little evidence on this issue at trial, and the limited evidence that it did offer was unconvincing."<sup>678</sup> Apparently unable to make a showing of television, radio, or newspaper advertising, the counterclaim plaintiff fell back on alleged instances of actual confusion as circumstantial evidence of distinctiveness. The court found the counterclaim plaintiff's proffered testimony on the issue unconvincing, whether because the witnesses were closely related to the counterclaim plaintiff's lead counsel or because that lead counsel had examined them using suggestive or leading questions.<sup>679</sup> The court similarly dismissed the counterclaim plaintiff's survey evidence of actual confusion after its expert witness admitted he had not tested for the acquired distinctiveness of the counterclaim plaintiff's marks.<sup>680</sup>

Finally, two federal district courts in Texas and one in New York reached findings of no acquired distinctiveness on preliminary injunction motions. The first Texas court began its analysis by reciting the Fifth Circuit's test on the issue, which took into account:

- (1) length and manner of use of the mark or trade dress,
- (2) volume of sales, (3) amount and manner of advertising,
- (4) nature of use of the mark or trade dress in newspapers and magazines, (5) consumer-survey evidence, (6) direct

<sup>674</sup> *Id.*

<sup>675</sup> *See, e.g.,* *Electrology Lab., Inc. v. Kunze*, 169 F. Supp. 3d 1119, 1157 (D. Colo. 2016) (finding no acquired distinctiveness without extended analysis but apparently on basis of third-party use of similar marks).

<sup>676</sup> *See* *Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V.*, 188 F. Supp. 3d 22 (D.D.C. 2016), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).

<sup>677</sup> *Id.* at 85.

<sup>678</sup> *Id.*

<sup>679</sup> *Id.* at 86.

<sup>680</sup> *Id.*

consumer testimony, and (7) the defendant's intent in copying the trade dress.<sup>681</sup>

The constantly evolving nature of the plaintiff's trade dress, which consisted of countertop easel displays used to promote the plaintiff's medical-identification jewelry, weighed heavily against its claim of acquired distinctiveness.<sup>682</sup> The plaintiff also did itself no favors by failing to adduce evidence or testimony of how many displays it had shipped to physicians' offices—which it characterized as the “gatekeepers” for its customers—or how many of those offices actually displayed the easels.<sup>683</sup> Beyond these factors, the defendant commissioned two surveys, which, according to the court, further demonstrated the absence of acquired distinctiveness attaching to the plaintiff's materials.<sup>684</sup> The court did give the plaintiff credit for adopting its trade dress with the intent of having it serve as a brand signal, but that did not sufficiently establish that consumers viewed the easels as brand signals.<sup>685</sup>

The second Texas plaintiff failing to demonstrate the acquired distinctiveness of a claimed mark fell victim to the heightened showing required of petitioners for interlocutory relief.<sup>686</sup> The court found a number of the relevant factors favored the plaintiff, including the use of his claimed mark for over twenty years, his 7,000 customers, and his showing “that he has advertised the course in various ways, including electronic newsletters, mass-mail advertisements mailed to gyms, flyers, print advertisements in major industry publications, domain names that link to [the plaintiff's] website, and word-of-mouth advertising”;<sup>687</sup> moreover, it credited the plaintiff's “numerous declarations and affidavits indicating that people associate the [mark] with him.”<sup>688</sup> Nevertheless, the procedural disposition of the case ultimately doomed the plaintiff's bid for relief:

When the court weighs all of these factors, they weigh in favor of [the plaintiff], notwithstanding the lack of a survey. However, for the court to grant a motion for a preliminary injunction, the factors must weigh in favor of a *substantial*

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<sup>681</sup> *AMID, Inc. v. Medic Alert Found. United States, Inc.*, 241 F. Supp. 3d 788, 812 (S.D. Tex. 2017) (quoting *Amazing Spaces, Inc. v. Metro Mini Storage*, 608 F.3d 225, 243 (5th Cir. Tex. 2010)).

<sup>682</sup> *Id.* at 813 (“[The plaintiff] did not present evidence showing that mass-mailed countertop easel displays have been consistent or that sufficiently consistently displays have been used for a long period. This factor weighs against finding secondary meaning.”).

<sup>683</sup> *Id.* at 813-14.

<sup>684</sup> *Id.* at 814-18.

<sup>685</sup> *Id.* at 818-19.

<sup>686</sup> *See Jones v. Am. Council on Exercise*, 245 F. Supp. 3d 853 (S.D. Tex. 2017).

<sup>687</sup> *Id.* at 862.

<sup>688</sup> *Id.*

likelihood of success. The weight in favor of [the plaintiff] is not significant enough for the court to determine that he has a substantial likelihood of success on secondary meaning.<sup>689</sup>

The New York federal district court rejecting a claim of acquired distinctiveness on a preliminary injunction did so after articulating a flawed understanding of the evidentiary value of a registration on the Principal Register owned by the plaintiff.<sup>690</sup> That registration covered the NYFW mark online entertainment ticket agency services, and the plaintiff also claimed rights to the unregistered NEW YORK FASHION WEEK mark for the organization of fashion shows. Confusing the issues of validity and infringement, the court required the plaintiff to show the acquired distinctiveness of even its registered mark in the *defendants'* field, which also was the organization of fashion shows. The plaintiff failed to make such a showing with respect to both its marks, even though it had itself organized at least two fashion shows in the two years prior to the use by the defendants that triggered the plaintiff's suit. That short period of time and limited use weighed against the plaintiff's case, as did its failure to submit "any evidence showing the typical indicia of secondary meaning, such as consumer surveys, unsolicited media coverage, or advertising expenditures."<sup>691</sup> Equally to the point, the record established the defendants had used variations of the accused mark well before the plaintiff's averred date of first use, which the court found disposed of any claim of exclusivity the plaintiff might make. "Accordingly," the court concluded, "[the plaintiff] has failed to make the requisite showing necessary to prove that [the plaintiff] has a protectable trademark, making it impossible to conclude that [the plaintiff] has a likelihood of success on its trademark infringement and dilution claims."<sup>692</sup>

### (iii) Opinions Deferring Resolution of the Acquired-Distinctiveness Inquiry

One opinion made the point that the fact-intensive nature of the acquired-distinctiveness inquiry does not lend itself to resolution as a matter of law, especially at the pleadings stage.<sup>693</sup> It came from a Nebraska federal district court assigned to hear a trade dress infringement action involving competing athletic mouth guards. The plaintiffs alleged their product's configuration had acquired distinctiveness, but the defendant challenged the sufficiency of that

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<sup>689</sup> *Id.* at 863.

<sup>690</sup> *See Fashion Week, Inc. v. Council of Fashion Designers of Am., Inc.*, 121 U.S.P.Q.2d 1041 (S.D.N.Y. 2016).

<sup>691</sup> *Id.* at 1048.

<sup>692</sup> *Id.* at 1049.

<sup>693</sup> *See Battle Sports Sci., LLC v. Shock Doctor, Inc.*, 225 F. Supp. 3d 824 (D. Neb. 2016).

allegation, arguing it was too conclusory to support a claim for relief. The court disagreed, noting that the plaintiffs claimed protection for their configuration “by virtue of its wide-spread use, popularity, advertising, and sales.”<sup>694</sup> Because that averment pushed the plaintiffs’ cause of action “across the line from conceivable to plausible,” the defendant’s motion to dismiss fell short of the mark.<sup>695</sup>

#### ***(d) Survey Evidence of Distinctiveness***

The most extensive discussion of survey evidence of acquired distinctiveness appeared in an opinion rejecting a claim by the producer of medical-identification jewelry that the promotional materials it distributed to doctors’ offices constituted protectable trade dress.<sup>696</sup> The defendant commissioned two surveys, the first of which, a standard recognition study, targeted two test groups of actual or likely purchasers of the parties’ competitive goods. (Each test group saw different stimuli corresponding to different iterations of the claimed trade dress.) Polling of the first test group yielded a positive response rate of 32.1% compared to the 34.4% positive response rate among respondents exposed to the control.<sup>697</sup> Likewise, polling of the second test group yielded only a 38.7% positive response rate, while respondents viewing the control responded positively at a greater rate of 39.7%.<sup>698</sup> Not surprisingly, and despite criticism of the survey by the plaintiff’s counter-expert, the court held the negative net positive response rate within both test groups weighed in the defendant’s favor.<sup>699</sup>

The court received the defendant’s second survey with equal enthusiasm. The defendant’s expert styled that study as an “attribute and incidences” study and targeted physicians as respondents; as the court described it, “[t]he attribute and incidences survey measured the importance of eight attributes in the decision to display advertising materials for products or services in doctors’ offices.”<sup>700</sup> It disclosed that “[t]hree of the top four attributes in the decision to display advertising or promotional literature or materials for products or services that can be purchased by patients relate to the relevance, reputation, and recognition of the products sold.”<sup>701</sup> Moreover, the second survey

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<sup>694</sup> *Id.* at 837.

<sup>695</sup> *Id.* at 838 (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)).

<sup>696</sup> *See* *AMID, Inc. v. Medic Alert Found. United States, Inc.*, 241 F. Supp. 3d 788 (S.D. Tex. 2017).

<sup>697</sup> *Id.* at 815.

<sup>698</sup> *Id.*

<sup>699</sup> *Id.*

<sup>700</sup> *Id.* at 815-16.

<sup>701</sup> *Id.* at 816. The court explained the specific results of the survey in the following manner:

also revealed that “if doctors decide to display materials from either [the plaintiff] or [the defendant] and receive materials in the mail from the other, they are likely to display both rather than display one or the other.”<sup>702</sup> Those results, the court concluded, also favored a finding of acquired distinctiveness.<sup>703</sup>

A less extensive, but still receptive, treatment of a defense distinctiveness survey originated in the unsuccessful attempt by a manufacturer of men’s luxury sneakers to protect the appearance of a metal plate affixed to the toes of its goods.<sup>704</sup> The survey results suggested that “at most, 3% of respondents associated the [claimed mark] . . . with the a single source.”<sup>705</sup> Those results prompted the plaintiff to attack the survey’s methodology on the grounds that: (1) the survey’s universe was overbroad because it included men who bought or expected to buy any high-end shoes, as opposed to luxury sneakers; and (2) it measured the distinctiveness of the plaintiff’s mark at a time later than the date of the defendant’s entry into the market.<sup>706</sup> The court acknowledged the possibility that the plaintiff’s criticisms merited giving the results reduced weight. Nevertheless, it held, “given [the plaintiff’s] failure to muster *any* contrary survey evidence, even if the factfinder were to afford the . . . survey only limited weight, [the results] would still favor [the defendant].”<sup>707</sup>

Another, and rather unusual, expert report to escape a motion to exclude came from a private investigator hired by Deere & Co. in an action to protect the green-and-yellow trade dress of that company’s agricultural products.<sup>708</sup> The investigator-turned-witness had visited a number of dealers of agricultural equipment, at which, he testified, he posed as a film producer seeking to rent or purchase that equipment and:

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From most important to least important, the results showed the mean “importance”: relevance of the company’s product or service to patients (5.82); company reputation among health care professionals (5.25); appearance of the advertising or promotional literature or materials (4.90); brand recognition of company by health-care professionals (4.62); relationship with company’s sales representative (4.24); product or service is prominent in national or local news (3.86); the company is a nonprofit or governmental organization (3.70); and compensation or commission received from the company (2.94).

*Id.*

<sup>702</sup> *Id.*

<sup>703</sup> *Id.* at 817-18.

<sup>704</sup> See *LVL XIII Brands, Inc. v. Louis Vuitton Malletier S.A.*, 209 F. Supp. 3d 612 (S.D.N.Y. 2016), *aff’d*, No. 16-3488-CV, 2017 WL 6506353 (2d Cir. Dec. 20, 2017).

<sup>705</sup> *Id.* at 657.

<sup>706</sup> *Id.* at 658 n.61.

<sup>707</sup> *Id.* at 658.

<sup>708</sup> See *Deere & Co. v. FIMCO Inc.*, 239 F. Supp. 3d 964 (W.D. Ky. 2017).



I said something very close to the following: “I always thought [or assumed] that yellow/green farm equipment was made by . . .” or “I always thought [or assumed] that the yellow/green coloring looked like . . .” I would not finish the sentence, but would pause, to see if the sales personnel would finish the sentence. Each time I raised this unfinished sentence (18 of 18 times) the salesperson responded to my partial sentence and pause by stating promptly either “John Deere” or “Deere.” (In two of the 20 interviews, I did not put this statement to the salesperson.) I took notes of these conversations, which eventually became part of my Report in this case.<sup>709</sup>

The defendant attacked the witness’s credentials as an expert, but the court agreed with Deere that his “twenty years of experience as a private investigator for an intellectual property investigation firm, which has often involved developing personas, conducting investigations, eliciting candid responses, and evaluating the results of such investigations, qualifies him to testify as to his opinions in this case.”<sup>710</sup> The court also rejected the defendant’s challenge to the witness’s methodology, which the defendant argued led respondents to tailor their responses, relied on an open-ended question likely to result in demand effects, and was unsupported by an explanation of whether it was a sort followed by other experts in the field; those criticisms, the court held, “may . . . demonstrate why [the witness’s] investigation and resulting opinions should be given less weight, [but] they do not require exclusion.”<sup>711</sup> Finally, the court rejected the defendant’s hearsay-based objections to the witness’s testimony, concluding, “the answers [the witness] obtained consisted of the states of mind of those polled, and accordingly do not constitute inadmissible hearsay.”<sup>712</sup>

### (3) Nonfunctionality

#### (a) *Utilitarian Nonfunctionality*

The past year yielded a bumper crop of findings of utilitarian functionality. For example, the Seventh Circuit’s increasing pronounced skepticism toward claims of trade dress protection in product designs led it to affirm a finding of functionality as a matter of law for the following configuration of a bag for personal care items:<sup>713</sup>

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<sup>709</sup> Quoted in *id.* at 974-75 (alterations in original).

<sup>710</sup> *Id.* at 975.

<sup>711</sup> *Id.* at 976.

<sup>712</sup> *Id.* at 977.

<sup>713</sup> See *Arlington Specialties, Inc. v. Urban Aid, Inc.*, 847 F.3d 415, 421 (7th Cir. 2017).



The plaintiff grounded its assertion of nonfunctionality in the alleged inferiority of its design compared with alternatives, but the court rejected that theory:

These different design features [of third-party designs] present alternative functional designs with different advantages and disadvantages that have nothing to do with the source of a particular product. . . .

. . . Here, the undisputed evidence shows that the claimed design features affect product quality, so we need not consider the availability of alternative designs for competitors.<sup>714</sup>

Some trial courts reached findings of utilitarian functionality as a matter of law in summary judgment orders that did not produce appellate opinions. Those included a Colorado federal district court, which found the following claimed marks, both registered on the USPTO's Supplemental Register for hip joint implants and their parts, functional and therefore unprotectable:<sup>715</sup>



As the court found, the mark's pink color resulted from the counterclaim plaintiff's use in its implants of chromium oxide, which increased the implants' hardness. Evidence supporting that conclusion came in the form of utility patents owned by the

<sup>714</sup> *Id.* at 420.

<sup>715</sup> See *C5 Med. Werks, LLC v. CeramTec GmbH*, 249 F. Supp. 3d 1210 (D. Colo. 2017).

The graphics in the text accompanying this footnote are taken from U.S. Reg. No. 4319095 (issued Apr. 9, 2013) and U.S. Reg. No. 4319096 (issued Apr. 9, 2013).

counterclaim plaintiff, which disclosed that particular benefit of chromium oxide;<sup>716</sup> it also included “the representations [the counterclaim plaintiff] made to the Patent Office to obtain the patents, and its representations to its customers and potential customers, and its representations in scientific papers.”<sup>717</sup>

Another defense victory as a matter of law came in an action between competing boat manufacturers.<sup>718</sup> The plaintiff accused the defendants of copying the longitudinal main deck curvature, or “sheer line,” of the plaintiff’s vessels. Granting the defendants’ motion for summary judgment, the court cited testimony by the plaintiff’s principal to the effect that “a low sheer permits an angler to ‘boat’ (or bring aboard) fish more easily.”<sup>719</sup> In addition, it found, “[a] high sheer at the bow prevents water from pouring into the boat in a high sea,”<sup>720</sup> which meant that it was “[n]ecessary to connect a low stern with a high bow, [and] an ascending sheer line is functional.”<sup>721</sup> The defendants might have used alternative designs, but the Supreme Court’s opinion in *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*,<sup>722</sup> rendered their consideration otiose.<sup>723</sup> In the final analysis, “[b]ecause a sheer line that sweeps from the high bow to the low stern is functional and because [the plaintiff] lacks a patent for the ‘sweeping’ sheer line, [the defendants] lawfully may use the ‘sweeping’ sheer line.”<sup>724</sup>

At least one finding of functionality transpired after a bench trial.<sup>725</sup> The claimed trade dress at issue consisted of the following configuration of a plastic bag closure:<sup>726</sup>

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<sup>716</sup> *Id.* at 1219.

<sup>717</sup> *Id.* at 1222.

<sup>718</sup> See *Yellowfin Yachts, Inc. v. Barker Boatworks, LLC*, 237 F. Supp. 3d 1230 (M.D. Fla. 2017), *appeal docketed*, No. 17-11176 (11th Cir. Mar. 15, 2017).

<sup>719</sup> *Id.* at 1236.

<sup>720</sup> *Id.*

<sup>721</sup> *Id.*

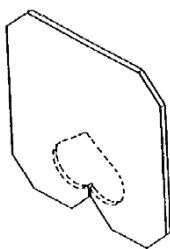
<sup>722</sup> 532 U.S. 23 (2001).

<sup>723</sup> *Yellowfin Yachts*, 237 F. Supp. 3d at 1237.

<sup>724</sup> *Id.*

<sup>725</sup> See *Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F. Supp. 3d 245 (S.D.N.Y. 2016), *aff’d*, 699 F. App’x 93 (2d Cir. 2017).

<sup>726</sup> *Id.* 252.



Because the counterclaim plaintiff owned an incontestable registration covering the trade dress, the counterclaim defendants could not attack the trade dress as lacking inherent distinctiveness, but they did successfully invalidate it as functional. In finding in the counterclaim defendants' favor, the court held as an initial matter that "[a]n asserted trade dress 'affects the cost or quality of the article where it permits the article to be manufactured at a lower cost or constitutes an improvement in the operation of the goods.'"<sup>727</sup> The counterclaim defendants satisfied this test in part by proving that the shape of the counterclaim plaintiff's closures allowed their efficient use in the most commonly used bag-closing machine (also produced by the counterclaim plaintiff).<sup>728</sup> They also introduced expert testimony from a professor emeritus of plastics engineering, who described the improved quality of the counterclaim plaintiff's closures arising from their shape.<sup>729</sup> Along with that of several fact witnesses to similar effect, his testimony led the court to find that "the shape of [the counterclaim plaintiff's] asserted trade dress is the strongest available shape and clearly affects the quality of the closure."<sup>730</sup> The invalidity of the claimed trade dress was sealed by the disclosure of several related utility patents procured by the counterclaim plaintiff, of which the court observed that "the utilitarian advantages of [the counterclaim plaintiff's] claimed trade dress configurations are disclosed in the utility patents that [the counterclaim plaintiff] has obtained over the past five decades in connection with the bag closing system that uses its claimed trade dress."<sup>731</sup>

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<sup>727</sup> *Id.* at 262 (quoting *Christian Louboutin S.A. v. Yves Saint Laurent*, 696 F.3d 206, 219 (2d Cir. 2012)).

<sup>728</sup> *Id.* at 262-63; *see also id.* at 263-64.

<sup>729</sup> *Id.* at 263.

<sup>730</sup> *Id.* at 264.

<sup>731</sup> *Id.* at 265.

Later in its opinion, the court addressed the counterclaim plaintiff's argument that the proper framework was that found in *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332 (C.C.P.A. 1982), which takes into account: (1) the existence of a related utility patent disclosing the utilitarian advantages of the claimed mark; (2) advertising materials touting the claimed mark's utilitarian advantages; (3) the availability to competitors of functionally equivalent designs; and (4) evidence the claimed mark is driven by

Yet another finding of utilitarian functionality came on an unsuccessful motion for a preliminary injunction motion after the plaintiff argued that individually functional element of its claimed trade dresses could in combination make up a nonfunctional whole.<sup>732</sup> The trade dresses at issue consisted of various materials used to promote the plaintiff's medical-information jewelry, including a display easel to which product samples and a pad with tear-off sheets were attached. In holding the plaintiff not entitled to preliminary injunctive relief, the court applied the "traditional definition" of functionality, namely, "if a product feature is 'the reason the device works,' then the feature is functional. The availability of alternative designs is irrelevant."<sup>733</sup> That definition allowed the court to dispose of the plaintiff's proffered evidence of alternative designs, and the plaintiff's case also suffered from the court taking judicial notice of related utility patents,<sup>734</sup> as well as the court's acceptance of the defendant's showing that "[t]he placement of attached samples on the displays is also functional. If a sample is included, it must be attached to a place on the display so the display does not topple over."<sup>735</sup> That left the plaintiff's argument that "the combination of functional elements somehow adds up to a nonfunctional whole,"<sup>736</sup> which the court rejected because:

[I]n order to receive trade dress protection for the overall combination of functional features, those features must be configured in an arbitrary, fanciful, or distinctive way. . . . In other words, where individual functional components are combined in a nonarbitrary manner to perform an overall

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manufacturing efficiencies. *Id.* at 1340-41. Although disclaiming the viability of the test in the Second Circuit, the court nevertheless reached a finding of functionality under it as well. *Schutte Bagclosures*, 193 F. Supp. 3d at 267-73. The counterclaim plaintiff's utility patents obviously played a role in that outcome, *id.* at 268, as did the unavailability of alternative designs that worked as well as that of the counterclaim plaintiff, *id.* at 269-71, the counterclaim defendants' "persuasive[]" showing "that [the counterclaim plaintiff] has long advertised its bag closure design as functional, even using that same terminology," *id.* at 272, and evidence and testimony showing that "the simple design of the [counterclaim plaintiff's] Configuration produces a closure that is designed to work efficiently in a bag closing machine, allowing machines to work at high speeds, and minimizing customer costs from downtime, maintenance, repairs, and crippled packages . . . ." *Id.* at 273.

<sup>732</sup> See *AMID, Inc. v. Medic Alert Found. United States, Inc.*, 241 F. Supp. 3d 788 (S.D. Tex. 2017).

<sup>733</sup> *Id.* at 819 (quoting *Eppendorf Netheler Hinz GMBH v. Ritter GMBH*, 289 F.3d 351, 355 (5th Cir. 2002)).

<sup>734</sup> The defendant failed to introduce the patents into evidence at a hearing on the plaintiff's motion, but they were attached to the defendant's opposing brief and, in any case, "[a]s a public record of a federal agency, this is evidence that 'may be judicially noticed.'" *Id.* at 820 n.9 (quoting *Massachusetts v. Westcott*, 431 U.S. 322, 323 n.2 (1977)).

<sup>735</sup> *Id.* at 820.

<sup>736</sup> *Id.*

function, the producer cannot claim that the overall trade dress is non-functional.<sup>737</sup>

Despite these pro-defendant findings and holdings, not all plaintiffs left court entirely empty-handed.<sup>738</sup> For example, the licensee of a manufacturer of a line of luggage with corrugated ribs successfully defeated a defense motion for summary judgment grounded in the alleged functionality of its configurations.<sup>739</sup> The plaintiff's licensor owned a utility patent suggesting that the use of metal plates with a rib-shaped profile served a "stiffening function."<sup>740</sup> The court declined to give the disclosure of the patent dispositive effect because, as it explained, "[w]hile ribbing in a metal plate may strengthen the material, the . . . patent does not disclose that the specific pattern of ridges and grooves claimed in the marks has a utilitarian purpose. An arbitrary pattern of functional elements may itself be non-functional."<sup>741</sup>

### ***(b) Aesthetic Nonfunctionality***

Courts for the most part resisted invitations to find marks and trade dresses aesthetically functional.<sup>742</sup> For example, a Kentucky federal district court addressed, and disposed of, the argument that a defendant's desire to have its goods match those of the plaintiff will render the trade dress of the plaintiff's goods aesthetically functional.<sup>743</sup> The trade dress at issue was the registered green-and-yellow color combination long associated with agricultural equipment sold by Deere & Co. Having sued a competitor using the same combination, Deere successfully moved for summary judgment on the defendant's claim the colors were aesthetically functional. In granting the motion, the court quoted the Supreme Court for the proposition that "[t]he functionality doctrine . . . forbids the use of a product's feature as a trademark where doing so will put a competitor at a significant disadvantage because the feature is 'essential to the use or purpose of the article' or 'affects

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<sup>737</sup> *Id.* at 821 (alterations in original) (quoting Clearline Techs. Ltd. v. Cooper B-Line, Inc., 948 F. Supp. 2d 691, 701 (S.D. Tex. 2013)).

<sup>738</sup> *See, e.g.*, Diamond Foods, Inc. v. Hottrix, LLC, 119 U.S.P.Q.2d 1553, 1565-66 (N.D. Cal. 2016) (finding, in cursory analysis, that counterclaim plaintiff had sufficiently alleged nonfunctionality of downloadable software icon featuring popcorn kernels to defeat motion to dismiss for failure to state claim).

<sup>739</sup> *See* Rimowa Distrib., Inc. v. Travelers Club Luggage, Inc., 217 F. Supp. 3d 400 (D. Mass. 2016).

<sup>740</sup> *Quoted in id.* at 414.

<sup>741</sup> *Id.*

<sup>742</sup> *See, e.g.*, A.V.E.L.A., Inc. v. Estate of Marilyn Monroe, LLC, 241 F. Supp. 3d 461, 478-79 (S.D.N.Y. 2017) (denying motion to dismiss resting on allegation that multiple registered marks consisting in whole or in part of Marilyn Monroe's name for various goods and services were functional);

<sup>743</sup> *See* Deere & Co. v. FIMCO Inc., 239 F. Supp. 3d 964 (W.D. Ky. 2017).

[its] cost or quality.”<sup>744</sup> It then noted, “[t]he Sixth Circuit has identified two different tests courts apply when considering whether a mark is aesthetically functional under this ‘competition theory.’ These are the ‘comparable alternatives’ test and the ‘effective competition’ test.”<sup>745</sup>

As to the first of these tests, Deere showed that both it and competitors of the parties sold agricultural equipment featuring other colors that functioned just fine and would not be costly for the defendant to adopt; in response, the defendant failed to explain “why any disadvantage it would suffer if it were prohibited from using a combination of green and yellow would be a ‘*non-reputation-related*’ disadvantage.”<sup>746</sup> With respect to the second test, the court rejected the defendant’s need-to-match argument because:

[I]t appears that the disadvantage claimed by [the defendant] as a result of not being able to match Deere tractors color-for-color “is tied to the reputation and association with” John Deere, And because it is not enough for purposes of aesthetic functionality that farmers “want[] a matched pair,” the Court cannot say that [the defendant] would be placed at a “significant non-reputation-related disadvantage.”<sup>747</sup>

A different defendant’s assertion of aesthetic functionality also met with misfortune.<sup>748</sup> The plaintiffs, purveyors of premium hair-care products, claimed ownership of a trade dress comprising the following exemplars of the packaging for their goods:



<sup>744</sup> *Id.* at 997 (second alteration in original) (quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 169 (1995)).

<sup>745</sup> *Id.* at 997-98 (citations omitted).

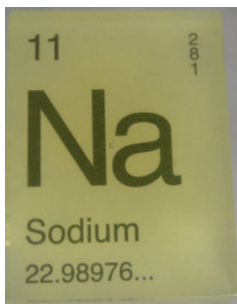
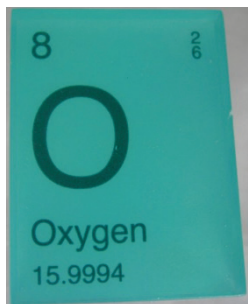
<sup>746</sup> *Id.* at 1001 (quoting *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32 (2001)).

<sup>747</sup> *Id.* at 1002-03 (second alteration in original) (quoting *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1074 (9th Cir. 2006); *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 344 (7th Cir. 1985); *TrafFix*, 532 U.S. at 32)).

<sup>748</sup> See *MoroccanOil, Inc. v. Zotos Int’l, Inc.*, 230 F. Supp. 3d 1161 (C.D. Cal. 2017).

In response to the plaintiff's motion for a preliminary injunction, the defendant argued the appearance of the packaging was functional, citing third-party use of its individual elements. The court found that argument unpersuasive, choosing instead to apply the rule that "the focus of a trade dress claim is not on the individual elements, but on the 'overall visual impression that the combination and arrangement of those elements create.'"<sup>749</sup> It therefore found the trade dress nonfunctional because "[the plaintiff's] arrangement of the individual elements of its Trade Dress appears to serve a purely aesthetic purpose comprised of specific colors, fonts and styles,"<sup>750</sup> and, additionally, because "[t]here is . . . no evidence that [the plaintiff's] packaging is essential to the 'cost or quality' of the product such that exclusive use would put a competitor at a 'non-reputation-related disadvantage.'"<sup>751</sup>

In contrast, a New York federal district court delivered up the most aggressive finding of aesthetic functionality in recent memory, one that came as a matter of law on a motion to dismiss for failure to state a claim.<sup>752</sup> The plaintiff before that court claimed trade dress protection in the appearance of bars of hand soap corresponding to entries on the periodic table of elements. The following are representative examples of the plaintiff's goods:<sup>753</sup>



Citing standard Second Circuit authority, the court introduced its consideration of the defendant's motion by holding that "[a] product design is functional when certain features of the design are essential to effective competition in a particular market,"<sup>754</sup> and, additionally,

<sup>749</sup> *Id.* at 1171 (quoting *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1259 (9th Cir. 2001)).

<sup>750</sup> *Id.*

<sup>751</sup> *Id.* (quoting *Disc Golf Ass'n, Inc. v. Champion Discs, Inc.*, 158 F.3d 1002, 1006 (9th Cir. 1998)).

<sup>752</sup> *See Bubble Genius LLC v. Smith*, 239 F. Supp. 3d 586 (E.D.N.Y. 2017).

<sup>753</sup> The graphics in the text immediately following this footnote are taken from the plaintiff's website. *See* <https://www.bubblegenius.com/in-your-element> (last visited Dec. 23, 2017).

<sup>754</sup> *Bubble Genius*, 239 F. Supp. 2d at 594 (alteration in original) (quoting *Cartier, Inc. v. Sardell Jewelry, Inc.*, 294 F. App'x 615, 620 (2d Cir. 2008)).



“where an ornamental feature is claimed as a trademark and trademark protection would significantly hinder competition by limiting the range of adequate alternative designs, the aesthetic functionality doctrine denies such protection.”<sup>755</sup> Narrowly defining the relevant market, it then held as a matter of law that “plaintiff’s trade dress is aesthetically functional because it is purely ornamental, and the trade dress’ design features are necessary for competition in the market for periodic table inspired novelty soaps.”<sup>756</sup> Specifically, “competitors in this market would be placed at a ‘significant non-reputation-related disadvantage’ if plaintiff had exclusive rights to produce and sell soaps that mimic publicly available periodic tables.”<sup>757</sup>

### **iii. Establishing Liability for Violations of Trademark and Service Mark Rights**

#### ***(A) Actionable Uses in Commerce by Defendants***

To trigger liability, each of the Lanham Act’s primary statutory causes of action, namely, those set forth in Sections 32,<sup>758</sup> 43(a),<sup>759</sup> and 43(c),<sup>760</sup> requires the challenged use be one in connection with goods or services “in commerce.” This requirement for liability is the subject of far less attention than the use-in-commerce prerequisite for trademark rights in the first instance. Nevertheless, as between the two, it produced what are arguably the more significant decisions.

#### **(1) Opinions Finding Actionable Uses in Commerce**

The owner of marks used in connection with contract staffing services not only escaped a motion to dismiss its challenge to alleged uses in commerce of those marks by a competitor, it succeeded in proving the actionable nature of those uses on its own motion for a preliminary injunction.<sup>761</sup> The Georgia federal district court hearing the action held as an initial matter that “the Eleventh Circuit has instructed that ‘[t]he term “use in commerce” as used in the Lanham Act denotes Congress’s authority under the Commerce Clause rather than an intent to limit the Lanham Act’s application to profit

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<sup>755</sup> *Id.* (quoting *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.*, 696 F.3d 206, 217 (2d Cir. 2012)).

<sup>756</sup> *Id.* at 595.

<sup>757</sup> *Id.* at 597 (quoting *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32 (2001)).

<sup>758</sup> 15 U.S.C. § 1114 (2012).

<sup>759</sup> *Id.* § 1125(a).

<sup>760</sup> *Id.* § 1125(c).

<sup>761</sup> *See Express Franchise Servs., L.P. v. Impact Outsourcing Sols., Inc.*, 244 F. Supp. 3d 1368 (N.D. Ga. 2017).

making activity.”<sup>762</sup> The court then held a number of the plaintiff’s averments satisfied that standard, including those that the defendant had misleadingly: (1) described itself in postings aimed at job seekers as “part of a larger family of companies” that included the plaintiff;<sup>763</sup> (2) distributed training materials and seminar documents representing it had worked with the plaintiff to prepare a “career pathing program”;<sup>764</sup> and (3) displayed the plaintiff’s marks alongside its own marks when promoting webinars and at job fair booths.<sup>765</sup>

## (2) Opinions Declining to Find Actionable Uses in Commerce

A number of plaintiffs fell victim to successful motions to dismiss grounded in the plaintiffs’ failure to allege actionable uses in commerce.<sup>766</sup> For example, two plaintiffs asserting unfair competition and likely dilution before a South Carolina federal district court quite reasonably averred actionable use in commerce of the challenged marks based on the defendants’ submission of use-based applications to register the marks.<sup>767</sup> Granting the defendants’ motion to dismiss for failure to state a claim, the court improbably held that the plaintiffs’ references to the undisputed existence of the applications failed to establish an actionable use in commerce by the defendants:

[T]o establish Defendants’ use of the Mark in commerce, Plaintiffs entirely rely on the statements made by Defendants in their applications to register the Mark with the USPTO. Completely absent from the [complaint] are any allegations of Defendants’ actual use of the Mark in commerce. Inasmuch as registration of the Mark, without more, is insufficient to constitute a use in commerce, Plaintiffs’ federal trademark infringement claim fails as a matter of law.<sup>768</sup>

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<sup>762</sup> *Id.* at 1375 (quoting *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1194 (11th Cir. 2001)).

<sup>763</sup> *Quoted in id.* at 1376.

<sup>764</sup> *Quoted in id.* at 1377.

<sup>765</sup> *Id.* at 1378.

<sup>766</sup> *See, e.g.*, *Sara Designs, Inc. v. Classic Time Watch Co.*, 234 F. Supp. 3d 548, 557 (S.D.N.Y. 2017) (granting motion to dismiss because “the Complaint does not allege that Defendants actually used Plaintiff’s mark . . . or any trademarks even remotely similar to that mark and thus fails to state a viable trademark infringement or dilution claim”).

<sup>767</sup> *See Marshall Tucker Band, Inc. v. M T Indus.*, 238 F. Supp. 3d 759 (D.S.C. 2017), *amended*, No. CV 7:16-00420-MGL, 2017 WL 1469356 (D.S.C. Apr. 25, 2017).

<sup>768</sup> *Id.* at 765.

This holding disposed of the plaintiffs' infringement and likely dilution claims,<sup>769</sup> as well as its request that the court cancel certain registrations owned by the lead defendant.<sup>770</sup>

Uber Technologies similarly escaped an infringement suit on a motion to dismiss after the court's reading of the complaint against Uber established the ride-sharing service had not engaged in an actionable use in commerce.<sup>771</sup> The plaintiffs, operators of competing livery services, alleged that some of their drivers had signed up with Uber and then picked up passengers for Uber while displaying the plaintiffs' service marks: "Thus, the plaintiffs allege, when a car arrives bearing both Uber's logo and one of their service marks, the consumer is deceived into thinking that Uber is associated with, or endorsed by, the plaintiffs."<sup>772</sup> That allegation failed to state a cause of action grounded in the theory that Uber had made unauthorized uses of the plaintiffs' marks in commerce. Rather, "[w]hen a driver employed by one of the plaintiffs decides to make an Uber pickup in a car bearing one of the plaintiffs' services marks, it is the driver—not Uber—who is 'using' the mark."<sup>773</sup>

Finally, a Texas federal district court denied a plaintiff's motion for summary judgment, but did so in an opinion reflecting its judgment that the defendant had not yet made an actionable use in commerce.<sup>774</sup> The defendant was a prospective restaurateur, which had filed an intent-to-use application to register the disputed mark, pursued a business license for his proposed business, secured four domain name registrations corresponding to the disputed mark, investigated the process for acquiring a liquor license, and negotiated with landlords. In rejecting the plaintiff's bid for a finding of likely dilution as a matter of law, the court held that these activities did not add up to an actionable use in commerce. This led to the court's ultimate conclusion that "[a]t this point in the litigation, [the defendant] has not used the mark, which renders [the plaintiff's] dilution claims unripe."<sup>775</sup>

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<sup>769</sup> *Id.*

<sup>770</sup> *Id.* at 766.

<sup>771</sup> See *XYZ Two Way Radio Serv., Inc. v. Uber Techs., Inc.*, 214 F. Supp. 3d 179 (E.D.N.Y. 2016), *reconsideration denied*, No. 15-cv-3015, 2017 WL 4326503 (E.D.N.Y. Sept. 28, 2017).

<sup>772</sup> *Id.* at 186.

<sup>773</sup> *Id.*

<sup>774</sup> See *Viacom Int'l Inc. v. IJR Capital Invs., LLC*, 242 F. Supp. 3d 563 (S.D. Tex. 2017), *appeal docketed*, No 17-20334 (5th Cir. May 10, 2017).

<sup>775</sup> *Id.* at 575.

### (3) Opinions Deferring Resolution of the Actionable-Use-in-Commerce Inquiry

Despite the success of some defendants in securing the dismissal of allegations against them at the pleadings stage, others failed to do so. Two defendants falling within the latter category had never provided any goods or services under their allegedly infringing mark, but they had promoted the mark at two Las Vegas trade shows and through online media.<sup>776</sup> According to the defendants, their conduct did not satisfy the statutory definition of use in commerce found in Section 45 of the Act, which requires the sale or transportation across state lines of goods associated with a trademark or the actual provision of services associated with a service mark for the mark in question to become eligible for federal protection or registration.<sup>777</sup> “The problem with this argument,” the court held, “is that [Section 45’s] definition of ‘use in commerce’ applies only in the trademark qualification context and not in the trademark infringement context.”<sup>778</sup> It therefore chose instead to apply a standard focusing on the effect of the defendants’ advertising on interstate commerce, and that made all the difference in the world, at least for purposes of the defendants’ motion to dismiss, which failed to carry the day.<sup>779</sup>

Another unsuccessful motion to dismiss raised the question of whether circulation of a branded script and “series bible” for a pilot television series or motion picture can constitute an actionable use in commerce.<sup>780</sup> Much of the court’s analysis focused on whether the script properly could be considered a good, or whether, as the defendant argued, it was a “mere advertisement for itself as a hypothetical commodity.”<sup>781</sup> In the absence of a definition of “good” in the Lanham Act, the court turned to the Nice International Schedule of Classes of Goods and Services, where it saw “[p]aper and cardboard; printed matter; . . . [and] instructional and teaching material” in Class 16.<sup>782</sup> From that reference, the court concluded, “to the extent that Plaintiff alleges that Defendant marketed the script and series bible as discrete products to [a third party] and other networks, these items constitute ‘tangible products sold in the marketplace,’ and therefore qualify as ‘goods’ under the Lanham

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<sup>776</sup> See *BTG Patent Holdings, LLC v. Bag2Go, GmbH*, 193 F. Supp. 3d 1310 (S.D. Fla. 2016).

<sup>777</sup> 15 U.S.C. § 1127 (2012).

<sup>778</sup> *BTG Patent Holdings*, 193 F. Supp. 3d at 1322.

<sup>779</sup> *Id.* at 1323-24.

<sup>780</sup> See *Dille Family Trust v. Nowlan Family Trust*, 207 F. Supp. 3d 535 (E.D. Pa. 2016).

<sup>781</sup> Quoted in *id.* at 542.

<sup>782</sup> *Id.* at 543 (second and third alterations in original) (quoting 37 C.F.R. § 6.1 (2016)).

Act.”<sup>783</sup> Moreover, “[w]ithout the script and series bible, no movie or television series could be developed. The marketing and sale of the script and series bible are essential steps in the development of products for nationwide distribution, and thus substantially impact interstate commerce.”<sup>784</sup> The plaintiff therefore had adequately averred use of the disputed mark in commerce.<sup>785</sup>

### ***(B) Likelihood of Confusion***

#### **(1) The Standard Multifactor Test for Likelihood of Confusion**

##### ***(a) Factors Considered***

##### **(i) The First Circuit**

First Circuit courts applied an eight-factor test for infringement, which took into account: (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 parties’ advertising; (5) the classes of the parties’ prospective purchasers; (6) evidence of actual confusion; (7) the defendant’s intent in adopting its mark; and (8) the strength of the plaintiff’s mark.<sup>786</sup>

##### **(ii) The Second Circuit**

As it has for over half a century, the *Polaroid* factors<sup>787</sup> governed applications of the likelihood-of-confusion test for infringement in the Second Circuit, with courts there examining: (1) the strength of the plaintiff’s mark; (2) the degree of similarity between the marks; (3) the proximity of the products or services; (4) the likelihood that the senior user will “bridge the gap” into the junior user’s product service line; (5) evidence of actual confusion between the marks; (6) whether the defendant adopted the mark in good faith; (7) the quality of defendant’s products or services; and (8) the sophistication of the parties’ customers.<sup>788</sup>

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<sup>783</sup> *Id.* at 544 (quoting *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 31 (2003)).

<sup>784</sup> *Id.* at 545.

<sup>785</sup> *Id.*

<sup>786</sup> *See* *Oriental Fin. Grp. v. Cooperativa de Ahorro y Crédito Oriental*, 832 F.3d 15, 25 (1st Cir. 2016); *Rimowa Distrib., Inc. v. Travelers Club Luggage, Inc.*, 217 F. Supp. 3d 400, 408 (D. Mass. 2016); *Pub. Impact, LLC v. Boston Consulting Grp.*, 169 F. Supp. 3d 278, 288 (D. Mass. 2016), *appeal dismissed*, No. 16-1400 (1st Cir. Oct. 18, 2016).

<sup>787</sup> *See* *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961).

<sup>788</sup> *See* *Cross Commerce Media, Inc. v. Collective, Inc.*, 841 F.3d 155, 168 (2d Cir. 2016); *Threeline Imps., Inc. v. Vernikov*, 239 F. Supp. 3d 542, 561 (E.D.N.Y. 2017); *LVL XIII Brands, Inc. v. Louis Vuitton Malletier S.A.*, 209 F. Supp. 3d 612, 666-67 (S.D.N.Y. 2016), *aff’d*, No. 16-3488-CV, 2017 WL 6506353 (2d Cir. Dec. 20, 2017); *Classic Liquor Imps.*,

### (iii) The Third Circuit

The Third Circuit's ten-factor *Lapp* test for likelihood of confusion<sup>789</sup> remained unchanged over the past year. Those factors were: (1) the degree of similarity between the parties' marks; (2) the strength of the plaintiff's mark; (3) the price of the goods or services and other factors indicative of consumers' care and attention when making a purchase; (4) the length of time of the defendant's use of its mark without actual confusion; (5) the defendant's intent when adopting its mark; (6) any evidence of actual confusion; (7) whether the goods or services, if not competitive, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the targets of the parties' sales efforts are the same; (9) the relationship of the goods or services in the minds of consumers because of the similarity of function; and (10) other facts suggesting the consuming public might expect the plaintiff to provide goods or services in the defendant's market or to expand into the defendant's market.<sup>790</sup>

### (iv) The Fourth Circuit

The Fourth Circuit test for likely confusion turned on examinations of the following nine factors: (1) the strength of the plaintiff's mark; (2) the degree of similarity between the parties' marks; (3) the similarity between the parties' goods and services; (4) the similarity of the facilities used by the parties; (5) the similarity of the parties' advertising; (6) the defendant's intent; (7) the presence of actual confusion; (8) the quality of the defendant's goods or services; and (9) the sophistication of the consumers targeted by the parties.<sup>791</sup>

### (v) The Fifth Circuit

Fifth Circuit courts rolled out that jurisdiction's "digits of confusion" when weighing claims of infringement. Those digits

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*Ltd. v. Spirits Int'l B.V.*, 201 F. Supp. 3d 428 (S.D.N.Y. 2016); *World Trade Ctrs. Ass'n v. Port Auth. of N.Y. & N.J.*, 121 U.S.P.Q.2d 1273, 1274-75 (S.D.N.Y. 2016); *Citigroup, Inc. v. AT&T Servs., Inc.*, 120 U.S.P.Q.2d 1888, 1893 (S.D.N.Y. 2016); *Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F. Supp. 3d 245, 273-74 (S.D.N.Y. 2016), *aff'd*, 699 F. App'x 93 (2d Cir. 2017); *Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137, 153 n.12 (E.D.N.Y. 2016).

<sup>789</sup> See *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir. 1983).

<sup>790</sup> See *UHS of Del., Inc. v. United Health Servs., Inc.*, 227 F. Supp. 3d 381, 391 (M.D. Pa. 2016); *Verifone, Inc. v. Poynt Co.*, 199 F. Supp. 3d 898, 905-06 (D. Del. 2016).

<sup>791</sup> See *Grayson O Co. v. Agadir Int'l LLC*, 856 F.3d 307, 314 (4th Cir. 2017); *Valador, Inc. v. HTC Corp.*, 241 F. Supp. 3d 650, 661 (E.D. Va. 2017), *aff'd*, 707 F. App'x 138 (4th Cir. 2017); *Select Auto Imps. Inc. v. Yates Select Auto Sales, LLC*, 195 F. Supp. 3d 818, 827-30 (E.D. Va. 2016); *Cava Grp. v. Mezeh-Annapolis, LLC*, 119 U.S.P.Q.2d 1593, 1599 (D. Md. 2016).

included the following nonexclusive considerations: (1) the type of the plaintiff's mark; (2) the similarity between the parties' marks; (3) the competitive proximity between the parties' goods or services; (4) the similarities between the parties' outlets and purchasers; (5) the similarity between the parties' advertising media; (6) the defendant's intent; (7) actual confusion; and (8) the care exercised by potential purchasers of the parties' goods or services.<sup>792</sup>

### (vi) The Sixth Circuit

The eight *Frisch's* factors<sup>793</sup> remained those of choice in the Sixth Circuit. They included: (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) evidence of any 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 under its mark.<sup>794</sup>

### (vii) The Seventh Circuit

As they have for decades, likelihood-of-confusion determinations in the Seventh Circuit turned on seven factors. Those were: (1) the degree of similarity between the parties' marks in appearance and suggestion; (2) the degree of similarity between the parties' products; (3) the area and manner of concurrent use; (4) the degree of care likely to be exercised by consumers; (5) the strength of complainant's mark; (6) the extent of any actual confusion; and (7) the defendant's intent to palm off his goods or services as those of the plaintiff.<sup>795</sup>

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<sup>792</sup> See *Streamline Prod. Sys., Inc. v. Streamline Mfg. Inc.*, 851 F.3d 440, 453 (5th Cir. 2017); *Jones v. Am. Council on Exercise*, 245 F. Supp. 3d 853, 862 (S.D. Tex. 2017); *Michael Kors, LLC v. Hernandez Int'l Inc.*, 120 U.S.P.Q.2d 1762, 1780 n.112 (S.D. Tex. 2016); *Bd. of Regents of the Univ. of Houston Sys. on Behalf of the Univ. of Houston Sys. & its Member Insts. v. Houston Coll. of Law, Inc.*, 214 F. Supp. 3d 573, 584 (S.D. Tex. 2016); *Git-R-Done Prods., Inc. v. Giterdone C Store, LLC*, 226 F. Supp. 3d 684, 690 (S.D. Miss. 2016); *Bulbs 4 E. Side, Inc. v. Ricks*, 199 F. Supp. 3d 1151, 1160 (S.D. Tex. 2016).

<sup>793</sup> See *Frisch's Rest., Inc. v. Shoney's Inc.*, 759 F.2d 1261, 1264 (6th Cir. 1985).

<sup>794</sup> See, e.g., *Progressive Distrib. Servs., Inc. v. United Parcel Serv., Inc.*, 856 F.3d 416, 424 (6th Cir.), *cert. denied*, 138 S. Ct. 91 (2017); *Kibler v. Hall*, 843 F.3d 1068, 1073 (6th Cir. 2016), *cert. denied*, 138 S. Ct. 91 (2017); *Deere & Co. v. FIMCO Inc.*, 239 F. Supp. 3d 964, 1007 (W.D. Ky. 2017); *Hoenig Dev., Inc. v. Dial Indus.*, 213 F. Supp. 3d 895, 905-06 (E.D. Mich. 2016); *Multimedia Commerce Grp. v. Posh TV*, 119 U.S.P.Q.2d 1536, 1541 (E.D. Tenn. 2016).

<sup>795</sup> See *Ariel Invs., LLC v. Ariel Capital Advisors LLC*, 230 F. Supp. 3d 849, 860 (N.D. Ill. 2017), *appeal dismissed*, No. 17-1504, 2017 WL 4003698 (7th Cir. Mar. 17, 2017), and *appeal dismissed*, No. 17-1516, 2017 WL 4174942 (7th Cir. June 20, 2017); *RGB Plastic, LLC v. First Pack, LLC*, 184 F. Supp. 3d 649, 670 (N.D. Ill. 2016); *Poneman v. Nike, Inc.*, 161 F. Supp. 3d 619, 626 (N.D. Ill. 2016).

### (viii) The Eighth Circuit

The six *SquirtCo* factors<sup>796</sup> remained controlling in the Eighth Circuit. Those factors included: (1) the strength of the plaintiff's mark; (2) the similarity between the plaintiff's mark and the defendant's mark; (3) the competitive proximity between the parties' goods or services; (4) the defendant's intent to pass off its goods as those of the plaintiff; (5) incidents of actual confusion; and (6) the conditions under which the parties' goods or services were sold and the degree of care exercised by purchasers.<sup>797</sup>

### (ix) The Ninth Circuit

The *Sleekcraft* test for infringement<sup>798</sup> continued to govern likelihood-of-confusion inquiries in the Ninth Circuit and took into account the following factors: (1) the strength of the plaintiff's mark; (2) the proximity or relatedness 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 or services 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 an expansion of the parties' lines of goods or services.<sup>799</sup>

### (x) The Tenth Circuit

Unusually, there were no reported opinions bearing on the test for infringement from courts in the Tenth Circuit.

### (xi) The Eleventh Circuit

Courts in the Eleventh Circuit applied the same test for likely confusion they always have. That test's seven factors took into account: (1) the type of the plaintiff's mark; (2) the similarity of the

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<sup>796</sup> See *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980).

<sup>797</sup> See *Warner Bros. Entm't, Inc. v. X One X Prods.*, 840 F.3d 971, 981 (8th Cir. 2016); *ZW USA, Inc. v. PWD Sys., LLC*, 208 F. Supp. 3d 1025, 1045 (E.D. Mo. 2016); *LTJ Enters. v. Custom Mktg. Co.*, 168 F. Supp. 3d 1202, 1215 (D. Minn. 2016).

<sup>798</sup> See *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979).

<sup>799</sup> See *JL Beverage Co. v. Jim Beam Brands Co.*, 828 F.3d 1098, 1106 (9th Cir. 2016); *DermFx, Inc. v. Obagi Med. Prods., Inc.*, 122 U.S.P.Q.2d 1356, 1359 (C.D. Cal. 2017); *TPW Mgmt., LLC v. Yelp! Inc.*, 121 U.S.P.Q.2d 1602, 1606 (N.D. Cal. 2016); *Moroccanoil, Inc. v. Perfumes World Com, Inc.*, 234 F. Supp. 3d 1026, 1032 (C.D. Cal. 2017); *Moroccanoil, Inc. v. Zotos Int'l, Inc.*, 230 F. Supp. 3d 1161, 1172 (C.D. Cal. 2017); *Kische USA LLC v. Simsek*, 121 U.S.P.Q.2d 1255, 1263 (W.D. Wash. 2016); *Theta Chi Fraternity, Inc. v. Leland Stanford Junior Univ.*, 212 F. Supp. 3d 816, 824 (N.D. Cal. 2016); *Moab Indus. v. FCA US, LLC*, 120 U.S.P.Q.2d 1215, 1220 (D. Ariz. 2016); *Russell Rd. Food & Beverage, LLC v. Galam*, 180 F. Supp. 3d 724, 738 (D. Nev. 2016); *Bauer Bros. v. Nike, Inc.*, 159 F. Supp. 3d 1202, 1211 (S.D. Cal. 2016); *Obesity Research Inst., LLC v. Fiber Research Int'l, LLC*, 165 F. Supp. 3d 937, 950 (S.D. Cal. 2016).



parties' marks; (3) the similarity of the parties' products; (4) the similarity of the parties' retail outlets and customers; (5) the similarity of the parties' advertising media; (6) the defendant's intent; and (7) any actual confusion.<sup>800</sup> One panel of the court observed, "[o]f these factors, the type of mark and the evidence of actual confusion are the most important."<sup>801</sup>

### (xii) The District of Columbia Circuit

A federal district court in the District of Columbia examined the following factors when weighing the likelihood of confusion between the marks before it:

These factors include: (1) the strength of the plaintiff's mark; (2) the degree of similarity between the two marks; (3) the proximity of the products; (4) evidence of actual confusion; (5) the defendant's purpose or reciprocal good faith in adopting its own mark; (6) the quality of defendant's product; and (7) the sophistication of the buyers.<sup>802</sup>

### (b) Findings and Holdings

#### (i) Opinions Finding Likelihood of Confusion on Motions for Preliminary Injunctive Relief

Perhaps the most notable finding of liability of liability on a motion for interlocutory relief came in an action brought by the University of Houston on behalf of its law school, the University of Houston Law Center.<sup>803</sup> That plaintiff had coexisted peacefully with a south Texas neighbor operating under the SOUTH TEXAS COLLEGE OF LAW mark until the latter institution transitioned to the HOUSTON COLLEGE OF LAW mark. In the lawsuit that followed, the plaintiff put forth a convincing case for interlocutory relief, beginning with its showing that its UNIVERSITY OF HOUSTON and UNIVERSITY OF HOUSTON LAW CENTER marks were relatively commercially strong, despite their geographically descriptive nature and third-party usage of marks

<sup>800</sup> See *Fla. Int'l Univ. Bd. of Trs. v. Fla. Nat'l Univ., Inc.*, 830 F.3d 1242, 1255 (11th Cir. 2016); *CrossFit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295, 1305 (N.D. Ga. 2017).

<sup>801</sup> *Fla. Int'l Univ.*, 830 F.3d at 1255.

<sup>802</sup> *Paletteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V.*, 188 F. Supp. 3d 22, 101 (D.D.C. 2016) (quoting *Globalaw Ltd. v. Carmon & Carmon Law Office*, 452 F. Supp. 2d 1, 48 (D.D.C. 2006)), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017); see also *Am. Soc'y for Testing & Materials v. Public.Resource.Org., Inc.*, 121 U.S.P.Q.2d 1513, 1537 (D.D.C. 2017); *Yah Kai World Enters. v. Napper*, 195 F. Supp. 3d 287, 317 (D.D.C. 2016).

<sup>803</sup> See *Bd. of Regents of the Univ. of Houston Sys. on Behalf of the Univ. of Houston Sys. & its Member Insts. v. Houston Coll. of Law, Inc.*, 214 F. Supp. 3d 573, 584 (S.D. Tex. 2016).

incorporating either “Houston” or “university.”<sup>804</sup> The court also found the parties’ marks “strikingly similar,” even before taking into account both parties’ practice of presenting their marks in red-and-white color schemes.<sup>805</sup> The defendant was equally disadvantaged by the court’s acceptance of the plaintiff’s evidence and testimony of actual confusion, including that among survey respondents<sup>806</sup> and other members of the public.<sup>807</sup> Additional factors contributing to the likelihood of confusion between the parties’ marks included the competitive proximity of the parties’ services,<sup>808</sup> the identity between the potential students they targeted,<sup>809</sup> and shared advertising media.<sup>810</sup> The defendant fended off the plaintiff’s accusations of a bad-faith intent,<sup>811</sup> and it also convinced the court

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<sup>804</sup> Factors underlying that conclusion included the marketing budgets for the plaintiff and its law school, the long-standing use of, and federal registrations covering, its marks, and public recognition of the plaintiff and the school. *Id.* at 585-86. The court disposed of the defendant’s evidence of third-party use by noting none of the third parties operated a law school. *Id.* at 586-87.

<sup>805</sup> *Id.* at 587. The court responded to the defendant’s proffer of differences between the parties’ presentations by observing that “rare is the case where a defendant has made an *exact* copy of the plaintiff’s mark.” *Id.* at 588.

<sup>806</sup> Through the testimony of its expert, the plaintiff introduced evidence that a net 25% of respondents to an *Eveready* survey were confused by the parties’ names. Although the defendant countered with its own survey results showing only a net 6% rate of confusion, the court found the plaintiff’s survey methodology more convincing. *Id.* at 593-95.

<sup>807</sup> The plaintiff’s anecdotal evidence documented actual confusion among the United States Postal Service, an employee of a law firm, a regional consortium of seventeen law schools, the Texas Board of Law Examiners, an employee of the Southern Methodist University Law School, a student of the plaintiff’s school, and a prospective law student unclear about the identity of the school to which she was applying. *Id.* at 595-96. Although giving reduced weight to confusion involving “individuals who are unfamiliar with the legal education industry,” the court found the plaintiff’s showing of “mistakes made by individuals who are active participants in the field” probative of the defendant’s liability. *Id.* at 597.

<sup>808</sup> On this issue, the defendant invoked the “broad array of athletic programs and non-legal educational opportunities” offered by the plaintiff, none of which the defendant also offered. The court was unconvinced, explaining that:

[The plaintiff] is not alleging that consumers will mistake Defendant for the University of Houston, but rather that consumers will mistakenly associate Defendant *with* the University of Houston (e.g., by assuming that Houston College of Law is one of the many colleges under [the plaintiff’s] umbrella). The fact that, at a university level, [the plaintiff] participates in intercollegiate athletics and offers non-legal educational opportunities does not dispel association-based confusion. To the contrary, it is perfectly consistent with it.

*Id.* at 589.

<sup>809</sup> *Id.* at 589-90.

<sup>810</sup> *Id.* at 590.

<sup>811</sup> The plaintiff sought to establish the defendant’s bad faith by citing “strong evidence” the defendant believed its standalone law school would benefit from an affiliation (real or perceived) with another institution; indeed, the defendant’s dean admitted as much. *Id.* at 591. The plaintiff also pointed to, and the court credited, the defendant’s adoption of a red-and-white color scheme similar to that of the plaintiff. *Id.* at 592. Nevertheless, the

that prospective law students exercised a high degree of care,<sup>812</sup> but those successes could not defeat the plaintiff's ultimate entitlement to preliminary injunctive relief, especially when the possibility of initial-interest confusion was taken into account.<sup>813</sup>

Another reported opinion entering preliminary injunctive relief arose from a complex set of facts.<sup>814</sup> The parties operated in the contract staffing business, with the complication that some (but not all) of the defendant's businesses were franchisees of the plaintiff. Apparently in reliance on that relationship, the defendant (as opposed to the defendant's franchised businesses) began using the plaintiff's marks in its advertising. The defendant sought to escape liability by arguing it provided employee leasing and human resources services to its clients, while the plaintiff's services were staffing- and recruiting-related, but the court found that "the parties provide similar—albeit not identical—services to the same clients, and the Court is convinced that consumers could easily 'get the sense that a single producer is likely to' render both sets of services."<sup>815</sup> In addition to that conclusion, a number of factors not seriously contested by the defendant supported a finding of liability and the grant of the plaintiff's motion. They included the relative strength of the plaintiffs' marks,<sup>816</sup> shared potential customers (even assuming the distinction between the parties' businesses argued by the defendant),<sup>817</sup> and "significant overlap at least with respect to promotional materials and sponsorships."<sup>818</sup>

A different court entering a preliminary injunction did so against the use of a Twitter handle and a hashtag after finding them likely to cause confusion with the plaintiff's registered PUBLIC

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court ultimately declined to find the defendant's name change had been motivated by a specific intent to cause a mistaken association with the plaintiff and its law school. *Id.*

<sup>812</sup> The resolution of this issue was not quite as definitive as might be expected. Rather, the court concluded that:

Prospective law students are not endowed with an inbuilt knowledge of the legal education industry. It is only after their interest in legal education is first piqued that they begin the process of *becoming* sophisticated. In other words, there exists a period of time in every prospective law student's career where, not only is he unsophisticated, he knows practically nothing about the industry and is particularly susceptible to confusion.

*Id.* at 598.

<sup>813</sup> *Id.* at 598-99.

<sup>814</sup> See *Express Franchise Servs., L.P. v. Impact Outsourcing Sols., Inc.*, 244 F. Supp. 3d 1368 (N.D. Ga. 2017).

<sup>815</sup> *Id.* at 1382 (quoting *ITT Corp. v. Xylem Grp.*, 963 F. Supp. 2d 1309, 1321 (N.D. Ga. 2013)).

<sup>816</sup> *Id.* at 1380-81.

<sup>817</sup> *Id.* at 1382.

<sup>818</sup> *Id.*

INTEREST mark for education-related consulting services.<sup>819</sup> The court framed the issue by observing as an initial matter that “[b]ecause [the defendant] competes with plaintiff in offering similar education-related consulting services, its use of the same two words that constitute plaintiff’s mark as a source-identifier would be concerning in any context where the words are used without other distinguishing features.”<sup>820</sup> The court identified two such uses documented in the preliminary injunction record, “both occurring on the social media website Twitter.”<sup>821</sup> Specifically, it found, “[the defendant] uses ‘@4PublicImpact’ as its Twitter username, and [the defendant] also frequently uses the hashtag ‘#publicimpact.’”<sup>822</sup> Confusion therefore was likely even in the absence of evidence of actual confusion or bad faith by the defendant and despite the sophistication of the parties’ clients.<sup>823</sup>

An absence of actual confusion and bad faith similarly did not preclude the entry of a preliminary injunction at the request of an automobile club focused on taxicabs produced by the defunct Checker Motors Corporation.<sup>824</sup> The plaintiff operated its club under the CHECKER CAR CLUB and CHECKER CAR CLUB OF AMERICA, while the defendant, a former president of the club, ran a competing club using the CHECKER CAB CLUB mark. Not surprisingly, the court found that “[m]any of the[] [likelihood-of-confusion] factors support a finding that confusion between the marks is likely . . . .”<sup>825</sup> Those factors included the “highly similar” appearance of the parties’ marks, the competitive proximity of the parties’ services, and the similarity of the contexts in which the parties used their marks, “e.g., both are used primarily in connection with online activity.”<sup>826</sup> The strength of the plaintiffs’ marks was a final consideration warranting the entry of preliminary injunctive relief.<sup>827</sup>

Nevertheless, actual confusion did play a role in another court’s decision to grant the same relief.<sup>828</sup> Having determined the plaintiff before it had failed to demonstrate the distinctiveness of his claimed MEDICAL EXERCISE SPECIALIST mark for the certification of fitness professionals working with post-rehabilitation patients, that

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<sup>819</sup> See *Pub. Impact, LLC v. Boston Consulting Grp.*, 169 F. Supp. 3d 278 (D. Mass. 2016), *appeal dismissed*, No. 16-1400 (1st Cir. Oct. 18, 2016).

<sup>820</sup> *Id.* at 295.

<sup>821</sup> *Id.*

<sup>822</sup> *Id.*

<sup>823</sup> *Id.*

<sup>824</sup> See *Checker Car Club of Am., Inc. v. Fay*, 262 F. Supp. 3d 621 (N.D. Ill. 2017).

<sup>825</sup> *Id.* at 627.

<sup>826</sup> *Id.*

<sup>827</sup> *Id.*

<sup>828</sup> See *Jones v. Am. Council on Exercise*, 245 F. Supp. 3d 853 (S.D. Tex. 2017).

court nevertheless went ahead and found confusion likely to result from the defendant's use of the same string of words for similar certification services. Those considerations favored the plaintiff,<sup>829</sup> as did the parties' shared use of the Internet as an advertising medium.<sup>830</sup> That left the plaintiff's evidence of actual confusion, which consisted in part of third-party inquiries about a possible affiliation between the parties: Although the defendant characterized that evidence as demonstrating the inquiring parties' awareness of the distinction between the parties, the court found it actionable.<sup>831</sup> Under the circumstances, neither the neutrality of the defendant's intent and the degree of care exercised by potential purchasers foreclosed a finding of liability.<sup>832</sup>

Finally, two plaintiffs pursuing a preliminary injunction motion successfully asserted rights to the appearances of the following packages, in which they sold their hair care products:<sup>833</sup>



The plaintiffs' motion targeted the sale by a former potential business partner of competitive products in the following packaging:<sup>834</sup>

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<sup>829</sup> *Id.* at 864.

<sup>830</sup> *Id.*

<sup>831</sup> As the court explained, "the factor [the court] is trying to analyze with the digits of confusion test is whether [the defendant's] use of [the plaintiff's] trademark 'creates a likelihood of confusion as to source, *affiliation*, or sponsorship,' which is the test for trademark infringement . . ." *Id.* at 866 (quoting *Elvis Presley Enters. v. Capece*, 141 F.3d 188, 193 (5th Cir. 1998)).

<sup>832</sup> *Id.* at 864-65, 867.

<sup>833</sup> *Moroccanoil, Inc. v. Zotos Int'l, Inc.*, 230 F. Supp. 3d 1161, 1169 (C.D. Cal. 2017).

<sup>834</sup> *Id.* at 1170.



The plaintiffs bulldozed their way to a finding of likely confusion, in the process persuading the court of the strength of their trade dress,<sup>835</sup> the competitive proximity of the parties' goods,<sup>836</sup> the "striking[] similar[ity]" of the packaging,<sup>837</sup> the parties' overlapping customers,<sup>838</sup> and the defendant's practice of marketing its goods with the slogan, "[i]f you like [the plaintiffs'] products, you'll LOVE our new . . . line,"<sup>839</sup> which the court found "ambiguous to consumers as to whether the companies are associated with each other."<sup>840</sup>

## (ii) Opinions Finding Likelihood of Confusion as a Matter of Law

Aside from findings of liability in cases in which defendants have defaulted,<sup>841</sup> plaintiffs generally found it easiest to prove infringement if their opponents had once been their licensees or franchisees,<sup>842</sup> but those were not the only scenarios in which plaintiffs prevailed as a matter of law. For example, reversing

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<sup>835</sup> The court found the MOROCCANOIL mark suggestive and therefore "presumptively weak," but it also accepted the plaintiffs' showing the mark had become commercially strong. *Id.* at 1173.

<sup>836</sup> *Id.*

<sup>837</sup> *Id.* at 1174.

<sup>838</sup> *Id.* at 1176.

<sup>839</sup> *Quoted in id.*

<sup>840</sup> *Id.*

<sup>841</sup> For a representative opinion entering findings of liability as a matter of law following a failure to respond to the complaint, see *CrossFit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295, 1304-08 (N.D. Ga. 2017) (finding confusion likely between plaintiff's CROSSFIT mark for fitness training-related services and defaulting defendants' KROSSFIT mark for fitness-related services).

<sup>842</sup> *See, e.g.,* *Halo Optical Prods., Inc. v. Liberty Sport, Inc.*, 122 U.S.P.Q.2d 1311, 1321-22 (S.D.N.Y. 2017) (finding liability as a matter of law following former licensee's introduction of unauthorized product bearing licensed mark); *Hoenig Dev., Inc. v. Dial Indus.*, 213 F. Supp. 3d 895, 904-06 (E.D. Mich. 2016) (same); *Nat'l Grange of the Order of Patrons of Husbandry v. Cal. State Grange*, 182 F. Supp. 3d 1065, 1070 (E.D. Cal. 2016) (referring to court's earlier summary judgment order finding liability as a matter of law).

several findings of nonliability to emerge from a bench trial, the First Circuit overturned a district court's determinations that the defendant's COOP ORIENTAL, COOPERATIVA ORIENTAL, and ORIENTAL POP marks for credit union services were confusingly similar to the plaintiffs' family of ORIENTAL marks for banking services.<sup>843</sup> The appellate court disagreed with the district court's conclusion that the parties' marks were dissimilar, which rested on the latter's assumption that Puerto Rican consumers knew from the presence of the words "coop" and "cooperative" in the defendant's marks how to distinguish between the parties' services: According to the First Circuit, the absence of record evidence or testimony on the issue meant the district court had improperly taken judicial notice of consumers' understanding of those words.<sup>844</sup> The district court's finding that "coop" and "cooperative" were the most salient words in the defendant's marks also failed to survive appellate scrutiny, for, as the First Circuit explained, "[t]here is no question that the common element of the marks—ORIENTAL—weighs more heavily in the analysis than COOP or COOPERATIVA," especially in light of the plaintiffs' family of marks.<sup>845</sup> Mark similarity was not the only factor to favor the plaintiffs' position, however, in light of the First Circuit's holding that the district court had improperly discounted the plaintiff's showing of actual confusion among consumers,<sup>846</sup> as well as the apparent lack of any dispute over the proximity of the parties' services, the relationship between their channels of trade, similarities in their advertising, and the strength of the plaintiffs' marks.<sup>847</sup>

In another case producing a finding of infringement as a matter of law, an ill-advised defense argument led the Eighth Circuit to affirm the entry of summary judgment of liability.<sup>848</sup> The plaintiffs in the appeal before that court asserted registered and unregistered trademark rights to certain "images, characters, words, names, phrases, and symbols" associated with the motion pictures *Gone with the Wind* and *The Wizard of Oz*, as well with the *Tom and Jerry* series of cartoons.<sup>849</sup> Challenging their loss before the district court,

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<sup>843</sup> See *Oriental Fin. Grp. v. Cooperativa de Ahorro y Crédito Oriental*, 832 F.3d 15 (1st Cir. 2016). The marks making up the plaintiff's family of marks consisted of ORIENTAL GROUP, ORIENTAL BANK, ORIENTAL MONEY, ORIENTAL INSURANCE, ORIENTAL MORTGAGES, ORIENTAL ETA, KEOGH ORIENTAL, ORIENTAL SAVINGS PLUS, ORIENTAL MANAGED INVESTMENTS, ORIENTAL FINANCIAL GROUP, ORIENTAL FINANCIAL SERVICES, ORIENTALONLINE.COM, ORIENTAL KIDS, and ORIENTAL AMIGA. *Id.* at 25.

<sup>844</sup> *Id.* at 27-28.

<sup>845</sup> *Id.* at 28.

<sup>846</sup> *Id.* at 31-32.

<sup>847</sup> *Id.* at 25.

<sup>848</sup> See *Warner Bros. Entm't, Inc. v. X One X Prods.*, 840 F.3d 971 (8th Cir. 2016).

<sup>849</sup> *Id.* at 975.

the defendants represented, as the appellate court summarized their position, that “the film titles and images are descriptive because they ‘immediately alert the purchaser to the nature of the product, *i.e.*, that it is from’ [the plaintiffs] films.”<sup>850</sup> Rather than convincing the court the plaintiffs’ marks were weak, however, the defendants’ position accomplished the exact opposite result because “[t]his aptly describes a strong trademark, immediately associating the product with [the plaintiffs].”<sup>851</sup> The defendants’ back-up argument, namely, that the summary judgment record lacked evidence of actual confusion, proved equally unsuccessful, with the court concluding that “[g]iven the strength of the other factors the district court considered to weigh in favor of [the plaintiffs], the lack of evidence of actual confusion does not even approach ‘tilt[ing] the entire balance in favor’ of reversal.”<sup>852</sup>

Perhaps the most aggressive finding of likely confusion as a matter of law not leading to an appellate opinion originated in a fictional use in commerce by Viacom International, Inc., producer of the animated children’s series *SpongeBob Squarepants*.<sup>853</sup> The titular character worked at a fictional restaurant operating under the service mark THE KRUSTY KRAB, and Viacom’s discovery of the defendants’ impending opening of an actual restaurant under the same mark caused it to pursue an infringement action. Although the differing contexts of Viacom’s “use” and the defendants’ prospective use might have placed the issue of likely confusion into dispute, the court found Viacom had adduced “compelling evidence” of liability.<sup>854</sup> A critical component of that evidence was the strength of Viacom’s mark, which rested on “Viacom’s continued use of the mark in its television series, movies, web and mobile applications, and licensed products that reference or directly mention ‘The Krusty Krab’ during the seventeen years of the show’s existence.”<sup>855</sup> Another factor favoring Viacom was “the identical spelling and pronunciation of the two marks, including the unconventional way of spelling the words with a ‘K’ instead of a ‘C.’”<sup>856</sup> Likewise, the court found it “persuasive that both parties use the mark to describe a restaurant (albeit in Viacom’s case it is a fictional restaurant under the sea . . . ) Consumers may mistakenly believe that [the defendant’s] restaurant is an officially licensed or endorsed

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<sup>850</sup> *Id.* at 981.

<sup>851</sup> *Id.*

<sup>852</sup> *Id.* (second alteration in original) (quoting *Davis v. Walt Disney Co.*, 430 F.3d 901, 903 (8th Cir. 2005)).

<sup>853</sup> See *Viacom Int’l Inc. v. IJR Capital Invs., LLC*, 242 F. Supp. 3d 563 (S.D. Tex. 2017), *appeal docketed*, No 17-20334 (5th Cir. May 10, 2017).

<sup>854</sup> *Id.* at 571.

<sup>855</sup> *Id.*

<sup>856</sup> *Id.*



restaurant . . . .”<sup>857</sup> If those considerations were not enough, the plaintiff also benefitted from the defendant’s prior awareness of the plaintiff’s use,<sup>858</sup> as well as favorable survey evidence of actual confusion.<sup>859</sup>

Other grants of plaintiffs’ motions for summary judgment produced more predictable results. One came in a case in which the parties agreed their marks—CRAZY HORSE III vs. CRAZY HORSE TOO, both for competing Las Vegas strip clubs—were confusingly similar.<sup>860</sup> Although the court might have streamlined the proceedings by accepting the parties’ own assessment of the conflict between the marks, it undertook its own analysis before reaching the same conclusion. That analysis yielded the undisputed facts that the plaintiff’s arbitrary CRAZY HORSE III mark was both conceptually and commercially strong,<sup>861</sup> that “the parties offer similar services in the form of partially nude dancing women, alcohol, and other entertainment to customers,”<sup>862</sup> and that there had been “significant actual confusion among consumers in the form of job applicants coming to the wrong location and taxicab drivers, limo drivers, doormen, dancers, and bartenders being asked hundreds of questions about the relationship between the clubs,” as well as in the form of visits by “dozens of” intended patrons of the defendants’ club to that of the plaintiff.<sup>863</sup> The final nail in the defendants’ coffin was the court’s conclusion as to the degree of similarity between the parties’ marks: “Two of the three words are identical in each mark, and the remaining word (‘Too’ vs. ‘III’) suggests that one mark is a predecessor or successor to the other. Moreover, the logos of both clubs feature black backgrounds, white text, and images of horses.”<sup>864</sup>

In another case producing a predictable finding of liability, both parties used the STOMP ROCKET mark in connection with toy rockets.<sup>865</sup> The defendants failed to respond to the plaintiffs’ showing of mark strength, which consisted of “substantial revenues,” twenty years of use, and intentional copying by third parties,<sup>866</sup> and they obviously were not in the best position to contest the issue of mark similarity other than to rely unsuccessfully on the

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<sup>857</sup> *Id.*

<sup>858</sup> *Id.*

<sup>859</sup> *Id.*

<sup>860</sup> *See* Russell Rd. Food & Beverage, LLC v. Galam, 180 F. Supp. 3d 724 (D. Nev. 2016).

<sup>861</sup> *Id.* at 738-39.

<sup>862</sup> *Id.* at 739.

<sup>863</sup> *Id.*

<sup>864</sup> *Id.*

<sup>865</sup> *See* JFJ Toys, Inc. v. Sears Holdings Corp., 237 F. Supp. 3d 311 (D. Md. 2017).

<sup>866</sup> *Id.* at 335.

presence of the BANZAI house mark on their packaging.<sup>867</sup> Things continued to go the plaintiffs' way from that point forward, with the court finding no material dispute that the parties' goods were competitive,<sup>868</sup> the parties used the same channels of distribution<sup>869</sup> and advertised through the same media,<sup>870</sup> the defendants had acted in bad faith by failing to remove their goods from the marketplace on a timely basis,<sup>871</sup> and that the use of the plaintiffs' mark by the defendants' employees to refer to the defendants' goods constituted actual confusion.<sup>872</sup> "In sum," the court held, "the evidence construed most favorably to Defendants demonstrates that its use of the STOMP ROCKET mark creates substantial likelihood of confusion as to the origin of the product in the minds of potential consumers."<sup>873</sup>

A final noteworthy finding of likely confusion as a matter of law came in a suit to protect the marks of several nonprofit standard-setting organizations against the dissemination of those standards by another non-profit entity.<sup>874</sup> According to the summary judgment record, the defendant had purchased copies of the plaintiffs' standards and then scanned or retyped the standards before making them available online at no charge. The defendant did not seriously dispute that the standard likelihood-of-confusion factors other than that of actual confusion lined up in the plaintiffs' favor. Instead, it argued that visitors to its website could easily determine the documents posted there originated elsewhere, especially in light of the following accompanying disclaimer:

In order to promote public education and public safety, equal justice for all, a better informed citizenry, the rule of law, world trade and world peace, this legal document is hereby made available on a noncommercial basis, as it is the right of all humans to know and speak the laws that govern them.<sup>875</sup>

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<sup>867</sup> As the court noted in rejecting that reliance, "[a] confusing use does not become justified simply because a defendant tacks on a house mark to the infringing product," *id.* at 336; indeed, to the contrary, "appending a house mark to an infringing mark can 'aggravate, rather than mitigate confusion.'" *Id.* at 337 (quoting *Select Auto Imps. Inc. v. Yates Select Auto Sales, LLC*, 195 F. Supp. 3d 818, 835-36 (E.D. Va. 2016)).

<sup>868</sup> *Id.* at 338.

<sup>869</sup> *Id.*

<sup>870</sup> *Id.* at 339.

<sup>871</sup> In particular, the court found, the defendants had dragged their feet until the end of a selling season. *Id.*

<sup>872</sup> *Id.* at 339-40.

<sup>873</sup> *Id.* at 340.

<sup>874</sup> See *Am. Soc'y for Testing & Materials v. Public.Resource.Org., Inc.*, 121 U.S.P.Q.2d 1513 (D.D.C. 2017).

<sup>875</sup> Quoted in *id.* at 1538.

Denying the defendant's motion for summary judgment but granting the plaintiffs', the court observed that "[t]hese disclaimers do not mention Defendant's creation of the reproductions, Plaintiffs' lack of association or authorization, or that they are even reproductions or transcriptions, and can hardly be called disclaimers at all."<sup>876</sup> "Moreover," it continued, "Defendant's assertion that the PDFs [posted on Defendant's site] 'look like scans' offers no assistance to a consumer looking at the standard, as they would have no way to determine whether the Plaintiffs or Defendant created the scan."<sup>877</sup> The plaintiffs' motion for summary judgment therefore was well-taken.

### (iii) Opinions Finding Likelihood of Confusion After Trial

The Fifth Circuit affirmed a jury finding of likely confusion between the STREAMLINE PRODUCTION SYSTEMS and STREAMLINE MANUFACTURING, INC. marks, both used in connection with the fabrication of natural gas processing equipment.<sup>878</sup> The strength of the plaintiff's suggestive mark supported the jury's conclusion of infringement,<sup>879</sup> as did the similarity of the dominant component of each party's mark,<sup>880</sup> the "great similarity between the [parties'] products,"<sup>881</sup> "some overlap in [the parties'] indirect customer base,"<sup>882</sup> and two instances of actual confusion.<sup>883</sup> The defendant's innocent adoption of its mark<sup>884</sup> and the sophistication of the parties' customers weighed against its

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<sup>876</sup> *Id.*

<sup>877</sup> *Id.*

<sup>878</sup> *See* Streamline Prod. Sys., Inc. v. Streamline Mfg. Inc., 851 F.3d 440 (5th Cir. 2017).

<sup>879</sup> *Id.* at 454.

<sup>880</sup> *Id.*

<sup>881</sup> *Id.*

<sup>882</sup> *Id.* at 455.

<sup>883</sup> *Id.* at 457-58.

<sup>884</sup> The plaintiff argued that the defendant's failure to discontinue its conduct after receiving a demand letter from the plaintiff (the defendant *did* change its name after the plaintiff filed suit) constituted evidence of bad faith, but the court disagreed:

Intent to confuse cannot be inferred from [the defendant's] failure to investigate [the plaintiff] or otherwise take any action because [the plaintiff] offered no evidence that, after learning about [the plaintiff], [the defendant] did anything differently in an attempt to "pass off" its products as [the plaintiff's]. We have recognized that a company may have a non-nefarious intent in using a mark with awareness of the senior user's mark. And the majority rule amongst jurisdictions is that a defendant's continued use of a mark even after it receives a cease and desist letter cannot be construed as evidence of intent to confuse.

*Id.* at 456 (citations omitted).

liability,<sup>885</sup> but those considerations failed to merit the overturning of the jury's verdict in the plaintiff's favor.<sup>886</sup>

Bench trials also led to findings of infringement, including one before a New York federal district court.<sup>887</sup> The primary dispute between the parties was which one enjoyed priority of rights, and, having resolved that issue, the court had little difficulty finding a conflict between their respective marks. For one thing, the parties used "an identical chicken-and-egg mark" in connection with directly competitive pasta products.<sup>888</sup> Moreover, their respective packages also were identical; indeed, the court found that "[t]he only real difference is that the [counterclaim plaintiffs'] pasta does not include a Kosher symbol, whereas the [counterclaim defendant's] version does, and notes that the egg content of the pasta is 20%."<sup>889</sup> Under these circumstances, "[t]he [counterclaim plaintiffs] have . . . established [the counterclaim defendant] engaged in infringement, unfair competition, and false designation of origin under the Lanham Act . . . ."<sup>890</sup>

Another bench trial addressed the likelihood of confusion between the mark on the top row below, used by the counterclaim plaintiff in connection with frozen ice cream treats, and those shown on the bottom, used by the counterclaim defendants in connection with directly competitive products:<sup>891</sup>



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<sup>885</sup> *Id.* at 458.

<sup>886</sup> *Id.*

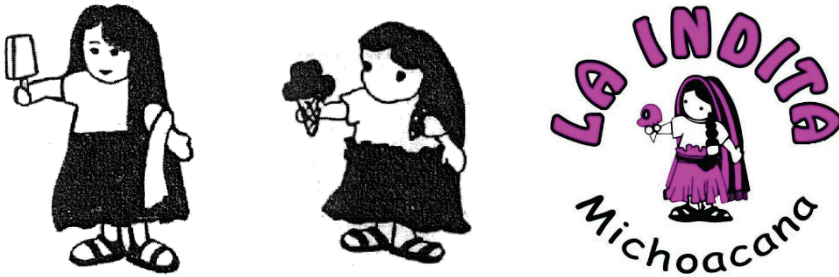
<sup>887</sup> *See* Threeline Imps., Inc. v. Vernikov, 239 F. Supp. 3d 542 (E.D.N.Y. 2017).

<sup>888</sup> *Id.* at 561.

<sup>889</sup> *Id.* at 562.

<sup>890</sup> *Id.*

<sup>891</sup> *See* Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V., 188 F. Supp. 3d 22, 104 (D.D.C. 2016), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).



The court found “many” of the relevant factors favored a finding of likely confusion.<sup>892</sup> Those included the geographic proximity of the parties’ outlets,<sup>893</sup> “numerous instances of actual confusion on the part of customers,”<sup>894</sup> as well as survey evidence of the same phenomenon,<sup>895</sup> and the “striking” similarity between the marks as used in the marketplace.<sup>896</sup>

In a case similarly producing a finding of liability following a bench trial, the plaintiff owned a federal registration of the SELECT AUTO IMPORTS mark, which it used in connection with an automobile dealership.<sup>897</sup> When the defendant opened a used car dealership under the YATES SELECT AUTO SALES mark, the plaintiff sued and successfully demonstrated confusion was likely between the parties’ designations. It did so in part by convincing the court of the strength of its mark through evidence and testimony of the exclusivity of its mark in the parties’ shared geographic market, its advertising spend and sales figures, and the USPTO’s registration of the mark without a disclaimer of “select.”<sup>898</sup> It also proved to the court’s satisfaction that the parties’ marks were “similar in . . . three aspects: sight, sound, and meaning,” and, additionally, that the presentations of the marks were “essentially mirror images of one another.”<sup>899</sup> From there, most of the remaining likelihood-of-confusion factors favored the plaintiff, including the competitive nature of the parties’ businesses,<sup>900</sup> the similarity and

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<sup>892</sup> *Id.* at 105.

<sup>893</sup> Indeed, the court found, the parties sold their goods in at least one shared retail outlet. *Id.* at 106.

<sup>894</sup> *Id.* at 107.

<sup>895</sup> The court did not describe the methodology of the survey in question, nor did it identify the net percentage of confused respondents. *Id.*

<sup>896</sup> *Id.*

<sup>897</sup> See *Select Auto Imps. Inc. v. Yates Select Auto Sales, LLC*, 195 F. Supp. 3d 818, 824 (E.D. Va. 2016).

<sup>898</sup> *Id.* at 827-28, 831-33.

<sup>899</sup> *Id.* at 834.

<sup>900</sup> On this issue, the court found that “[b]oth [parties] sell used cars, including domestic and imported cars. Specifically, since March 2015, [the parties] have both sold the

geographic proximity of their dealerships,<sup>901</sup> the similarity of their promotional media,<sup>902</sup> the defendant's adoption of its mark with knowledge of the plaintiff's prior rights, which the court viewed as evidence of a bad-faith intent,<sup>903</sup> and the existence of "at least three separate instances of actual customer confusion."<sup>904</sup>

A final finding of likely confusion following a trial was a surprise to no one, except, perhaps, the defendant.<sup>905</sup> The plaintiffs were a leader of a religious organization and a company owned by that organization, who between them owned and used the EVERLASTING LIFE and EVERLASTING LIFE HEALTH COMPLEX marks for a restaurant and food market specializing in vegetarian fare, while the defendant was a former manager of those facilities who seized control of the real estate on which they were located and then opened his own restaurant under the EVERLASTING LIFE HEALTH COMPLEX mark. The defendant pointed to differences between the parties' uses, but the court found their similarity "unmistakable," holding in the process that "it is well established that '[e]xact similitude is not required between defendant[s] mark and the [plaintiff]'s registered marks for there to be infringement.'"<sup>906</sup> Additional considerations favoring the plaintiffs were the defendant's operation of his business in the same physical space as that from which he had evicted the plaintiffs' business and his continued use of the same signage.<sup>907</sup> Although the defendant sought to cultivate the court's sympathy by invoking his entrepreneurship in the continued operation of an establishment he helped start (while employed by the plaintiffs), the court found the alleged continuity was the problem:

[T]his declared sameness . . . amounts to an admission (and conclusive evidence) of the fact that [the defendant's] continued use of the name "Everlasting Life" creates an untenable risk of confusing the public into believing that the

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following makes of car: Mercedes-Benz, BMW, Audi, Infiniti, Land Rover, Porsche, Lexus, Acura, Toyota, Volvo, Honda, Nissan, Chrysler, Volkswagen, Mini Cooper, Chevrolet, and Cadillac." *Id.* at 839 (citations omitted).

<sup>901</sup> *Id.* at 837.

<sup>902</sup> *Id.*

<sup>903</sup> *Id.* at 837-38.

<sup>904</sup> The court gave particular weight to two of the plaintiff's three proffered instances of actual confusion because they involved potential mistaken purchasing decisions by consumers. *Id.* at 839.

<sup>905</sup> See *Yah Kai World Enters. v. Napper*, 195 F. Supp. 3d 287 (D.D.C. 2016).

<sup>906</sup> *Id.* at 318 (alterations in original) (quoting *U.S. Olympic Comm. v. Int'l Fed'n of Body Builders*, No. 81-969, 1982 WL 917454, at \*13 (D.D.C. Dec. 1, 1982)).

<sup>907</sup> *Id.*

[plaintiffs' religious community] still sponsors, or is affiliated with, the goods and services being offered.<sup>908</sup>

**(iv) Opinions Finding No Likelihood of Confusion on Motions for Preliminary Injunctive Relief**

Although the Eleventh Circuit has recognized the doctrine of initial-interest confusion in the criminal counterfeiting context<sup>909</sup> and has done so as a practical matter in at least some civil cases,<sup>910</sup> it has hesitated to do so expressly in the latter context.<sup>911</sup> This led a Florida district court entertaining a civil action to observe that “[t]he Eleventh Circuit has not spoken to the issue and, as a result, courts in this Circuit are reluctant to find this manner of confusion actionable.”<sup>912</sup> The court’s reluctance to accept what it regarded as “an unestablished legal theory” led to the failure of a preliminary injunction motion brought by a pair of counterclaim plaintiffs who objected to the counterclaim defendants’ purchase of the counterclaim plaintiffs’ marks as keywords to trigger online advertising for the counterclaim defendants’ goods.<sup>913</sup> The court’s denial of the motion also rested on the pervasiveness of keyword advertising, of which the court remarked that “the fact that such conduct is common practice lends credence to the conclusion that the conduct, absent actual infringement or, more specifically, confusion, is not censurable.”<sup>914</sup>

The court was no more receptive to the remaining bases of the counterclaim plaintiffs’ motion. One of those bases was the counterclaim defendants’ alleged imitation of the counterclaim plaintiffs’ BE BETTER BE STRONGER mark for nutritional supplements through the counterclaim defendants’ sale of competitive goods under the B ORIGINAL. GENUINE. MORE. mark. Although the counterclaim plaintiffs convinced the court their mark was suggestive, that did not prevent the mark from falling “on the lower end of the strength continuum for suggestive marks.”<sup>915</sup> The presentation of both parties’ marks with house

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<sup>908</sup> *Id.* at 319.

<sup>909</sup> *See* *United States v. Torkington*, 812 F.2d 1347 (11th Cir. 1987).

<sup>910</sup> *See, e.g., St. Charles Mfg. Co. v. Mercer*, 737 F.2d 891, 892 (11th Cir. 1983) (liability for sales of third-party goods after defendant initially had attracted consumers using advertisements referring to plaintiff’s goods).

<sup>911</sup> *See* *Suntree Techs., Inc. v. Ecosense Int’l, Inc.*, 693 F.3d 1338, 1347 (11th Cir. 2012) (“[W]e need not reach the question whether initial interest confusion is actionable in the Eleventh Circuit.”).

<sup>912</sup> *USA Nutraceuticals Grp. v. BPI Sports, LLC*, 165 F. Supp. 3d 1256, 1265 (S.D. Fla. 2016).

<sup>913</sup> *Id.*

<sup>914</sup> *Id.* at 1268.

<sup>915</sup> *Id.* at 1270.

marks did not assist the counterclaim plaintiffs in the mark-similarity inquiry, nor did the court's finding that the shared element of the marks was "the common verb 'be,'"<sup>916</sup> the combination of which left the counterclaim defendants' mark nothing more than "oddly reminiscent" of the counterclaim plaintiffs' mark.<sup>917</sup> With the preliminary injunction record reflecting a "dearth of evidence" that the counterclaim defendants had acted in bad faith,<sup>918</sup> as well as an absence of actual confusion,<sup>919</sup> the counterclaim plaintiffs' bid for interlocutory relief fell short.

Dissimilarities in the parties' marks similarly weighed heavily against the issuance of preliminary injunctive relief in a different case.<sup>920</sup> The plaintiff owned the PUBLIC IMPACT mark, which it had registered for education-related research and consulting services, and which it presented in the following manner:<sup>921</sup>



For its part, the defendant used the following mark in connection with what the court found were "essentially identical services":<sup>922</sup>



The plaintiff claimed the marks created the same commercial impression, but the court found that "[i]n logo form, the two marks bear little similarity to each other outside of the common usage of the words 'Public Impact.'"<sup>923</sup> Likewise, the preliminary injunction

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<sup>916</sup> *Id.* at 1271.

<sup>917</sup> *Id.* at 1272.

<sup>918</sup> *Id.*

<sup>919</sup> *Id.*

<sup>920</sup> *See Pub. Impact, LLC v. Boston Consulting Grp.*, 169 F. Supp. 3d 278 (D. Mass. 2016), *appeal dismissed*, No. 16-1400 (1st Cir. Oct. 18, 2016).

<sup>921</sup> *Id.* at 289.

<sup>922</sup> *Id.* at 289, 290.

<sup>923</sup> *Id.* at 289.



record failed to demonstrate the existence of actual confusion<sup>924</sup> and anything more than the “moderate commercial strength” of the plaintiff’s mark<sup>925</sup> or that the defendant had designed its marks to misappropriate the plaintiff’s goodwill.<sup>926</sup> Especially in light of the sophistication of the parties’ clientele,<sup>927</sup> the plaintiff’s showings that “[t]he parties . . . operate in essentially identical channels of trade, both advertise using similar media and methods, and both have the same classes of prospective purchasers” did not establish its entitlement to a preliminary injunction.<sup>928</sup>

A third opinion to accord significant weight to distinguishable presentations in the marketplace arose from a clash over the WE JUST KNOW THE PLACE mark.<sup>929</sup> The plaintiff used its version of the mark, shown in context below on the left, in connection with the management of vacation home rentals, while the defendant’s mark, shown below on the right, was used for the provision of consumer information about businesses and other entities:



Although the parties’ uses might otherwise have been viewed as identical, the court found the presence of accompanying house marks and logos weighed “heavily” against a finding of liability.<sup>930</sup> That was not the only factor to favor the defense, however, for the court also found the plaintiff’s mark both conceptually and commercially weak,<sup>931</sup> the parties’ customers sophisticated,<sup>932</sup> and an absence of evidence of either actual confusion<sup>933</sup> or bad-faith conduct by the defendant.<sup>934</sup> Against that backdrop, the plaintiff’s showings that the parties’ services were related to the extent they allowed customers to rate the services of third parties<sup>935</sup> and that

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<sup>924</sup> *Id.* at 291-92.

<sup>925</sup> *Id.* at 293.

<sup>926</sup> *Id.* at 292.

<sup>927</sup> *Id.* at 294.

<sup>928</sup> *Id.* at 291.

<sup>929</sup> *See* TPW Mgmt., LLC v. Yelp! Inc., 121 U.S.P.Q.2d 1602 (N.D. Cal. 2016).

<sup>930</sup> *Id.* at 1607.

<sup>931</sup> *Id.* at 1608-09.

<sup>932</sup> *Id.* at 1609-10.

<sup>933</sup> *Id.* at 1611.

<sup>934</sup> *Id.*

<sup>935</sup> *Id.* at 1607-08.

the parties shared a common advertising medium in the form of the Internet<sup>936</sup> could not render confusion likely.

In another case featuring an unsuccessful preliminary injunction motion, customer sophistication played a much more dominant role in the court's analysis.<sup>937</sup> The plaintiff produced and sold electronic systems allowing consumers to swipe, insert, or tap credit cards to pay for their purchases, which it sold under the POINT and VERIFONE POINT marks, while the defendant used the POYNT mark for computer hardware and software allowing users to accept financial payments. The parties' marks obviously shared a phonetically identical word, but a number of other considerations weighed in the defendant's favor. Those included the commercial weakness of the plaintiff's mark,<sup>938</sup> the defendant's good faith in adopting its mark (as reflected in its having conducted searches to determine the mark's availability),<sup>939</sup> and, of greatest consequence, the sophistication and care exercised by the commercial merchants to whom the parties marketed their respective goods.<sup>940</sup> "[C]onsidering the totality of the circumstances," the court observed, "plaintiff has failed to demonstrate that confusion is likely."<sup>941</sup>

Finally, consumer sophistication also played a role in another clash between participants in the financial services industry.<sup>942</sup> The plaintiff owned a number of federal registrations of marks incorporating the compressed words THANKYOU, some of which it used in connection with credit card-related customer-loyalty programs. When the defendant introduced a loyalty program under the AT&T THANKS mark for customers of its telecommunications services, the plaintiff unsuccessfully sought preliminary injunctive relief. Things went downhill for the plaintiff almost immediately, as the defendant's showing of third-party use caused the court to decline to accord much weight to the plaintiff's advertising spend of "tens of millions of dollars annually" when examining the strength of the plaintiff's marks.<sup>943</sup> It also found the presence of the AT&T house mark in the challenged use rendered the parties' designations distinguishable.<sup>944</sup> Likewise, although both parties offered customer loyalty programs, that the programs targeted different consumers prevented that consideration from weighing in the plaintiff's

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<sup>936</sup> *Id.* at 1609-10.

<sup>937</sup> *See* Verifone, Inc. v. Poynt Co., 199 F. Supp. 3d 898 (D. Del. 2016).

<sup>938</sup> *Id.* at 908-09.

<sup>939</sup> *Id.* at 910.

<sup>940</sup> *Id.* at 909.

<sup>941</sup> *Id.* at 911.

<sup>942</sup> *See* Citigroup, Inc. v. AT&T Servs., Inc., 120 U.S.P.Q.2d 1888 (S.D.N.Y. 2016).

<sup>943</sup> *Id.* at 1894-95.

<sup>944</sup> *Id.* at 1896.

favor.<sup>945</sup> The court's receptiveness to survey results proffered by the defendant,<sup>946</sup> coupled with the degree of care exercised by the parties' customers<sup>947</sup> and an absence of evidence the defendant had adopted its mark in bad faith,<sup>948</sup> only reinforced the defendant's victory.

### (v) Opinions Finding No Likelihood of Confusion as a Matter of Law

The disposition of claims of likely confusion on motions to dismiss is generally disfavored, but some opinions over the past year reached such a result.<sup>949</sup> Stanford University and several co-defendants secured perhaps the most notable example of that disposition in an action brought to enforce the trademark rights of a national fraternity, Theta Chi.<sup>950</sup> The fraternity's complaint alleged that, shortly prior to the fraternity's withdrawal from the Stanford campus in 1988, one or more members of its Stanford chapter disaffiliated themselves from the chapter and formed a competing group called the "Ex-Theta Chi's" or "X-Theta Chi's" and "denoted symbolically as 'X-Θ' and by name as 'Chi Theta Chi.'"<sup>951</sup> The fraternity sought injunctive relief against Stanford, as the owner of the building in which the allegedly infringing uses occurred, but the university escaped liability at the pleadings stage based on perceived deficiencies in the fraternity's allegations of infringement.<sup>952</sup> The court offered several reasons why the complaint failed to get the job done, one of which was that "[t]he Theta Chi Marks cover common Greek letters that are hardly fanciful."<sup>953</sup> Moreover, "Defendant Stanford is not a fraternal

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<sup>945</sup> *Id.* at 1896-97.

<sup>946</sup> The defendant proffered the results of three *Eveready*-format surveys that exposed respondents to the defendant's mark as the stimulus: Those results captured only one positive response. *Id.* at 1898.

<sup>947</sup> *Id.* at 1899.

<sup>948</sup> *Id.* ("[The defendant] considered and tested a number of potential names for its loyalty program. The record does not contain any evidence from which the Court could either determine or infer that the name was selected with an eye to [the plaintiffs'] pre-existing program." (citation omitted)).

<sup>949</sup> *See, e.g.,* *Roberts v. Bliss*, 229 F. Supp. 3d 240, 251-53 (S.D.N.Y. 2017) (granting motion to dismiss allegations of false endorsement based on absence of credible allegations of likely confusion).

<sup>950</sup> *See* *Theta Chi Fraternity, Inc. v. Leland Stanford Junior Univ.*, 212 F. Supp. 3d 816 (N.D. Cal. 2016).

<sup>951</sup> *Id.* at 819.

<sup>952</sup> The fraternity also targeted an entity operating under the name "Alumni Association of Chi Theta Chi House" but that defendant dissolved itself prior to the suit's filing. *Id.* at 824.

<sup>953</sup> *Id.*

organization and is thus not a direct competitor with plaintiff,”<sup>954</sup> and, additionally, “plaintiff’s allegations regarding confusion are undermined by the fact that plaintiff voluntarily left Stanford’s campus in 1988, and plaintiff does not allege that it complained about this “imposter” organization until 2011.”<sup>955</sup> Finally, the complaint lacked averments “that any member of the public has been under the mistaken impression that a co-ed housing cooperative at Stanford is actually an all-male fraternity that left campus in 1988,”<sup>956</sup> or that even “a single instance of initial interest confusion” or of “non-consumer confusion” had occurred.<sup>957</sup>

Summary judgment also proved a weapon available to defendants seeking to avoid findings of liability without trial. For example, the Sixth Circuit affirmed the grant of a defense motion for summary judgment in a suit brought by a disc jockey using the name DJ LOGIC and companies associated with him against a rapper performing under the LOGIC stage name.<sup>958</sup> The plaintiff scored an initial victory by convincing the appellate court his mark was conceptually strong, both because it was arbitrary and because of the incontestable registration covering it.<sup>959</sup> Nevertheless, that did not mean the mark was commercially strong, and, indeed, the district court properly had concluded it wasn’t.<sup>960</sup> The mark-similarity factor also favored the defendants because the contrary conclusion would require the dissection of the lead defendant’s mark and the reduction of it to its “logic” component.<sup>961</sup> The remaining factors were neutral in light of the plaintiff’s failure to prove anything more than “at most ten instances of actual confusion,” none of which involved mistaken purchases,<sup>962</sup> that the parties’ services were directly competitive,<sup>963</sup> that the parties employed similar marketing strategies other than a common presence on the Internet,<sup>964</sup> that their customers did not exercise a high degree of

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<sup>954</sup> *Id.*

<sup>955</sup> *Id.* (citation omitted).

<sup>956</sup> *Id.* at 824-25 (citations omitted).

<sup>957</sup> *Id.* at 825.

<sup>958</sup> *See Kibler v. Hall*, 843 F.3d 1068 (6th Cir. 2016), *cert. denied*, 138 S. Ct. 91 (2017).

<sup>959</sup> *Id.* at 1073-74.

<sup>960</sup> This finding resulted from the plaintiff’s failure to submit supporting survey evidence of the fame of his mark, as well as “his low album sales, current lack of a recording contract, and inability ever to secure a recording contract with a major label.” *Id.* at 1076.

<sup>961</sup> *Id.* at 1077-78.

<sup>962</sup> The court dismissed the volume of those instances because “[i]f ‘LOGIC’ really threatened to confuse consumers about the distinctions between [the parties], one would see much more than ten incidents throughout 170,000 album sales, 1.7 million album downloads, and 58 million YouTube views.” *Id.* at 1079.

<sup>963</sup> *Id.* at 1076-77.

<sup>964</sup> *Id.* at 1079-80.

care,<sup>965</sup> that the defendants had acted in bad faith,<sup>966</sup> and that the parties were likely to bridge the gap between their services.<sup>967</sup>

The same court reached the same outcome in another case.<sup>968</sup> The losing plaintiff in that action owned the federally registered ORDERLINK mark for order fulfillment services, while the defendants used UPS ORDERLINK in connection with non-downloadable software for use in the transportation and delivery field. Addressing the incontestability of the plaintiff's registration, the court held it created a presumption of strength but also that the defendants had rebutted that presumption through showings that numerous third parties used similar marks and that "the evidence in the record indicates that [the plaintiff] has struggled to secure any new clients for its OrderLink service even preceding [the defendants'] entry into the market."<sup>969</sup> Beyond that conclusion, the lack of competitive proximity between the parties' goods and services rendered that consideration neutral,<sup>970</sup> the parties' marks were distinguishable as they appeared in the marketplace,<sup>971</sup> the plaintiff's invocation of a single instance of actual confusion involving a non-consumer proved unavailing,<sup>972</sup> the parties targeted different customers through different marketing channels,<sup>973</sup> those customers exercised a high degree of care,<sup>974</sup> and the record as to the defendants' intent was "equivocal."<sup>975</sup> Under these circumstances, even the USPTO's prior rejection of the lead defendant's application based on a conflict with the plaintiff's prior-registered mark could not place the defendants' nonliability in dispute.<sup>976</sup>

The Fourth Circuit also affirmed entry of summary judgment of noninfringement.<sup>977</sup> The marks at issue in that appeal were F 450

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<sup>965</sup> *Id.* at 1080-81.

<sup>966</sup> *Id.* at 1081-82.

<sup>967</sup> *Id.* at 1082.

<sup>968</sup> See *Progressive Distrib. Servs., Inc. v. United Parcel Serv., Inc.*, 856 F.3d 416 (6th Cir.), *cert. denied*, 138 S. Ct. 91 (2017).

<sup>969</sup> *Id.* at 430. In holding the weakness of the plaintiff's mark favored the defendants, the court rejected the argument by the plaintiff and a dissenting opinion that that consideration should favor the plaintiff because the plaintiff had asserted a reverse confusion cause of action. See *id.* at 473 (Guy, J., dissenting in part and concurring in part). According to the court, "[c]ontrary to the dissent's assertion, this Court has never found that merely showing that a plaintiff's mark is weaker than a defendant's is sufficient in order for a plaintiff to prevail on a claim of reverse confusion." *Id.* at 431.

<sup>970</sup> *Id.* at 432.

<sup>971</sup> *Id.* at 432-33.

<sup>972</sup> *Id.* at 433-34.

<sup>973</sup> *Id.* at 434-35.

<sup>974</sup> *Id.* at 435.

<sup>975</sup> *Id.* at 436.

<sup>976</sup> *Id.* at 425-27.

<sup>977</sup> See *Grayson O Co. v. Agadir Int'l LLC*, 856 F.3d 307 (4th Cir. 2017).

(the plaintiff's) and HAIR SHIELD 450° PLUS (the defendant's), which the parties used in connection with the following hair care products:



As the court pointed out, “[i]n the hair care industry, ‘450’ often refers to the temperature to which one can heat hair before it melts or scorches.”<sup>978</sup>

As did the district court before it, the Fourth Circuit deemed the plaintiff's F 450 mark conceptually and commercially weak in light of the “numerous instances of other uses of “450” in the haircare industry, including some that were in use or registered prior to [the plaintiff's] registration of its mark”<sup>979</sup> as well as the plaintiff's minimal sales and advertising numbers.<sup>980</sup> The court also determined that the parties' marks “look dramatically different to

<sup>978</sup> *Id.* at 312.

<sup>979</sup> *Id.* at 315-16.

<sup>980</sup> *Id.* at 316.

consumers in the marketplace,”<sup>981</sup> that the history of the defendant’s labels failed to establish an impermissible intent to copy the plaintiff’s mark,<sup>982</sup> and that third parties’ accusations of infringement did not qualify as instances of actual confusion.<sup>983</sup> Against this backdrop, undisputed similarities in distribution channels, advertising media, and product quality failed to create a factual dispute as to the defendant’s nonliability.<sup>984</sup>

Of course, some trial courts granted defense motions for summary judgment in opinions that were not appealed. Such a defense victory as a matter of law occurred in a lawsuit between two purveyors of grain bin level indicators.<sup>985</sup> The plaintiff manufactured those goods and sold them under LEV ALERT mark, while the defendant was a former distributor of the plaintiff. Following the end of the parties’ distribution agreement and the defendant’s offering for sale of competitive goods produced by a third party and bearing the GRAIN GAUGE mark, the defendant continued to display the plaintiff’s mark on its website and at a trade show booth. The defendant discontinued those uses “shortly after” its receipt of a demand letter from the plaintiff,<sup>986</sup> and that action influenced the court’s disposition of the trademark infringement claim that followed. Framing the issue as whether confusion was likely between the LEV ALERT and GRAIN GAUGE marks, the court not surprisingly concluded that the two marks “have no similarity in sight, sound, or meaning, and the overall impression of the two marks is not confusingly similar.”<sup>987</sup> It also rejected declarations proffered by the plaintiff allegedly documenting actual confusion arising from the defendant’s use, which the court determined contained testimony only of misrepresentations by representatives of the defendant to the effect that the plaintiff’s product no longer was available.<sup>988</sup> In the final analysis, the only factors favoring the plaintiff’s position were the strength of its mark and the competitive proximity of the parties’ goods, and those failed to ward off summary judgment of nonliability.<sup>989</sup>

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<sup>981</sup> *Id.* at 318.

<sup>982</sup> The plaintiff made much of an increase in the size of the “450” on the defendant’s label, but the court considered more probative the defendant’s showing that that component had become less prominent compared to the label’s other elements. *Id.* at 319.

<sup>983</sup> *Id.* at 319-20.

<sup>984</sup> *Id.* at 320.

<sup>985</sup> See *LTJ Enters. v. Custom Mktg. Co.*, 168 F. Supp. 3d 1202 (D. Minn. 2016).

<sup>986</sup> *Id.* at 1215.

<sup>987</sup> *Id.* at 1216-17.

<sup>988</sup> *Id.* at 1216.

<sup>989</sup> *Id.* at 1216-17.

A different court disposing of a dispute on a motion for summary judgment did so in a conflict over the plaintiff's use of the DANIEL PONEMAN'S SWAGAIR SHOWCASE mark for amateur athlete scouting services (and later, after the defendants' date of first use, T-shirts), on the one hand, and the defendants' use of the SWAG AIR mark for apparel, on the other.<sup>990</sup> Despite the shared "swag" component of the parties' marks, the court found the marks distinguishable based on their differing presentations in the marketplace:<sup>991</sup>



The defendants also benefitted from the distinction between the services the plaintiff offered and the defendants' goods,<sup>992</sup> the parties' "wildly different" channels of distribution,<sup>993</sup> the degree of care exercised by the plaintiff's clientele,<sup>994</sup> the weakness of the plaintiff's mark,<sup>995</sup> the absence of actual confusion involving actual

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<sup>990</sup> See *Poneman v. Nike, Inc.*, 161 F. Supp. 3d 619 (N.D. Ill. 2016).

<sup>991</sup> *Id.* at 627-28.

<sup>992</sup> *Id.* at 628 ("This factor weighs heavily in favor of Defendants. Plaintiff provides scouting services and therefore the use of his service is not similar in scope to the use of Defendants' products.").

<sup>993</sup> *Id.* ("Defendants distribute their goods, en mass, through conventional brick-and-mortar stores and online retailers to the global community, whereas Plaintiff's services are provided on an ad hoc basis to individual players and coaches.").

<sup>994</sup> *Id.* at 629 ("Plaintiff's products and services are limited to the field of scouting and sports promotion. Because he provides a specialized service to a small number of individuals a jury could reasonably infer that his customers would exercise a high degree of care when shopping for his representation.").

<sup>995</sup> The summary judgment record established the plaintiff had hosted two promotional events for his scouting services, the total gross receipts from which were "approximately \$15,000.00"; his promotional efforts on behalf of his T-shirts were "practically zero." *Id.* at 630.



consumers,<sup>996</sup> and the admitted lack of bad faith on the defendants' part when adopting their mark.<sup>997</sup>

Another successful defense motion for summary judgment came at the expense of a plaintiff claiming rights to the VIVE mark for computer software applications facilitating three-dimensional presentations and for services related to that software.<sup>998</sup> The target of the plaintiff's claim of infringement was the defendants' use of the HTC VIVE mark for a headset capable of running virtual reality games and entertainment software. The parties cross-moved the court for summary judgment, but only the defendants' motion succeeded. It did so in part because the plaintiff's mark suffered from both conceptual and commercial weakness,<sup>999</sup> because the parties' marks differed in their overall appearances and presentations in the marketplace,<sup>1000</sup> and because the parties occupied "disparate" markets targeting differing consumers,<sup>1001</sup> employed "markedly different" channels of distribution,<sup>1002</sup> and used "very different" advertising.<sup>1003</sup> Other factors warranting a defense victory as a matter of law included an absence of evidence the defendants had selected their mark in bad faith,<sup>1004</sup> the plaintiff's

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<sup>996</sup> The plaintiff's showing of actual confusion was limited to "several statements from friends and family members acknowledging Defendants' shirts bore the same words as Plaintiff's mark." *Id.* Moreover, many of those statements were in the form of inadmissible hearsay Twitter tweets. *Id.*

<sup>997</sup> *Id.* at 630-31.

<sup>998</sup> See *Valador, Inc. v. HTC Corp.*, 241 F. Supp. 3d 650 (E.D. Va. 2017), *aff'd*, 707 F. App'x 138 (4th Cir. 2017).

<sup>999</sup> According to the court, the mark was conceptually weak because of third-party use of similar marks and because it was a "descriptive" acronym for "Valador Immersive Visualization Environment." *Id.* at 662. The mark was commercially weak for a number of reasons, including third-party use of similar marks (again), the plaintiff's "relatively little" advertising spend, the absence of press coverage of the plaintiff's goods and services, and the absence of any attempts to plagiarize the mark. *Id.* at 663.

<sup>1000</sup> *Id.* at 663-64.

<sup>1001</sup> On this issue, the court concluded that "the undisputed factual record shows[] plaintiff uses its 'VIVE' environment to support its four lines of business: (1) modeling and simulation, (2) information assurance, (3) management consulting, and (4) software engineering. Thus, none of plaintiff's products or services is similar to an entertainment device such as the HTC Vive headset." *Id.* at 666. Moreover, although the defendant's customers were individual gamers, the plaintiff was engaged in "providing consulting services and in performing large-scale contracts with sophisticated government agencies and artificial entities"; indeed, the court observed, "the undisputed factual record discloses that the contracts in which plaintiff used its VIVE process range from \$99,550 into the tens of millions of dollars—a far reach from an HTC Vive customer's [\$799 to \$1,200] price point." *Id.* at 665-66.

<sup>1002</sup> *Id.* at 667 ("On one hand, the . . . defendants sell the HTC Vive headset to the general consuming public through brick-and-mortar retail stores, as well as some online stores. On the other hand, plaintiff does not sell anything at retail or online, and nearly 100% of its revenue derives from successful government contracts bids.").

<sup>1003</sup> *Id.*

<sup>1004</sup> The plaintiff argued the defendants had acted in bad faith once the USPTO cited the plaintiff's prior-registered mark against an application to register the defendants' mark,

inability to cite to any cognizable actual confusion,<sup>1005</sup> and the sophistication of the parties' customers.<sup>1006</sup> "Given this undisputed factual record," the court remarked, "no reasonable juror could find a likelihood of 'forward' confusion or 'reverse' confusion with respect to the parties' 'VIVE' marks."<sup>1007</sup>

Summary judgment of nonliability also held in litigation between competing producers of pet-waste disposal bags dispensed from containers with a single movement by users.<sup>1008</sup> The plaintiff owned a federal registration of the ONEPUL mark for its goods, while the defendant stood accused of making apparently non-trademark uses of the words "one pull" and "one-pull." Although the case might well have made a better candidate for disposal through an application of the descriptive fair use defense, the court instead found confusion unlikely as a matter of law. It did so in part by dismissing the plaintiff's evidence and testimony of mark strength, which suffered from a dearth of comparative industry data,<sup>1009</sup> and which in any case was undermined by third-party use.<sup>1010</sup> The factor of mark similarity also favored the defendant in light of both parties' use of their house marks,<sup>1011</sup> as well as the plaintiff's failure to offer any "audiologist, linguist, semiologist, or market research expert, or other evidence, from which to determine the overall impression and total effect the two marks would have on purchasers."<sup>1012</sup> The plaintiff's allegations of bad-faith conduct by the defendant, which rested on the defendant's alleged awareness of the plaintiff's mark before going into competition with the plaintiff and its purchase of

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but the court rejected that theory because "mere *knowledge* of another's mark is different from *intent to cause confusion* as to the origin of that mark." *Id.* at 668.

<sup>1005</sup> Having lost a battle over the admissibility of the results of a survey it had commissioned, the plaintiff fell back on a "comment" by "a friend of plaintiff's founder and CEO, a trustee of plaintiff's stock option ownership plan, and a member of plaintiff's management team who admitted that he is not one of plaintiff's consumers." *Id.* at 689. The court disposed of that showing by the plaintiff with the observation that "[n]eedless to say, the single opinion regarding actual confusion from a plaintiff-insider who happens to be the CEO's friend (but has never been one of plaintiff's consumers) carries no weight here." *Id.*

<sup>1006</sup> *Id.* at 670.

<sup>1007</sup> *Id.*

<sup>1008</sup> See *ZW USA, Inc. v. PWD Sys., LLC*, 208 F. Supp. 3d 1025 (E.D. Mo. 2016).

<sup>1009</sup> Specifically, although the plaintiff claimed to have spent "over \$1.5 million advertising the ONEPUL trademark since 2010," the court found that showing "irrelevant" because "[o]n this record, a factfinder would have no evidence about ONEPUL's relative position in the market, or whether \$1.5 million in advertising expenses over five years is significant or insignificant in the pet waste disposal bag industry." *Id.* at 1046. The court also found the plaintiff's "unverified" showing of "approximately \$850,000" in sales under its mark unconvincing because that figure was both low and accompanied by "comparator data." *Id.*

<sup>1010</sup> *Id.* at 1047.

<sup>1011</sup> *Id.*

<sup>1012</sup> *Id.* at 1048.

“one pull” as a keyword for paid online advertising, also fell short of the mark.<sup>1013</sup>

Allegations of likely confusion by a boat manufacturer similarly foundered on a defense motion for summary judgment.<sup>1014</sup> The plaintiff claimed trade dress protection in the sweeping “sheer line” of its products, but it was forced to admit third-party vessels incorporated the same feature, leading the court to conclude that “[u]biquitous in the [relevant] market, [the plaintiff’s] purportedly ‘distinctive’ feature deserves little protection.”<sup>1015</sup> The court also found that, despite the presence of similar sheer lines in the parties’ boats, numerous other characteristics, including the parties’ dissimilar logos, allowed consumers to distinguish between them. The \$125,000 purchase price of the parties’ goods and their custom-made nature was an additional factor weighing “mightily” against a finding of liability,<sup>1016</sup> as did the plaintiff’s inability to adduce any evidence or testimony of a bad-faith intent by the defendants<sup>1017</sup> or actual confusion.<sup>1018</sup> Under these circumstances, the parties’ shared advertising media and the undeniably competitive nature of their goods did not place the defendants’ nonliability into dispute.<sup>1019</sup>

An attempt at a reverse confusion cause of action also failed to survive until trial.<sup>1020</sup> The plaintiffs operated “medi-spas” at which they sold skin-care products under the DERFX mark, and they responded to the defendant’s introduction of a line of dermatological pharmaceutical products under the OBAGI NU-DERM mark by filing an infringement action. That action, however, failed to make it past the defendant’s motion for summary judgment. In granting the motion, the court noted the plaintiffs had failed to characterize their averments of infringement as sounding in reverse confusion, and it therefore evaluated the motion by applying standard forward confusion doctrine. It found three factors favored the plaintiffs’ position, namely, the relatedness of the parties’ goods,<sup>1021</sup> the

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<sup>1013</sup> *Id.* at 1048-49.

<sup>1014</sup> *See* Yellowfin Yachts, Inc. v. Barker Boatworks, LLC, 237 F. Supp. 3d 1230 (M.D. Fla. 2017), *appeal docketed*, No. 17-11176 (11th Cir. Mar. 15, 2017).

<sup>1015</sup> *Id.* at 1238.

<sup>1016</sup> *Id.*

<sup>1017</sup> *Id.* at 1238-39.

<sup>1018</sup> The plaintiff’s showing on this issue consisted of a woefully inadequate survey. *Id.* at 1239.

<sup>1019</sup> *Id.* at 1238.

<sup>1020</sup> *See* DermFx, Inc. v. Obagi Med. Prods., Inc., 122 U.S.P.Q.2d 1356 (C.D. Cal. 2017).

<sup>1021</sup> The defendant argued it did not offer services similar to those available at the plaintiffs’ medi-spas and that its goods, unlike those of the plaintiffs, were unavailable in prepackaged kits. The court found those distinctions unconvincing: “Both parties sell skin care products, so the Court finds that they are sufficiently complementary and related because a reasonable consumer could connect them and be confused regarding the source of the products.” *Id.* at 1365.

defendant's intent,<sup>1022</sup> and the likelihood of the parties bridging the gap between them.<sup>1023</sup> Nevertheless, a number of other factors favored nonliability, including the modest commercial strength of the plaintiffs' suggestive and therefore "presumptively weak" mark in the geographic markets occupied by the defendant,<sup>1024</sup> the differing channels of distribution used by the parties,<sup>1025</sup> the expense of both parties' goods,<sup>1026</sup> and, above all, the differing appearances of the marks as they actually appeared to consumers. Those differing presentations encompassed the presence of the OBAGI MEDICAL house mark on the defendant's packaging, but the court found the parties' uses of the "derm" "fx" elements distinguishable even without taking that consideration into account:<sup>1027</sup>



Summary judgment of noninfringement therefore was in order.<sup>1028</sup>

Finally, in a case presenting both claims and counterclaims for infringement, one court granted the summary judgment motion

<sup>1022</sup> On this issue, the court found that "[t]here is evidence that [the defendant] knew about the DermFx mark before it adopted the Obagi Nu-Derm Fx mark. [The defendant] did business with [the plaintiffs] for years, and it dealt with many documents that had the name DermFx on them." *Id.* at 1367.

<sup>1023</sup> As the court explained, "because both parties' products relate to skin care, any expansion is likely to result in direct competition." *Id.* The risk of such an expansion was a real one in light of the plaintiffs' ambition to move into the defendant's geographic market. *Id.*

<sup>1024</sup> *Id.* at 1362-63.

<sup>1025</sup> The plaintiffs sold their goods only at their own facilities, while the defendant did not sell its goods at those facilities; indeed, the defendant did not sell its goods even in the same states as the plaintiffs. *Id.* at 1366.

<sup>1026</sup> The summary judgment record established that "[h]ere, both products are expensive. [Defendant's] products cost hundreds of dollars. Plaintiffs' products also cost as much as \$90, and their services range from \$200 to \$2,000." *Id.* at 1367.

<sup>1027</sup> *Id.* at 1365.

<sup>1028</sup> *Id.* at 1368.

filed by each side.<sup>1029</sup> The plaintiff sold high-priced sneakers with metal plates reading LVL XIII affixed to their toes, while the defendants, Louis Vuitton Malletier and an affiliated company, sold shoes with similar plates: The plaintiff accused the defendants of infringing its trade dress, while the defendants counterclaimed for infringement of a registered logo consisting in significant part of the letters LV. Rejecting the plaintiff's causes of actions, the court found the lack of acquired distinctiveness attaching to the plaintiff's claimed trade dress demonstrated its weakness, especially when considered in light of the defendants' showing of extensive third-party use of similar designs.<sup>1030</sup> That third-party use weighed also against the plaintiff where the appearances of the parties' uses were concerned, as the summary judgment record demonstrated that "[t]here are virtually no points of commonality between the parties' toe plates. And their differences are manifest . . . ."<sup>1031</sup> Similarly, the plaintiff's proffered instances of actual confusion fell short because "most involve inquiries by fashion industry professionals whether [the plaintiff] had collaborated with [the defendants] on the [plaintiff's] sneaker,"<sup>1032</sup> which the court regarded as "not representative of the typical customer."<sup>1033</sup> These factors, coupled with the absence of bad faith by the defendants<sup>1034</sup> and the sophistication and brand-sensitivity of the plaintiff's customers,<sup>1035</sup> outweighed the plaintiff's showing of the competitive proximity of the parties' shoes.<sup>1036</sup>

Unfortunately for the defendants, their success in fending off the plaintiff's claims hindered the prosecution of their counterclaims against the plaintiff. In contrast to the plaintiff's claimed trade dress, the plaintiff's LV logo was "strong by virtue of its inherent

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<sup>1029</sup> See *LVL XIII Brands, Inc. v. Louis Vuitton Malletier S.A.*, 209 F. Supp. 3d 612 (S.D.N.Y. 2016), *aff'd*, No. 16-3488-cv, 2017 WL 6506353 (2d Cir. Dec. 20, 2017).

<sup>1030</sup> *Id.* at 667-68.

<sup>1031</sup> *Id.* at 669 (footnote omitted). Specifically:

[The plaintiff's plate] is rectangular, with sharp 90-degree edges; [the defendants'] is a trapezoid, with soft rounded edges. [The plaintiff's] is adorned with a "LVL XIII" inscription and two screws; [the defendant's] is bare, with no literal element or adornment. [The plaintiff's] is of a golden or copper hue; [the defendant's] is best characterized as grey or silver.

*Id.* (footnotes omitted).

<sup>1032</sup> *Id.* at 672.

<sup>1033</sup> *Id.* The plaintiff did adduce testimony by two consumers, but the court found their declarations unconvincing because "neither indicated that he or she had made—or forewent—a purchase based on this confusion. Only [one] stated he would have done so, had his confusion persisted." *Id.* at 673 (footnote omitted).

<sup>1034</sup> *Id.* at 674-75.

<sup>1035</sup> *Id.* at 675-76.

<sup>1036</sup> *Id.* at 670-71.

and acquired distinctiveness,”<sup>1037</sup> but that strength did not lead the court to a finding the parties’ uses were similar; rather, the court concluded, “both parties’ marks use the letters LV in a Roman-like font. But that alone does not make them ‘similar’ for purposes of a [likelihood-of-confusion] analysis.”<sup>1038</sup> The defendants’ failure to identify any instances of actual confusion driven by the plaintiff’s use also weighed against the merits of the counterclaims, albeit “slightly,”<sup>1039</sup> as did the absence of anything more than a “smidgeon of evidence” of the plaintiff’s bad faith<sup>1040</sup> and (once again) consumer sophistication.<sup>1041</sup> Both sides therefore went home empty-handed.

### (vi) Opinions Finding No Likelihood of Confusion After Trial

A suit brought by a pair of conventional banks against a credit union led the First Circuit to affirm a bench finding of nonliability at least as to some of the marks in dispute.<sup>1042</sup> The plaintiff owned a family of marks, each of which incorporated the word “Oriental.”<sup>1043</sup> Although the court found on appeal that certain marks used by the defendant infringed the plaintiffs’ marks as a matter of law,<sup>1044</sup> it reached a different conclusion where the defendant’s CLUB DE ORIENTALITO mark was concerned. As to that mark, the appellate court held:

[T]he lack of similarity between the marks makes the difference. The word mark is sufficiently distinct from ORIENTAL and its family of marks that, at least when used in conjunction with a prominent display of [the defendant’s] distinctive house mark and trade dress, we find no clear error in the district court’s conclusion that it is unlikely to cause consumer confusion. It is [the plaintiffs’] burden to show a likelihood of confusion. On this record, that burden has not been met.<sup>1045</sup>

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<sup>1037</sup> *Id.* at 680.

<sup>1038</sup> *Id.* at 682.

<sup>1039</sup> *Id.* at 684.

<sup>1040</sup> *Id.* at 686.

<sup>1041</sup> *Id.* at 687.

<sup>1042</sup> *See Oriental Fin. Grp. v. Cooperativa de Ahorro y Crédito Oriental*, 832 F.3d 15 (1st Cir. 2016).

<sup>1043</sup> Those marks were ORIENTAL GROUP, ORIENTAL BANK, ORIENTAL MONEY, ORIENTAL INSURANCE, ORIENTAL MORTGAGES, ORIENTAL ETA, KEOGH ORIENTAL, ORIENTAL SAVINGS PLUS, ORIENTAL MANAGED INVESTMENTS, ORIENTAL FINANCIAL GROUP, ORIENTAL FINANCIAL SERVICES, ORIENTALONLINE.COM, ORIENTAL KIDS, and ORIENTAL AMIGA. *Id.* at 25.

<sup>1044</sup> Those marks were COOP ORIENTAL, COOPERATIVA ORIENTAL, and ORIENTAL POP. *Id.* at 27-32.

<sup>1045</sup> *Id.* at 36.

The Eleventh Circuit also affirmed a defense victory after a bench trial.<sup>1046</sup> The plaintiff was “South Florida’s only public research university” and operated under the federally registered FLORIDA INTERNATIONAL UNIVERSITY word mark, as well as the FIU acronym of that mark. Prior to the outbreak of hostilities between the parties, the defendant, “a for-profit, private higher education institution,” operated under the FLORIDA NATIONAL COLLEGE service mark. The defendant eventually changed its name to FLORIDA NATIONAL UNIVERSITY and also adopted the acronym FNU.

In the lawsuit that followed, which focused primarily on the degree of conflict between the FLORIDA INTERNATIONAL UNIVERSITY and FLORIDA NATIONAL UNIVERSITY marks, the district court found confusion unlikely, and the Eleventh Circuit affirmed. The appellate court’s analysis began unfavorably for the plaintiff, with the court remarking at the outset that “the district court recognized that students looking for a college to attend are likely to be relatively sophisticated and knowledgeable because of the nature, importance, and size of the investment in a college education.”<sup>1047</sup> Things did not improve for the plaintiff after that, for the court also affirmed the district court’s finding that third-party use of similar marks limited the strength of the plaintiff’s FLORIDA INTERNATIONAL UNIVERSITY mark<sup>1048</sup> despite the incontestable registration covering it, the plaintiff’s promotional efforts over the years,<sup>1049</sup> and the district court’s finding the plaintiff’s mark was famous within the meaning of the Florida dilution statute.<sup>1050</sup> The court also agreed with the district court

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<sup>1046</sup> See *Fla. Int’l Univ. Bd. of Trs. v. Fla. Nat’l Univ., Inc.*, 830 F.3d 1242 (11th Cir. 2016).

Because the parties submitted their testimony and evidence under cover of declarations and then summarized their showings in oral argument before the district court, the proper standard of review on appeal was open to debate. Ultimately, however, the Eleventh Circuit concluded the proceeding below had been more in the nature of a bench trial than of a summary judgment hearing. *Id.* at 1251-55.

<sup>1047</sup> *Id.* at 1256.

<sup>1048</sup> Neither the district court nor the Eleventh Circuit separately analyzed the strength of the plaintiff’s FIU mark.

<sup>1049</sup> While weighing the plaintiff’s promotional spend, the court faulted the plaintiff for failing to introduce “comparative evidence establishing that [the plaintiff] has spent substantially more on advertising than its competitors in the field of higher education” or survey evidence those expenditures had produced results. *Id.* at 1259. The upshot was that “[t]here simply was not sufficient evidence of commercial strength in the record to require the district court to ignore the substantial third-party usage.” *Id.*

<sup>1050</sup> That finding by the district court caused some consternation for the court of appeals, but the latter concluded it was not necessarily inconsistent with the finding of weakness for purposes of the plaintiff’s infringement causes of action:

The district court only referenced three of the statutory factors in support of its fame finding—duration and extent of use, duration and extent of advertising, and federal registration—and ignored the other five factors identified by the state legislature in the statute. Moreover, the district court may not have fully

that “the difference in the meaning of the words ‘national’ and ‘international’ outweighed any similarity” between the parties’ marks.<sup>1051</sup> From there, the court additionally declined to disturb the district court’s determinations that there was “little resemblance” between the parties’ respective campuses,<sup>1052</sup> that the defendant had proffered a “plausible explanation” for its name change,<sup>1053</sup> and that the plaintiff had failed to proffer cognizable evidence of actual confusion.<sup>1054</sup> The plaintiff could count on the similarity between the parties’ services,<sup>1055</sup> similarities in their online advertising,<sup>1056</sup> and

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considered whether [the plaintiff’s] mark was famous because, as we explain below, it concluded that [the plaintiff’s] dilution claim failed for other reasons. Quite simply, the district court’s brief and unnecessary analysis of [the plaintiff’s] mark’s fame does not cast a long shadow on the rest of its careful analysis.

*Id.* at 1260.

<sup>1051</sup> *Id.*

<sup>1052</sup> The court noted of this consideration that:

We . . . see little resemblance in the “retail outlets” of the two schools, i.e., the campuses and websites where students can take classes. [The plaintiff] has two major campuses in South Florida . . . [The plaintiff] has described [one] as a “342-acre metropolis” containing residential halls, an eight-story library, a nature preserve, an athletic stadium, and an art museum. [The defendant] also has two main campuses in South Florida, each consisting of a single building . . . [The defendant’s] single-building campuses do not offer any on-campus housing for students. Considering these striking differences in the two schools’ campuses, the district court reasonably concluded that potential students were unlikely to confuse [the defendant’s] single-building campus[es] for [the plaintiff’s] “metropolis.”

*Id.*

<sup>1053</sup> The court’s treatment of this issue was rather credulous. *See id.* at 1263 n.7 (“At the outset of this litigation, [the defendant] contended that it changed its name to include ‘university’ because it believed its accrediting body required the name change once [the defendant] began offering master’s degrees. When this explanation was revealed to be false, [the defendant] explained that it changed its name because attending a ‘university’ is more appealing to foreign students than attending a ‘college.’”).

<sup>1054</sup> The court dismissed the plaintiff’s evidence that a third party had inquired whether the parties were affiliated and that a radio announcer had displayed some form of (undescribed) actual confusion because it was unclear whether either was an actual consumer of higher education services. *Id.* at 1264, 1265. It similarly was unconvinced by the plaintiff’s admission into evidence of a letter from a high school student addressed to the defendant but the text of which referenced the plaintiff; one instance of consumer confusion, it concluded, did not weigh in favor of a finding of actual confusion. *Id.* Finally, it rejected what it characterized as “references by [the plaintiff’s] Rule 30(b)(6) representative to ambiguous statements by unidentified employees at some point in the past.” *Id.* at 1265.

<sup>1055</sup> *Id.* at 1261.

<sup>1056</sup> *Id.* at 1262-63.



their actual and prospective students in support of its case,<sup>1057</sup> but those considerations did not mandate a finding in its favor.<sup>1058</sup>

An identity of marks likewise did not mandate a victory for the plaintiff following a bench trial before an Arizona federal district court.<sup>1059</sup> The defendant manufactured and sold motorized vehicles and related accessories under the JEEP and WRANGLER marks, while the defendant used the MOAB INDUSTRIES mark in connection with its business of customizing or “upfitting” vehicles, usually those manufactured by the defendant. When the defendant began using the MOAB mark in connection with special upfitted editions of its vehicles, the plaintiff filed suit, and the matter eventually went to trial. Following that proceeding, the court found that two factors favored the plaintiff’s allegations of infringement, namely, mark similarity,<sup>1060</sup> and relatedness of the parties’ goods.<sup>1061</sup> Beyond that, however, the defendant benefitted from the conceptual and commercial weakness of the plaintiff’s mark,<sup>1062</sup> the unconvincing nature of the plaintiff’s claims of actual confusion,<sup>1063</sup> the parties’ differing marketing channels,<sup>1064</sup> and the unlikelihood

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<sup>1057</sup> Although both parties operated universities, the court found “significant differences” between their student bodies. *Id.* at 1261. According to the court:

[M]ost [of the defendant’s] students are seeking associate’s degrees or [English-as-a-second language] programs that [the plaintiff] doesn’t provide; [the plaintiff] targets students who are directly out of high school and seeking a four-year degree, whereas most [of the defendant’s] students have been out of high school for an average of ten years; and, unlike [the plaintiff], [the defendant] doesn’t require students to submit standardized test scores prior to admission. . . .

[I]t seems plain to us that there simply isn’t much of an overlap in the two schools’ potential student bodies . . . .

*Id.*

<sup>1058</sup> *Id.* at 1261, 1265.

<sup>1059</sup> See *Moab Indus. v. FCA US, LLC*, 120 U.S.P.Q.2d 1215 (D. Ariz. 2016).

<sup>1060</sup> *Id.* at 1221.

<sup>1061</sup> *Id.* at 1220-21.

<sup>1062</sup> *Id.* at 1220.

<sup>1063</sup> The court remarked of the plaintiff’s showing on this issue that:

A common thread running through the testimony of plaintiff’s witnesses is the fact that web search inquiries with respect to the name Moab regularly turned up first a link to defendant. However, when a person scrolled past references to JEEP or MOAB, one would locate, among others, the MOAB INDUSTRIES website. Those searches did not suggest any connection between plaintiff and defendant, and plaintiff’s website expressly disclaimed any connection between plaintiff and defendant.

*Id.* at 1221 (footnote omitted). In addition to its search-engine evidence, the plaintiff also introduced the testimony of several witnesses, but the court concluded that each witness was in fact aware of the distinction between the parties’ uses. *Id.* at 1221-22.

<sup>1064</sup> *Id.* at 1222 (“[T]he parties’ marketing channels are very different. Defendant sells ‘off the assembly line’ new vehicles through its authorized dealers. Plaintiff purchases new vehicles from defendant’s dealers, upfits them, and resells them through auction and licensed resale dealers, in some instances the used car lots of defendant’s authorized dealers.”).

of the parties' lines of business overlapping in the future.<sup>1065</sup> Considered together, these factors warranted a defense verdict, but it came with a price, because the same factors that precluded liability on the plaintiff's claims had the same effect on the defendant's counterclaims for infringement of the JEEP and WRANGLER marks.<sup>1066</sup>

Finally, an attempt to protect as trade dress the configuration of a claimed plastic bag closure similarly failed after trial, and on multiple levels.<sup>1067</sup> In addition to finding the counterclaim plaintiff's design functional and therefore unprotectable in the first instance, the court hearing the parties' dispute found confusion unlikely between the counterclaim plaintiff's design, shown below on the left, and that of the counterclaim defendants, shown below on the right.<sup>1068</sup>



The counterclaim defendants' case benefitted initially from the court's rejection of the argument that the incontestable registration covering the counterclaim plaintiff's design mandated a finding of mark strength;<sup>1069</sup> nevertheless, the court also held that "[t]he inquiry into whether a mark is strong for purposes of the likelihood of confusion analysis considers the number of similar marks in the same class, the length of time of the mark's use, the promotional activities taken in support of the mark, volume of sales, and secondary meaning," all of which the court found to weigh in the counterclaim defendants' favor.<sup>1070</sup> From there, and despite the

<sup>1065</sup> *Id.* at 1223 (characterizing plaintiff's expansion plans as "simply an aspiration").

<sup>1066</sup> *Id.* at 1224-25.

<sup>1067</sup> See *Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F. Supp. 3d 245 (S.D.N.Y. 2016), *aff'd*, 699 F. App'x 93 (2d Cir. 2017).

<sup>1068</sup> *Id.* at 256.

<sup>1069</sup> As the court explained, "[the counterclaim plaintiff] conflates the prima facie distinctiveness of a mark registered for more than five years which is presumed to have acquired secondary meaning with the strength of the mark . . ." *Id.* at 275.

<sup>1070</sup> *Id.* The counterclaim plaintiff's showing on this issue included decades of use and its "significant financial and other resources to market, advertise, and promote its bag closure products . . . in various brochures and catalogs." *Id.*

directly competitive nature of the parties' businesses,<sup>1071</sup> things went downhill for the counterclaim plaintiff. Despite what might be a superficial similarity between the parties' goods,<sup>1072</sup> the court found them distinguishable in the marketplace based on the parties' use (or intended use, in the case of the counterclaim defendants) of their respective logos in conjunction with the designs.<sup>1073</sup> The sophistication of the parties' customers also favored the counterclaim defendants,<sup>1074</sup> as did the absence of any evidence the counterclaim defendants had acted with an intent to confuse, despite their prior awareness of the counterclaim plaintiff's claimed rights.<sup>1075</sup> The counterclaim defendants therefore had earned their requested declaratory judgment of noninfringement.<sup>1076</sup>

### (vii) Opinions Deferring Resolution of the Likelihood-of-Confusion Inquiry

Especially in jurisdictions treating the likelihood-of-confusion inquiry as a question of fact, many courts chose to defer its resolution. As always, this sometimes took the form of trial courts denying motions to dismiss allegations of infringement at the pleadings stage.<sup>1077</sup> One opinion reached that usual result because the plaintiff's complaint "alleges a number of facts that support a likelihood of customer confusion as to the [plaintiff's] mark."<sup>1078</sup> "Specifically," the court held, "[the plaintiff] alleges that [the defendants] sell identical products, use an identical mark, use the same marketing channels, and continue to expand their business, all of which support a finding of consumer confusion when taken as true."<sup>1079</sup> Dismissal was inappropriate because "[a]t this stage of the

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<sup>1071</sup> *Id.* at 279.

<sup>1072</sup> According to the court, the designs were "substantially similar." *Id.* at 276.

<sup>1073</sup> *Id.* at 276-78.

<sup>1074</sup> *Id.* at 280-81.

<sup>1075</sup> *Id.* at 281-82.

<sup>1076</sup> *Id.* at 282.

<sup>1077</sup> See, e.g., *Battle Sports Sci., LLC v. Shock Doctor, Inc.*, 225 F. Supp. 3d 824, 838 (D. Neb. 2016) (denying motion to dismiss grounded solely in lack of identity between parties' marks); *Sprint Sols., Inc. v. Sam*, 206 F. Supp. 3d 755, 762 (E.D.N.Y. 2016) (denying motion to dismiss because "the Complaint's allegations that Defendant used Plaintiffs' marks, which was done in bad faith and has caused and will further cause a likelihood of confusion, mistake, and deception, satisfy the pleading requirements for unfair competition"); *Diamond Foods, Inc. v. Hottrix, LLC*, 119 U.S.P.Q.2d 1553, 1566 (N.D. Cal. 2016) (denying defense motion for judgment on the pleadings because "[t]he Court is . . . unpersuaded by [the counterclaim defendant's] that the apps themselves are so dissimilar as to contradict any allegation of confusion because [the counterclaim defendant] . . . asks the Court to make factual determinations that are not appropriate at this stage").

<sup>1078</sup> *Kische USA LLC v. Simsek*, 121 U.S.P.Q.2d 1255, 1264 (W.D. Wash. 2016).

<sup>1079</sup> *Id.*

proceedings, the court evaluates the sufficiency of [the plaintiff's] complaint, not the merits of its claims.”<sup>1080</sup>

A different failed motion to dismiss allegations of likely confusion originated in an action brought by the owner of the WORLD TRADE CENTER mark.<sup>1081</sup> The plaintiff had registered the mark for association services and additionally licensed the defendant, the Port Authority of New York and New Jersey, to use the mark in connection with a physical building complex. Unwisely exceeding the scope of its license, the Port Authority expanded its use of the mark to an observational tower and associated merchandise and then, equally unwisely, moved to dismiss the resulting infringement suit for failure to state a claim. In denying the motion, the court rejected the Port Authority's assertion that the plaintiff's case was speculative, holding instead that “the likelihood of confusion is a fact-intensive analysis that ordinarily does not lend itself to a motion to dismiss.”<sup>1082</sup> It then held the plaintiff had adequately alleged infringement by the defendant, crediting in particular the complaint's averments of mark strength, competitive proximity between the parties' goods and services, the Port Authority's repeated acknowledgements of the plaintiff's rights in the parties' licensing agreements, and the inexpensive price points at which the defendant sold goods bearing the disputed mark.<sup>1083</sup>

Deferrals of the final resolution of infringement disputes also transpired when appellate courts vacated the entry of summary judgment below, as in an appeal to the Ninth Circuit.<sup>1084</sup> The parties in that action competed in the market for flavored vodkas, and both sides to the dispute used lips-related imagery on their labels, with those of the plaintiff shown on the left and that of the defendants shown on the right:<sup>1085</sup>

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<sup>1080</sup> *Id.*

<sup>1081</sup> *See* World Trade Ctrs. Ass'n v. Port Auth. of N.Y. & N.J., 121 U.S.P.Q.2d 1273 (S.D.N.Y. 2016).

<sup>1082</sup> *Id.* at 1275 (quoting *Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 412 (S.D.N.Y. 2006)).

<sup>1083</sup> *Id.*

<sup>1084</sup> *See* *JL Beverage Co. v. Jim Beam Brands Co.*, 828 F.3d 1098 (9th Cir. 2016).

<sup>1085</sup> *Id.* at 1101, 1103.



JOHNNY  
LOVE  
VODKA



The district court granted a defense motion for summary judgment, but that disposition met with misfortune on the plaintiff's appeal, beginning with the Ninth Circuit's holding that the district court had improperly relied on its prior denial of the plaintiff's preliminary injunction motion.<sup>1086</sup> The appellate court followed that setback for the defendants by observing that "[b]ecause the [infringement] determination is based on a non-exhaustive, multi-factor, fact-intensive inquiry, we have cautioned against granting summary judgment in [trademark] cases."<sup>1087</sup>

The court then proceeded to the heart of the matter, determining enough likelihood-of-confusion factors favored the plaintiff's position to merit a vacatur of the district court order. These included the strength of the plaintiff's lip-image marks, which the court concluded a reasonable jury could find suggestive or arbitrary,<sup>1088</sup> as well as commercially strong;<sup>1089</sup> the court also proved unimpressed with the defendants' evidence of third-party use because, as it explained, "the vast majority of the products on which lips are used are not liquor products, but rather beer, wine, or non-alcoholic beverages."<sup>1090</sup> The mark-similarity factor also favored a vacatur because of the "numerous similarities in [the marks] appearance" and because of "evidence from officials who concluded that the marks are similar."<sup>1091</sup> Finally, the defendants' decision to

<sup>1086</sup> *Id.* at 1105.

<sup>1087</sup> *Id.*

<sup>1088</sup> *Id.* at 1107-08.

<sup>1089</sup> *Id.* at 1108. The court's discussion of commercial strength included its conclusion that the strength of the defendants' mark favored a finding of liability on the plaintiff's reverse confusion claim. *Id.* at 1108-09.

<sup>1090</sup> *Id.* at 1108.

<sup>1091</sup> *Id.* at 1109. As the court explained of this consideration:

proceed with the adoption of their mark despite their knowledge of the plaintiff's prior rights—a knowledge based in part on the USPTO's rejection of an application to register their mark—created a factual dispute as to their intent.<sup>1092</sup> Consequently, although rejecting the plaintiff's reliance on a “smattering” of instances of alleged actual confusion,<sup>1093</sup> the court nevertheless held the district court had erred by dismissing the plaintiff's claims prior to trial.

Of course, trial courts also declined to resolve the likelihood-of-confusion inquiry as a matter of law, sometimes in cases in which the parties filed cross-motions for summary judgment. That outcome held in a case presenting the use of a domain name corresponding to a federally registered mark in direct competition with the registrant.<sup>1094</sup> The mark in question was JUST BULBS, registered for the retail sale of lightbulbs, while the defendant's domain name was [www.justbulbs.com](http://www.justbulbs.com). At an earlier stage of the parties' dispute, the defendant had escaped liability in a UDRP arbitration after averring its intent to use the disputed domain name only to sell plant bulbs, but it eventually began using it to advertise the services of third-party light bulb vendors instead. In weighing the parties' motions, the court deemed the plaintiff's mark descriptive but nevertheless commercially strong.<sup>1095</sup> Not

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First, [the plaintiff] relies upon the Chief Administrator of the North Carolina Alcoholic Beverage Control Commission's (NCABCC) statement that the [defendants'] mark “looks a lot like” [the plaintiff's] design. Second, it provided evidence that a USPTO Examiner stated, in his initial review of [the defendants'] application to register its lips, that the [defendants'] and [the plaintiff's] “marks are highly similar lip designs oriented at a similar angle. Consequently, the marks create an overall similar commercial impression.

*Id.*

<sup>1092</sup> *Id.* at 1112. According to the court, “[t]he relevant inquiry is not [the defendants'] intent, but rather whether [they] adopted the colored lips logo with the knowledge that the mark already belonged to [the plaintiff].” *Id.*

<sup>1093</sup> In doing so, the court held the plaintiff's showing—a declaration from one of its principals—did not qualify for the state-of-mind exception to the hearsay rule for three primary reasons:

First, many of the alleged conversations [the witness] had were not with customers calling because they were currently confused and seeking information about [the plaintiff]; rather, the individuals were reporting, after the fact, that they had mistaken two products. Second, . . . [the witness] received some of the reports of confusion from possible biased sources: his friends and acquaintances.

*Id.* at 1111. Third:

[S]ome of the statements included in the declaration . . . , state only that the [parties'] products “look alike.” Statements that the products look alike do not necessarily demonstrate consumer confusion: consumers who identify products as “looking alike” recognize the products' similarities, but the question is whether they have mistaken one product for another.

*Id.*

<sup>1094</sup> *See* *Bulbs 4 E. Side, Inc. v. Ricks*, 199 F. Supp. 3d 1151 (S.D. Tex. 2016).

<sup>1095</sup> *Id.* at 1161.

surprisingly, it also found the parties' uses "virtually identical,"<sup>1096</sup> and, additionally, that the competitive proximity of their goods and services also favored a finding of liability.<sup>1097</sup> The parties' online presences meant they shared at least one advertising medium, even if the nature of their advertising differed; in other words, "[t]he fact that Defendant is advertising for third parties, not himself, is irrelevant."<sup>1098</sup> The defendant's admission he had encountered instances of actual confusion might have sealed the deal for the plaintiff, but the court discounted his testimony on that point because it was not based on his personal knowledge.<sup>1099</sup> Moreover, the plaintiff had failed to demonstrate the defendant's bad faith beyond material dispute,<sup>1100</sup> all of which led the court to deny both motions with the explanation that "[l]ikelihood of confusion is usually a question of fact, and in this case is best reserved for a jury."<sup>1101</sup>

An Illinois federal district court took the same step in a case in which the plaintiff, a provider of a family of mutual funds and other financial services, asserted rights to a number of federally registered marks beginning with the word "Ariel,"<sup>1102</sup> which it used in conjunction with the image of a turtle holding a trophy.<sup>1103</sup>

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<sup>1096</sup> *Id.*

<sup>1097</sup> *Id.*

<sup>1098</sup> *Id.* The court elaborated on the significance of that shared medium with the observation that:

[S]imultaneous use of the Internet as a marketing tool exacerbates the likelihood of confusion, given the fact that entering a web site takes little effort—usually one click from a linked site or a search engine's list; thus, Web surfers are more likely to be confused as to the ownership of a web site than traditional patrons of a brick-and-mortar store would be of a store's ownership.

*Id.* at 1161-62 (quoting *Audi AG v. D'Amato*, 469 F.3d 534, 543-44 (6th Cir. 2006)).

<sup>1099</sup> *Id.* at 1162-63.

<sup>1100</sup> *Id.* at 1162 ("The Court agrees that the . . . WIPO proceeding put Defendant on notice of the existence of Plaintiff's mark, and of the fact that using his website to sell lightbulbs would infringe upon Plaintiff's trademark. However, this fact does not necessarily demonstrate bad faith, or that Defendant intended to benefit from Plaintiff's goodwill." (citation omitted)).

<sup>1101</sup> *Id.* at 1163.

<sup>1102</sup> Those marks were ARIEL APPRECIATION FUND, ARIEL FUND, ARIEL INVESTMENTS, ARIEL FOCUS FUND, ARIEL'S ABCS OF MONEY, ARIEL DISCOVERY FUND, ARIEL INTERNATIONAL FUND, and ARIEL GLOBAL FUND. See *Ariel Invs., LLC v. Ariel Capital Advisors LLC*, 230 F. Supp. 3d 849, 853 (N.D. Ill. 2017), *rev'd on other grounds*, No. 17-1516, 2018 WL 632553 (7th Cir. Jan. 31, 2018).

<sup>1103</sup> *Id.*



For its part, the defendant provided personalized financial services under the following mark and logo:



Although both parties asserted an absence of any factual disputes that might preclude entry of summary judgment one way or another, the court declined to grant either of the pending motions. The similarity of the salient element—the word “Ariel”—in both parties’ marks favored the plaintiff,<sup>1104</sup> as did the competitive proximity of their services,<sup>1105</sup> the overlapping geographic scope of their operations,<sup>1106</sup> anecdotal evidence of actual confusion,<sup>1107</sup> and arguable evidence the defendant had adopted its mark with a bad-faith intent.<sup>1108</sup> Nevertheless, the sophistication of the parties’ clienteles “tilt[ed] somewhat” in the defendant’s favor,<sup>1109</sup> the purportedly confused individuals were not necessarily prospective

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<sup>1104</sup> *Id.* at 860-61.

<sup>1105</sup> As the court explained, “[a]lthough [the defendant] focuses on personalized services such as tax and estate planning whereas [the plaintiff] focuses on mutual funds, a consumer might reasonably believe that one company offered all of these services or that a single company sponsors or endorses both ventures.” *Id.* at 861.

<sup>1106</sup> Although the defendant had offices only in Florida and Ohio, the plaintiff’s operations were national in scope, which meant it advertised in those states; moreover, the court found, “[the defendant] has clients in at least ten states, indicating its customer base has significant overlap with that of [the plaintiff].” *Id.*

<sup>1107</sup> *Id.* at 862.

<sup>1108</sup> *Id.* at 864 (“[The plaintiff] points to evidence indicating that [the defendant’s principal] knew of [the plaintiff’s] founder . . . before [he] founded his company, he regularly read a magazine in which [the plaintiff] advertised, and he had received promotional e-mails from [the plaintiff] before founding [the defendant]. A reasonable factfinder could conclude from the evidence that [the defendant’s principal] realized or deliberately ignored that he was adopting a name that was confusingly similar to [the plaintiff’s] mark.” (citation omitted)).

<sup>1109</sup> *Id.* at 862.



customers,<sup>1110</sup> and the defendant's principal had proffered a colorable explanation for the adoption of the defendant's choice of its mark.<sup>1111</sup> Taking both parties' showings into account, the court ultimately concluded that "[t]his is not a case in which likelihood of confusion can be determined in either party's favor on summary judgment."<sup>1112</sup>

Competing cross-motions for summary judgment likewise cancelled themselves out in a clash between restaurateurs specializing in Mediterranean food.<sup>1113</sup> The plaintiff used CAVA MEZZE GRILL as a mark, while the defendants operated under the MEZEH service mark. The defendants did not contest a number of the relevant likelihood-of-confusion factors, namely, the similarity of the parties' services, facilities, and advertising media, and those considerations therefore weighed in the plaintiff's favor.<sup>1114</sup> Nevertheless, the court found factual disputes on the issues of mark similarity<sup>1115</sup> and the defendants' intent when adopting their mark.<sup>1116</sup> Finally, the court found unconvincing survey evidence proffered by the plaintiff showing a net confusion rate of 12.3%.<sup>1117</sup>

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<sup>1110</sup> *Id.* at 864.

<sup>1111</sup> *Id.* ("[The defendant's principal] has provided a plausible explanation for his use of the term Ariel that a jury reasonably could accept: he says he chose the term to reference his daughter and the ministry at which he and his wife serve.").

<sup>1112</sup> *Id.*

<sup>1113</sup> *See* Cava Grp. v. Mezeh-Annapolis, LLC, 119 U.S.P.Q.2d 1593 (D. Md. 2016).

<sup>1114</sup> *Id.* at 1602.

<sup>1115</sup> As to the similarity or dissimilarity of the parties' marks, the court found from the summary judgment record that "the [plaintiffs] logo and the [defendants] logo both use bold, block, mostly white lettering, with certain letters accentuated in some shade of the color orange," with "[a]ll of this text appear[ing] on a dark background," *id.* at 1601; in addition, "the disclaimed word 'mezze' in the [plaintiffs] mark and the dominant word 'Mezeh' in the [defendants] mark are pronounced the same." *Id.* At the same time, however, "[the plaintiff] has not cited a case, and the Court is not aware of one, where a likelihood of confusion has been found on the basis of any similarity in sounds between a disclaimed word in one mark and a dominant word in the allegedly infringing mark." *Id.* Especially in light of "notable differences between the marks," whether the mark-similarity factor favored the plaintiff or the defendants presented a jury question. *Id.* at 1601-02.

<sup>1116</sup> The plaintiff pointed to the defendants' preexisting awareness of the plaintiff's mark, an evolution in the defendants' takeout menu that brought it closer to the plaintiff's own menu, the parties' shared use of cast-iron pots, and a tweet by the defendants featuring another service mark owned by the plaintiff as evidence of the defendants' bad faith. The defendants responded they had adopted "mezeh" because it connoted "taste" in Afghanistan, they had never directed their design consultants to copy the plaintiff's concept, they had chosen their color scheme to distinguish their restaurant from those of the plaintiff, and the tweet had been an attempt to taunt the plaintiff. Faced with these conflicting showings, the court threw up its hands: "Based on the evidence submitted, however, the Court cannot conclude at the summary judgment stage that there is no genuine dispute regarding the issue of Defendants' intent." *Id.* at 1602.

<sup>1117</sup> *Id.* at 1603.

The end result was that neither party deserved to prevail as a matter of law.<sup>1118</sup>

Denials of summary judgment also occurred on motions by plaintiffs for findings of liability as a matter of law, as in one dispute between the former members of a cooperative organization.<sup>1119</sup> That entity operated a chain of pizza restaurants before a majority vote of its members converted it into a system of franchises. Dissenting from the vote, the counterclaim defendants, consisting of several of the cooperative's members, purported to elect a new board of governors for the now-defunct cooperative and also continued their use of the cooperative's marks. Although the specter of directly competitive restaurants using identical marks might ordinarily have produced a finding of infringement without the need for a trial, the court concluded the counterclaim plaintiffs had failed to establish their opponents' liability beyond dispute. As the court explained:

The [counterclaim plaintiffs'] argument raises more doctrinal questions than it answers. As both parties have tended to do throughout their summary-judgment briefing, the [counterclaim plaintiffs'] Lanham Act analysis sets out general propositions . . . and then summarily declares that some fact satisfies a given element or the whole of a given test. There is, in other words, little to no mediating analysis in the [counterclaim plaintiffs'] argument. Nothing showing that, under governing law—meaning statutes, controlling tests, and (to the extent possible) case law that applies those rules to specific, maybe even analogous, situations—the undisputed facts in this case indeed satisfy the given requisite elements[] [and] the given controlling tests.<sup>1120</sup>

Another motion for summary judgment of liability failed to bear fruit in a case brought by a manager of a network of affiliated healthcare service providers against eight nonprofit corporations making up an integrated healthcare system.<sup>1121</sup> Because both parties used the letter string UHS, the mark-similarity factor was not seriously in dispute,<sup>1122</sup> and the defendants conceded that “both health systems offer a variety of hospital and healthcare services, including, *inter alia*, emergency medicine, general surgery, long-term care, physical therapy and rehabilitation, alcohol and substance abuse treatment, and psychiatric services.”<sup>1123</sup> But these

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<sup>1118</sup> *Id.*

<sup>1119</sup> See *English & Sons, Inc. v. Straw Hat Rests., Inc.*, 176 F. Supp. 3d 904 (N.D. Cal. 2016).

<sup>1120</sup> *Id.* at 925.

<sup>1121</sup> See *UHS of Del., Inc. v. United Health Servs., Inc.*, 227 F. Supp. 3d 381 (M.D. Pa. 2016).

<sup>1122</sup> *Id.* at 392.

<sup>1123</sup> *Id.* at 399.

considerations, together with the parties' use of "print, online, and television media" to advertise their services,<sup>1124</sup> did not mandate a victory for the plaintiff as a matter of law. Rather, the defendants' evidence of third-party use of similar marks in the medical and related industries called the strength of the plaintiff's marks into question,<sup>1125</sup> and the sophistication of parties' customers and the lack of a bad-faith intent by the defendants when adopting their mark<sup>1126</sup> weighed in the defendants' favor. With the court finding the record evidence and testimony of alleged actual confusion unconvincing,<sup>1127</sup> the plaintiff's motion failed.

Trial courts also denied defense bids for judgment as a matter of law.<sup>1128</sup> One reaching such an outcome did so in a declaratory judgment action with an unusual procedural disposition.<sup>1129</sup> The defendant owned the following registered marks for vodka, which it claimed in pre-litigation correspondence were infringed by the plaintiff's ROYAL ELITE and ROYAL ELITE VODKA marks for wines and spirits:<sup>1130</sup>

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<sup>1124</sup> *Id.* at 398.

<sup>1125</sup> *Id.* at 394.

<sup>1126</sup> *Id.* at 397.

<sup>1127</sup> The court dismissed the plaintiff's showing of actual confusion for multiple reasons: (1) statements of the plaintiff's employees to its witness on the subject were hearsay; (2) some of the plaintiff's evidence predated the defendants' adoption of the challenged mark; (3) a "CNBC interview associating defendants' logo with [the] CEO [of the plaintiff's parent corporation] . . . may just as likely have derived from the incredible irony that both companies' CEOs shared the name 'Alan Miller'"; and (4) even if they did qualify as actual confusion, the instances claimed by the plaintiff were few and far between, representing nothing more than 'isolated and idiosyncratic' incidents." *Id.* at 395-97 (quoting *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 227 (3d Cir. 2000)).

<sup>1128</sup> *See, e.g., Deere & Co. v. FIMCO Inc.*, 239 F. Supp. 3d 964, 1007-11 (W.D. Ky. 2017) (denying defense motion for summary judgment grounded in lack of precise identity of parties' marks); *Bauer Bros. v. Nike, Inc.*, 159 F. Supp. 3d 1202, 1212 (S.D. Cal. 2016) (denying defense motion for summary judgment in cursory analysis, citing only identity of parties' marks, shared channels of distribution, and defendant's knowledge of plaintiff's claimed rights prior to adopting own mark); *Multimedia Commerce Grp. v. Posh TV*, 119 U.S.P.Q.2d 1536, 1541 (E.D. Tenn. 2016) ("The plaintiffs have introduced un rebutted evidence concerning the strength of their mark; the marks used by the defendants are identical to the plaintiffs' marks; the goods or services offered by the competing companies are identical; and, taking the evidence in a light most favorable to the plaintiffs, a jury could reasonably find that [the defendant] intended to trade on the goodwill of the plaintiffs' marks. These factors all weigh toward likelihood of confusion. Accordingly, summary judgment [of nonliability] will not be granted on these claims.").

<sup>1129</sup> *See Classic Liquor Imps., Ltd. v. Spirits Int'l B.V.*, 201 F. Supp. 3d 428 (S.D.N.Y. 2016).

<sup>1130</sup> The second through the fourth of the graphics in the text accompanying this footnote are taken from U.S. Reg. Nos. 3044248 (issued January 17, 2006), 4567379 (issued July 15, 2014), and 4537800 (issued May 27, 2014), respectively.



When the defendant failed to assert a counterclaim for infringement, the plaintiff argued in a summary judgment motion the defendant had defaulted in response to its complaint. The court acknowledged that “[the plaintiff] is correct that declaratory judgment plaintiffs do not have the burden of proving non-infringement,”<sup>1131</sup> and, additionally, “[the plaintiff] is also correct that trademark infringement is generally a compulsory counterclaim in the context of a declaratory action for non-infringement.”<sup>1132</sup> Nevertheless, the court ultimately rejected the plaintiff’s argument, holding “none of this means that [the plaintiff] is entitled to a default judgment as a result of [the defendant’s] failure to bring a timely counterclaim for infringement. [The plaintiff] cites no authority for that proposition and, to this Court’s knowledge, there is none.”<sup>1133</sup>

The court then turned to the portion of the plaintiff’s motion dealing with the merits of the defendant’s prelitigation claims of infringement. The plaintiff convinced the court the “elit” component of the plaintiff’s was descriptive and self-laudatory, but a factual dispute existed as to whether the defendant enjoyed strong rights to the term as a result of its cultivation of acquired distinctiveness.<sup>1134</sup> The court also found that a number of the relevant likelihood-of-confusion factors actually favored the defendant’s position, namely, the similarity of the parties’ respective marks,<sup>1135</sup> the competitive proximity of the parties’ goods,<sup>1136</sup> the existence of at least some actual confusion, even before the introduction of the plaintiff’s

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<sup>1131</sup> *Classic Liquor Imps.*, 201 F. Supp. 3d at 440.

<sup>1132</sup> *Id.*

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

<sup>1134</sup> *Id.* at 446.

<sup>1135</sup> The court found that the marks differed as they appeared in the marketplace. *Id.* at 447. Nevertheless, “the ELITE and ELIT components of the marks are functionally equivalent in meaning and commercial impression. In addition, there is no genuine dispute that ELITE and ELIT are intended to be pronounced identically. Such aural confusion is particularly pertinent here given that customers at bars and restaurants typically order orally.” *Id.* at 447.

<sup>1136</sup> *Id.*

marks,<sup>1137</sup> and inconsistencies in the plaintiff's explanations of how it came to adopt its marks.<sup>1138</sup> Summary judgment of noninfringement therefore was inappropriate.

A different denial of a defense motion for summary judgment transpired in an action to protect the GIT-R-DONE mark for entertainment services brought by comedian "Larry the Cable Guy," who objected to the defendant's operation of a gas station and convenience store under the GITERDONE mark.<sup>1139</sup> The defendant moved the court for entry of summary judgment of nonliability, not surprisingly citing the differences between the parties' respective services, as well as the differing spellings of the parties' marks and the absence of actual confusion. None of these considerations proved dispositive to the court, which noted that the marks featured identical spellings and reminded the defendant that actual confusion was unnecessary for a finding of infringement. The result was a procedural stalemate requiring a trial to resolve the parties' respective arguments.<sup>1140</sup>

Yet another unsuccessful defense motion for summary judgment arose from a quail-sourcing dispute.<sup>1141</sup> In a better time in the parties' relationship, the defendant purchased its birds from the plaintiff, but it eventually turned to another supplier. Following the transition, however, the defendant neglected to change its UPC code, the result of which was that the code continued for years to identify the plaintiff as its supplier; moreover, it was undisputed the defendant had on at least one occasion represented to a major grocery chain that the plaintiff remained its supplier. Those showings by the plaintiff helped preclude the defendant from escaping liability as a matter of law, especially because of testimony by a representative of the same chain that it believed the plaintiff's quail still originated with the plaintiff.<sup>1142</sup> Other factors placing likelihood of confusion into dispute were the "nearly identical" nature of the parties' goods,<sup>1143</sup> their shared distribution

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<sup>1137</sup> On this issue, the court credited the defendant's evidence of two instances of the plaintiff's ROYAL ELITE mark being misspelled as ROYAL ELIT. It concluded from that evidence that "[t]hough neither of these isolated instances of actual confusion constitutes material evidence that consumers are actually confusing the products or their source, they are probative of how easily consumers might do so." *Id.* at 448.

<sup>1138</sup> *Id.* at 449.

<sup>1139</sup> *See* Git-R-Done Prods., Inc. v. Giterdone C Store, LLC, 226 F. Supp. 3d 684 (S.D. Miss. 2016).

<sup>1140</sup> *Id.* at 690.

<sup>1141</sup> *See* Manchester Farms, Inc. v. Supremas, Inc., 165 F. Supp. 3d 1366 (M.D. Ga. 2016).

<sup>1142</sup> *Id.* at 1374.

<sup>1143</sup> *Id.* at 1373.

channels,<sup>1144</sup> and conflicting evidence and testimony concerning the defendant's intent.<sup>1145</sup>

Despite having invested in a survey to demonstrate the unlikelihood of confusion occasioned by its introduction of a line of luggage, another defendant unsuccessfully pursued a motion for summary judgment of nonliability.<sup>1146</sup> The plaintiff in the action owned federal registrations of the following marks:<sup>1147</sup>



It based its claim of infringement on the defendant's sale of the following pieces:<sup>1148</sup>




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<sup>1144</sup> *Id.*

<sup>1145</sup> *Id.* at 1373-74.

<sup>1146</sup> *See Rimowa Distrib., Inc. v. Travelers Club Luggage, Inc.*, 217 F. Supp. 3d 400 (D. Mass. 2016).

<sup>1147</sup> *Id.* at 405.

The plaintiff owned an additional registration on the Supplemental Register of its luggage, *id.*, but that registration did not play a role in the court's disposition of the defendant's motion.

<sup>1148</sup> *Id.* at 406.



The defendant leaned heavily on the plaintiff's inability to identify any instances of actual confusion, as well as its own survey results, but the court held with respect to the former that "[t]he absence of actual confusion evidence is probative only where the competing products have durably coexisted in the same marketplace,"<sup>1149</sup> and it dismissed the latter because the defendant's expert included all potential purchasers of luggage, rather than those of "hard-side suitcases."<sup>1150</sup> With those issues out of the way, the directly competitive nature of the parties' goods helped create a factual dispute as to the defendant's liability, as did a report from an industry expert retained by the plaintiff, whom the court deemed qualified to address "the parties' channels of trade; the similarities between the parties' advertising campaigns; the classes of prospective purchasers; and the strength of [the plaintiff's] mark."<sup>1151</sup>

A final notable reported opinion declining summarily to dispose of an allegation of infringement came in a battle initiated by the owner of the FASHION FOR FOOD mark for retail and marketing services in the tableware, cutlery, and flatware industry against a user of the EVERYDAY FASHION FOR FOOD PACKAGING mark for various containers, dinnerware, serving-ware, disposable cooking skewers, and straws.<sup>1152</sup> In denying the defendant's motion for summary judgment, the court noted that "[f]irst and foremost, the marks are basically the same: 'Fashion for Food' versus 'Everyday Fashion for Food.' The one additional word—'everyday'—is not much of a distinction (at least a jury could reasonably so find)."<sup>1153</sup> The competitive proximity of the parties' businesses also weighed in the plaintiff's favor, as did the relatively inexpensive nature of the goods at issue, which the court found "dampens the prospect that customers exercise great care in discerning a

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<sup>1149</sup> *Id.* at 408.

<sup>1150</sup> *Id.* at 410.

<sup>1151</sup> *Id.* at 410-11.

<sup>1152</sup> See *RGB Plastic, LLC v. First Pack, LLC*, 184 F. Supp. 3d 649 (N.D. Ill. 2016).

<sup>1153</sup> *Id.* at 671.

difference between such precisely similar marks.”<sup>1154</sup> It might be true the plaintiff had failed to adduce evidence or testimony of actual confusion or of the defendant’s bad faith, but those considerations did not mandate a finding of nonliability as a matter of law.<sup>1155</sup>

## (2) The First-Sale Doctrine and Likelihood of Confusion Arising from the Diversion or Alteration of Genuine Goods

The multifactored likelihood-of-confusion test for liability is appropriate in cases in which a defendant has affixed an allegedly infringing mark to its own goods, but the utility of that test may be limited if the challenged use in question consists of the defendant’s resale of genuine goods originally produced by the plaintiff: Under those circumstances, the first-sale, or exhaustion, doctrine ordinarily will render that resale nonactionable. Nevertheless, the first-sale doctrine has limits, one of which is that liability can attach to the resale of branded goods that have been materially altered by the time of the second transaction.<sup>1156</sup> For example, in one case before an Ohio federal district court, the defendant had altered jewelry originating with the plaintiff and bearing the plaintiff’s mark before reselling it.<sup>1157</sup> Because the defendant failed to disclose both the alterations and the fact that they disqualified the jewelry from the plaintiff’s warranty, the first-sale doctrine did not apply, and the defendant’s conduct was actionable as infringement.<sup>1158</sup>

An additional reported opinion to similar effect arose from cross-motions for summary judgment by participants in the market for hair-care products.<sup>1159</sup> The record established the plaintiff’s manufacturer had produced the goods in question but also that it had first sold the goods outside the United States. That circumstance was significant because the manufacturer tailored its packaging to particular countries “to comply with each country’s regulations and to appeal to and best serve the needs and preferences of consumers in each country.”<sup>1160</sup> Although reaching a

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<sup>1154</sup> *Id.*

<sup>1155</sup> *Id.*

<sup>1156</sup> For examples of this rule in opinions entering judgments of liability based on the defendants’ sale of genuine, but “unlocked,” smart phones, see *MetroPCS v. Agboton*, 216 F. Supp. 3d 910, 914-15 (N.D. Ill. 2016); *MetroPCS v. Devor*, 215 F. Supp. 3d 626, 632-33 (N.D. Ill. 2016); *MetroPCS v. Rivera*, 220 F. Supp. 3d 1326, 1331 (N.D. Ga. 2016); *MetroPCS v. SD Phone Trader*, 190 F. Supp. 3d 987, 990 (S.D. Cal. 2016); *MetroPCS v. Pesina*, 190 F. Supp. 3d 688, 692 (S.D. Tex. 2016).

<sup>1157</sup> See *Tacori Enters. v. Michael Joaillier, Inc.*, 207 F. Supp. 3d 799 (S.D. Ohio 2016).

<sup>1158</sup> *Id.* at 804.

<sup>1159</sup> See *MoroccanOil, Inc. v. Perfumes World Com, Inc.*, 234 F. Supp. 3d 1026 (C.D. Cal. 2017).

<sup>1160</sup> *Id.* at 1029.



finding of liability under the standard multifactored test for likely confusion, the court also held that “[e]ven where goods bearing a United States trademark are authorized for sale in another country, a defendant who sells those goods in the United States is liable for trademark infringement if the goods are materially different than those authorized by the trademark owner for sale in the United States.”<sup>1161</sup> It then found the “multiple differences in packaging and labeling”<sup>1162</sup> of the goods sold by the defendant were material and therefore actionable: “Material differences in labeling or packaging alone are sufficiently likely to cause consumer confusion.”<sup>1163</sup>

### (3) Survey Evidence of Actual or Likely Confusion

Survey evidence played a key role in a lawsuit brought by the University of Houston to protect its UNIVERSITY OF HOUSTON and UNIVERSITY OF HOUSTON LAW SCHOOL service marks against a local competitor that had recently transitioned from the SOUTH TEXAS COLLEGE OF LAW mark to HOUSTON COLLEGE OF LAW.<sup>1164</sup> In support of a (successful) motion for a preliminary injunction, the plaintiff commissioned an *Eveready*-format survey yielding a net confusion rate of 25%, while the defendant responded with its own survey, which yielded only a 6% positive response rate. The differing percentages apparently originated in the use of differing stimuli: While both survey experts used a screenshot from the defendant’s website, the stimulus used by the plaintiff’s expert omitted two banners referring to the defendant’s name change; in contrast, the stimulus used by the defendant’s expert featured one of the banners.<sup>1165</sup> Based on the plaintiff’s showing that various other promotional media used by the defendant such as billboards, mailers, and collateral media did not include messages equivalent to the banners, the court found that the methodology of the plaintiff’s survey more accurately reflected real-world conditions and that its results were therefore more convincing.<sup>1166</sup>

In contrast, it was three *Eveready* surveys commissioned by the defendant that proved convincing in another case.<sup>1167</sup> Those surveys used the defendant’s AT&T THANKS mark for a customer loyalty

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<sup>1161</sup> *Id.* at 1030.

<sup>1162</sup> *Id.*

<sup>1163</sup> *Id.*

<sup>1164</sup> *See Bd. of Regents of the Univ. of Houston Sys. on Behalf of the Univ. of Houston Sys. & its Member Insts. v. Houston Coll. of Law, Inc.*, 214 F. Supp. 3d 573 (S.D. Tex. 2016).

<sup>1165</sup> The disputed banners read “South Texas College of Law Changes to Houston College of Law” and “Houston College of Law Stands Behind Name Change; Is Prepared to Defend Decision in Court.” *Quoted in id.* at 594.

<sup>1166</sup> *Id.* at 594-95.

<sup>1167</sup> *See Citigroup, Inc. v. AT&T Servs., Inc.*, 120 U.S.P.Q.2d 1888 (S.D.N.Y. 2016).

program in the telecommunications field as a stimulus and sought to measure the extent of respondents' association of that mark with the plaintiff's THANKYOU mark for a loyalty program offered in connection with the plaintiff's credit card services. Out of six hundred responses, the defendant's expert coded only one as reflecting confusion, an outcome that obviously weighed against the plaintiff's entitlement to a preliminary injunction. The plaintiff advanced a number of criticisms of the defendant's expert's methodology,<sup>1168</sup> but the court dismissed them: "[The plaintiff's] critiques of the surveys may indicate that further surveys of a different design would shed additional light on this factor [of actual confusion]. However, they do not depreciate the existing surveys' value completely."<sup>1169</sup>

Not all surveys received favorable judicial receptions, however.<sup>1170</sup> In a case in which only the defendant commissioned a survey, the court declined to give the results significant weight when denying the defendant's motion for summary judgment.<sup>1171</sup> That disposition came in an action in which the plaintiff accused the defendant of having infringed the trade dress of the plaintiff's line of "hard-side" luggage. When identifying potential survey respondents, the defendant's expert sought out potential purchasers of luggage generally. In the court's estimation, that decision produced an overinclusive universe that failed to exclude potential purchasers of "non-germane types of luggage, such as soft-sided suitcases, duffel bags, and backpacks."<sup>1172</sup> That error did not warrant exclusion of the survey results altogether; rather, "[b]ecause of doubts whether the participants fairly represent a

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<sup>1168</sup> As the court summarized those criticisms:

[The plaintiff's] rebuttal report argues against the propriety of using an *Eveready* protocol for confusion testing in this case. The primary flaws [the plaintiff] alleges are two-fold. First, because in an *Eveready* survey the senior user's mark is not shown, it can underestimate confusion if the senior user's mark has low "top-of-mind" awareness, which [the plaintiff's] expert argues it does. Second, because in an *Eveready* survey the senior and junior marks are not shown together, it can underestimate confusion if they are in fact frequently shown together in the real world. [The plaintiff] also argues that the surveys [the defendant] conducted are flawed in that they prompt overly careful attention, are improperly leading because they follow screening questions about telecommunications, and are not independently validated.

*Id.* at 1898 (footnote omitted) (citations omitted).

<sup>1169</sup> *Id.*

<sup>1170</sup> See, e.g., *Cava Grp. v. Mezeh-Annapolis, LLC*, 119 U.S.P.Q.2d 1593, 1603 (D. Md. 2016) (declining to accord significant weight to results of survey commissioned by plaintiff that reflected a net 12.3% positive response rate).

<sup>1171</sup> See *Rimowa Distrib., Inc. v. Travelers Club Luggage, Inc.*, 217 F. Supp. 3d 400 (D. Mass. 2016).

<sup>1172</sup> *Id.* at 410.

relevant segment of the consumer market, the court cannot accord [the] survey results any definitive weight.”<sup>1173</sup>

A Virginia federal district court went still further by finding the survey results proffered to it by a plaintiff so unconvincing they did not merit admission into evidence.<sup>1174</sup> One problem with the survey was that the proffered expert witness conducting it had no apparent credentials to do so.<sup>1175</sup> Another was the witness’s use of potential buyers of the *defendants’* goods as the universe for his survey when the reverse confusion cause of action asserted by the plaintiff warranted a universe comprising the potential buyers of the *plaintiff’s* goods and services.<sup>1176</sup> Beyond these flaws, the survey “further missed the mark because it was over- *and* under-inclusive”:<sup>1177</sup> As to the former issue, “simply because survey respondents are men who ‘enjoy virtual reality entertainment’ and are likely to see an . . . advertisement [by the lead defendant], that does not mean that the respondents were ‘in the market’ for a product like the [defendants’ virtual identity headsets],”<sup>1178</sup> while, as to the latter, “the survey (1) excluded all women and (2) failed to cover the ‘average’ purchaser of the [defendants’ headsets]—men between 29 and 45 years old, not men aged 18–34.”<sup>1179</sup> Equally concerning to the court, the survey’s stimuli failed to replicate the parties’ marks as they appeared in the marketplace but instead presented a truncated version of the defendant’s mark missing its

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<sup>1173</sup> *Id.*

<sup>1174</sup> See *Valador, Inc. v. HTC Corp.*, 242 F. Supp. 3d 448 (E.D. Va. 2017), *aff’d*, 707 F. App’x 138 (4th Cir. 2017).

<sup>1175</sup> The court’s observations on this point were withering:

To be sure, [the proffered expert] appears to have four decades of experience as a market research consultant. Yet plaintiff has not made the requisite showing that [the witness] is qualified to opine on consumer confusion or proper survey methods in a trademark case. [The witness] has no prior experience conducting surveys regarding likelihood of confusion involving claims of trademark infringement. Indeed, [the witness] admitted that he does “not have any specific knowledge or specialty in trademark cases.” Nor did [the witness] review any likelihood of confusion surveys from previous trademark infringement cases before conducting his own survey in this matter. [The witness] has never testified as an expert or performed work for anyone testifying as an expert in a trademark dispute or Lanham Act case. Similarly, he has never published on the topic of trademark surveys or likelihood of trademark confusion. [T]he witness further admitted at his deposition that he is unaware how courts analyze trademark infringement claims.

*Id.* at 458 (footnote omitted) (citation omitted).

<sup>1176</sup> *Id.* at 460. In any case, the court pointed out, even if users of the defendants’ goods comprised the proper universe, the survey targeted only respondents likely to view the defendants’ advertising. *Id.* at 460-61.

<sup>1177</sup> *Id.* at 461.

<sup>1178</sup> *Id.*

<sup>1179</sup> *Id.*

first word and a logo with which the defendants used the mark.<sup>1180</sup> Finally, even if those considerations had not rendered the survey results fatally unreliable, the court additionally found that: (1) the survey “did not include a control to account for potential error, false positives or background noise,” but instead merely measured “raw” positive results;<sup>1181</sup> (2) it did not employ a recognized methodology;<sup>1182</sup> and (3) it used leading or suggestive questions.<sup>1183</sup> The defendants’ motion to exclude the survey results therefore was well-taken.<sup>1184</sup>

Another opinion excluding survey results did so in part because respondents were enticed to participate by the opportunity to imbibe free alcoholic beverages.<sup>1185</sup> Despite—or because of—that incentive, “at least thirty respondents quit partly through the survey,”<sup>1186</sup> but that was not the end of the survey’s deficiencies. Another was the decision by the plaintiff’s expert to use cartoon drawings of the parties’ respective trade dresses that omitted potentially distinguishing characteristics, including the parties’ respective logos. The court acknowledged that “shaky but admissible” evidence is ordinarily opposed through cross-examination and the presentation of contrary evidence.”<sup>1187</sup> Nevertheless, it concluded, “the cartoon ‘stimuli,’ the small sample size, and the tipsy respondents fatally undermine the reliability of [the plaintiff’s] survey” to the point exclusion was appropriate.<sup>1188</sup>

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<sup>1180</sup> As the court saw it, “[the plaintiff’s witness] deliberately altered defendants’ mark to make it appear more similar to plaintiff’s before asking questions about the marks[]]. That approach is antithetical to trademark infringement analysis.” *Id.* at 463.

<sup>1181</sup> *Id.* at 464.

<sup>1182</sup> *Id.* at 464-65. In particular, the survey did not use either a standard *Eveready* monadic format, *see* *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir. 1976), or a *Squirt* sequential array format. *See SquirtCo. v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980).

<sup>1183</sup> Specifically, certain questions asked “How likely do you think it is that there will be confusion between” the two products, the two product names, and the two ‘VIVE’ names ‘if they are used by different companies selling similar products[.]’” *Quoted in id.* at 465-66 (alteration in original). “Thus,” the court found, “these questions imply that there is confusion, and then ask respondents to estimate how severe the confusion will be.” *Id.* at 466. The court also found another question “creates a ‘demand effect,’ or cue, by asking ‘Do you think these two ways of showing the VIVE name look like they’re coming from the same company, or do they look [like] they come from two different companies?’” *Id.* (alteration in original). “This question,” it explained, “creates a demand effect because it indicates that the two [stimuli] in the survey come from the same company.” *Id.*

<sup>1184</sup> *Id.*

<sup>1185</sup> *See Yellowfin Yachts, Inc. v. Barker Boatworks, LLC*, 237 F. Supp. 3d 1230 (M.D. Fla. 2017), *appeal docketed*, No. 17-11176 (11th Cir. Mar. 15, 2017).

<sup>1186</sup> *Id.* at 1240.

<sup>1187</sup> *Id.* (quoting *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 596 (1993)).

<sup>1188</sup> *Id.*

**(C) Liability for the Trafficking in Goods and Services  
Associated With Counterfeit Marks**

**(1) Civil Liability**

Several civil claims of counterfeiting produced favorable results.<sup>1189</sup> One in particular resulted in a rare finding as a matter of law that the defendant had used spurious copies of the plaintiff's registered *service marks*, as opposed to its *trademarks*.<sup>1190</sup> The plaintiff owned a number of federal registrations of its CROSSFIT mark, including one covering fitness training services. Although the defendant operated a fitness facility under CROSSTRAIN SPORTS CLUB mark, he began offering classes under the CROSSFIT mark and continued doing so in the face of the plaintiff's objections. Not surprisingly, this conduct led first to a preliminary injunction and then to the entry of summary judgment in the plaintiff's favor.<sup>1191</sup>

Other cases yielded findings of liability in the more conventional context of the unauthorized reproduction of plaintiffs' trademarks.<sup>1192</sup> One arose from the actions of the distributors of an energy drink, who, unable to sell their inventory in their assigned territory of Mexico, began importing it into the United States under fabricated labels.<sup>1193</sup> They eventually began filling bottles branded with the plaintiffs' marks and trade dress with "counterfeit liquid,"<sup>1194</sup> which predictably allowed the plaintiffs to prevail in a bench trial in which the court chose not to invoke the usual multifactor test for likely confusion: "In the counterfeiting context . . . the court need not undertake an exhaustive analysis of the . . . factors because 'counterfeit marks are inherently confusing.'"<sup>1195</sup>

Another opinion rejected the argument that physical exemplars of goods sold by the defendant are necessary to a finding of civil liability.<sup>1196</sup> That opinion came in a case preceded by a criminal prosecution against employees of the corporate defendants, the resolution of which included an agreed-upon order requiring the

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<sup>1189</sup> See, e.g., *Tacori Enters. v. Michael Joaillier, Inc.*, 207 F. Supp. 3d 799, 805-06 (S.D. Ohio 2016) (declining to dismiss cause of action for counterfeiting grounded in defendant's alleged sale of altered jewelry originally produced by the plaintiff as new).

<sup>1190</sup> See, e.g., *CrossFit, Inc. v. Mustapha*, 162 F. Supp. 3d 46 (D. Mass. 2016).

<sup>1191</sup> *Id.* at 49.

<sup>1192</sup> See, e.g., *Chanel, Inc. v. besumart.com*, 240 F. Supp. 3d 1283, 1290-91 (S.D. Fla. 2016) (granting motion for default judgment against accused counterfeiters); *Chanel, Inc. v. Sea Hero*, 234 F. Supp. 3d 1255, 1260-61 (S.D. Fla. 2016) (same).

<sup>1193</sup> See *Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137 (E.D.N.Y. 2016).

<sup>1194</sup> *Id.* at 149.

<sup>1195</sup> *Id.* at 155 (quoting *Fendi Adele S.R.L. v. Burlington Coat Factory Warehouse Corp.*, 689 F. Supp. 2d 585, 596-97 (S.D.N.Y. 2010)).

<sup>1196</sup> See *Michael Kors, LLC v. Hernandez Int'l Inc.*, 120 U.S.P.Q.2d 1762 (S.D. Tex. 2016).

destruction of goods bearing counterfeit imitations of the plaintiff's marks. This meant the goods themselves were unavailable in the plaintiff's subsequent lawsuit against the defendants, but that evidentiary glitch did not stop the court from granting the plaintiff's motion for summary judgment. Instead, the court credited testimony and documentary evidence proffered by investigators on the plaintiff's payroll concerning the goods seized during the raid, as well as testimony by the plaintiff's assistant general counsel concerning the inauthenticity of the goods and an admission against interest that an employee of the defendants had "purchased counterfeit products," albeit allegedly without the corporate defendants' knowledge.<sup>1197</sup>

A final pro-plaintiff opinion applied an arguably more flexible definition, at least on a defense motion for judgment on the pleadings.<sup>1198</sup> As the court summarized the salient averments of the complaint in that case, "[o]ne of plaintiffs' federal trademark registrations specifically states that '[t]he mark consists of the color purple as applied to the [pharmaceutical preparations and substances for the treatment of gastrointestinal diseases].' The diagram [sic] shows the color evenly distributed across the product."<sup>1199</sup> Because its competitive preparations featured a two-tone purple presentation, the defendant argued its use did not qualify as a "spurious mark which is identical with, or substantially identical with, a registered mark," as required by Section 45 of the Act.<sup>1200</sup> Holding that "[t]he marks do not need to be identical and may have minor differences that would not be apparent to the typical consumer and, thus, legally insignificant,"<sup>1201</sup> the court proved unwilling to dismiss the plaintiffs' counterfeiting cause of action on that basis, especially when arguably distinguishing material on the defendant's bottles did not make it to consumers.<sup>1202</sup> Rather, it observed, "[i]n viewing the facts set forth in the light most favorable to plaintiffs, the court cannot conclude at this juncture that an average purchaser would distinguish the generic product (two-tone purple pills) from plaintiffs' single-tone purple pills."<sup>1203</sup>

In contrast, a different court employed a far stricter definition of "counterfeit."<sup>1204</sup> Both parties used the STOMP ROCKET mark in

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<sup>1197</sup> *Id.* at 1781-82.

<sup>1198</sup> *See Astrazeneca AB v. Dr. Reddy's Labs.*, 209 F. Supp. 3d 744 (D. Del. 2016).

<sup>1199</sup> *Id.* at 755 (second and third alterations in original).

<sup>1200</sup> 15 U.S.C. § 1127 (2012).

<sup>1201</sup> *Astrazeneca*, 209 F. Supp. 3d at 755.

<sup>1202</sup> *Id.* ("While defendant's bottle displays the manufacturer and the generic name, the consumer typically receives the product in the pharmacy's prescription bottle, not the manufacturer's container.").

<sup>1203</sup> *Id.*

<sup>1204</sup> *See JFJ Toys, Inc. v. Sears Holdings Corp.*, 237 F. Supp. 3d 311 (D. Md. 2017).

connection with air- or water-powered toy rockets. In moving for summary judgment, the plaintiffs satisfied one requirement of Section 45 by having federally registered their mark with the USPTO, but they failed to establish, at least for purposes of their summary judgment motion, that the defendants' use was identical with, or substantially identical with, their own. That failure was driven by the court's perception of differences between the plaintiffs' packaging, shown on the left, and that of the defendants, shown on the right:<sup>1205</sup>



The court declined to mandate a showing the defendants had used an exact replica of the plaintiffs' mark, but it nevertheless held that "proof of marks as 'substantially indistinguishable' requires a closer degree of similarity than is required for traditional trademark infringement because 'counterfeiting is the "hard core" or "first degree" of trademark infringement.'"<sup>1206</sup> That prerequisite doomed the plaintiffs' motion because, as the court explained, "viewing the evidence in the light most favorable to the Defendants, a reasonable factfinder could find that the marks, color patterns, and designs on the [Plaintiffs'] Stomp Rocket and the [Defendants'] Stomp Rocket, while risking confusion, are not identical or indistinguishable for purposes of proving the [Plaintiffs'] counterfeiting claim."<sup>1207</sup>

Although it took place at the pleadings stage and therefore without the benefit of a fully developed evidentiary record, a different court reached a far more defensible outcome in dismissing

<sup>1205</sup> *Id.* at 320.

<sup>1206</sup> *Id.* at 340-41 (quoting *Gucci Am., Inc. v. Guess?, Inc.*, 868 F. Supp. 2d 207, 242 (S.D.N.Y. 2012)).

<sup>1207</sup> *Id.* at 341.

a federal counterfeiting cause of action as a matter of law.<sup>1208</sup> The plaintiff owned a federal registration of the BEE-QUICK mark for a honey-harvesting aid, while the defendants sold a similar product under the NATURAL HONEY HARVESTER mark. Not surprisingly, the court held on the basis of the plaintiff's own allegations that the parties' marks were too dissimilar to allow a finding of liability. It proved equally quick to dismiss the plaintiff's theory that the defendants' alleged use of the plaintiff's mark in URL links leading to the defendants' goods on the defendants' website somehow salvaged the plaintiff's counterfeiting cause of action;<sup>1209</sup> moreover, the plaintiff's reliance on the defendants' alleged display on their website of one of the plaintiff's goods was equally unavailing.<sup>1210</sup>

Online trickery failed to lead to a finding of liability in another case presenting an allegation of counterfeiting.<sup>1211</sup> The plaintiffs owned the GEMSTV and JEWELRY TELEVISION, which they used in connection with the sale of gemstones online and through a television show. They accused the defendants of having liberally sprinkled references to the former mark in their advertising and of incorporating the latter mark into their metatags. Nevertheless, the plaintiffs failed to allege or demonstrate the defendants actually had shipped goods bearing either mark, and that failure rendered the defendants' motion meritorious: As the court explained, "at most, the defendants['] use of the mark[s] could be considered ordinary infringement."<sup>1212</sup>

## (2) Criminal Liability

Non-United States citizens accused of violating federal criminal law by trafficking in goods bearing counterfeit imitations of registered marks generally do not fare well, but an exception to this general principle came in a Ninth Circuit appeal in which the plaintiff, a lawful permanent resident, had been convicted of one count of criminal counterfeiting.<sup>1213</sup> On the basis of that conviction,

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<sup>1208</sup> See *Fischer v. Forrest*, 122 U.S.P.Q.2d 1201 (S.D.N.Y. 2017), *report and recommendations accepted*, No. 14CIV1304PAEAJP, 2017 WL 1063464 (S.D.N.Y. Mar. 21, 2017).

<sup>1209</sup> As the court explained, "[w]hile potentially supporting other trademark claims of [plaintiff], defendants' alleged misappropriation of that term in URL links does not make defendants' mark substantially indistinguishable from [plaintiffs']." *Id.* at 1206.

<sup>1210</sup> *Id.* ("This conduct does not constitute trademark counterfeiting because . . . the mark that defendants allegedly used (Bee-Quick) was the actual mark, not a 'spurious' mark designed to mask a false provenance. And, when defendants shipped Natural Honey Harvester, they shipped a clearly completely different product, as opposed to a counterfeit product or a product containing a counterfeit mark.").

<sup>1211</sup> See *Multimedia Commerce Grp. v. Posh TV*, 119 U.S.P.Q.2d 1536 (E.D. Tenn. 2016).

<sup>1212</sup> *Id.* at 1541.

<sup>1213</sup> See *Wang v. Rodriguez*, 830 F.3d 958 (9th Cir. 2016).



U.S. Citizenship and Immigration Services denied her application for citizenship, after concluding she was guilty of an offense “involv[ing] fraud or deceit.”<sup>1214</sup> Citing the relevant criminal statute, however, the Ninth Circuit noted that “[t]he plain language of [18 U.S.C.] § 2320 makes clear that a crime under the statute is not limited to conduct involving fraud or deceit. Rather, to qualify as a ‘counterfeit mark,’ a defendant’s use of the mark must be ‘likely to cause confusion, to cause mistake, or to deceive.’”<sup>1215</sup> The statutory language drove the court’s subsequent holding that:

Used together in a disjunctive list, the terms “confusion,” “mistake,” and “deceive” each must be read to have a distinct meaning. Some defendants will be guilty under § 2320(a) because they used counterfeit marks to “deceive,” for example, by cheating buyers who believed they were purchasing the item for which the mark was registered. But the inclusion of the terms “mistake” and “confusion” indicates that at least some defendants may be guilty for conduct that would *not* constitute “deceit.”<sup>1216</sup>

The court drew additional support for this conclusion from the legislative history of Section 2320, which suggested Congress had eliminated a heightened mens rea requirement from the bill that became the statute, as well as from the existence of the post-sale confusion doctrine, from the latter of which the court concluded that “[i]n many post-sale confusion and mistake cases, the defendant will not have deceived anyone at all.”<sup>1217</sup> In the final analysis, therefore, “because a defendant may violate § 2320 without engaging in fraudulent or deceitful conduct, a conviction under the statute cannot categorically qualify as an aggravated felony [warranting the denial of citizenship].”<sup>1218</sup>

### ***(D) Dilution***

#### **(1) Mark Fame and Distinctiveness**

To qualify for protection against likely dilution under Section 43(c) of the Act, a plaintiff’s mark must have been famous prior to the introduction of the challenged use.<sup>1219</sup> According to Section 43(c)(2)(A), “a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of

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<sup>1214</sup> *Id.* at 959 (alteration in original) (quoting 18 U.S.C. § 1101(a)(43)(M)(I) (2012)).

<sup>1215</sup> *Id.* at 961 (quoting 18 U.S.C. § 2320(e) (emphasis added)).

<sup>1216</sup> *Id.* (citations omitted).

<sup>1217</sup> *Id.* at 962.

<sup>1218</sup> *Id.* at 963.

<sup>1219</sup> 15 U.S.C. § 1125(c)(1) (2012).

source of the goods or services of the mark's owner."<sup>1220</sup> The same statute provides that:

In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.<sup>1221</sup>

Not all state dilution statutes are as strict; on the contrary, some merely require showings a plaintiff's mark is distinctive or that it is famous within the state in question.<sup>1222</sup>

### ***(a) Opinions Finding Mark Fame and Distinctiveness***

In entering a default judgment, one court found the plaintiff's CROSSFIT mark was sufficiently famous to qualify for protection under Section 43(c).<sup>1223</sup> The mark was registered, but the court found several factors supported a finding of mark fame beyond that. Specifically, "[the plaintiff] has advertised the mark extensively, including a commercial during the Super Bowl. [The plaintiff] also has a strong social media presence and online presence."<sup>1224</sup> Moreover, the court observed, there was no dispute the defendants' use had begun after the plaintiff's mark became famous.<sup>1225</sup>

Finally, although niche market fame may not do the job under Section 43(c)(2)(A), the rules may not be as strict where state law causes of action against actual or likely dilution are concerned.<sup>1226</sup>

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<sup>1220</sup> *Id.* § 1125(c)(2)(A).

<sup>1221</sup> *Id.* § 1125(c)(2)(A)(i)-(iv).

<sup>1222</sup> *See, e.g.,* Sara Designs, Inc. v. Classic Time Watch Co., 234 F. Supp. 3d 548, 556 (S.D.N.Y. 2017) ("New York law affords protection against dilution to marks that are distinctive as a result of having acquired secondary meaning, as well as those that are inherently distinctive."); IPOX Schuster, LLC v. Nikko Asset Mgmt. Co., 191 F. Supp. 3d 790, 808 (N.D. Ill. 2016) (declining to dismiss claim of mark fame under Illinois dilution statute based on averment of mark fame within that state).

<sup>1223</sup> *See* CrossFit, Inc. v. Quinnie, 232 F. Supp. 3d 1295 (N.D. Ga. 2017).

<sup>1224</sup> *Id.* at 1309.

<sup>1225</sup> *Id.*

<sup>1226</sup> *See* Sturgis Motorcycle Rally, Inc. v. Rushmore Photo & Gifts, Inc., 239 F. Supp. 3d 1128, 1143 (D.S.D. 2017) (declining to disturb jury finding of mark fame under South Dakota

For example, in a case requiring an interpretation of the Nevada dilution statute,<sup>1227</sup> the mark at issue was CRAZY HORSE III, used by the plaintiff in connection with a Las Vegas strip club.<sup>1228</sup> The court found the mark arbitrary, which weighed in favor of its eligibility for the statute's protection, and it was covered by a Nevada registration, which the court found significant based on Ninth Circuit case law bearing on the effect of federal registrations.<sup>1229</sup> Other considerations weighing in the plaintiff's favor were its use of the mark for approximately three-and-a-half years prior to the defendants' date of first use, the exclusivity of its use, and its investment of "over a million dollars per year in advertising, marketing, and booking dancers and celebrities to promote its business."<sup>1230</sup> In the final analysis, the court found on the basis of the summary judgment record assembled by the plaintiff that the mark was "famous within the state in the adult entertainment market."<sup>1231</sup>

### ***(b) Opinions Declining to Find Mark Fame and Distinctiveness***

Courts for the most part rejected claims of mark fame under Section 43(c)(2)(A).<sup>1232</sup> They included one granting a motion to dismiss the assertion by the Theta Chi fraternity that its flagship mark qualified for federal protection against likely dilution by a group of individuals allegedly using the X-ΘX ("Ex-Theta Chi") mark with the assistance of Stanford University.<sup>1233</sup> The fraternity's complaint described the federal registrations covering its mark, recited that the fraternity was "one of the oldest and most widely regarded college fraternities in the United States" with "more than 175,000 initiated members since its founding in 1856, its 144 Active Chapters, and 7 Official Colonies,"<sup>1234</sup> referred to its investment of "substantial amounts of time, expense and energy with its strategic

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dilution statute without extensive discussion of trial record), *appeal docketed*, No. 17-2712 (8th Cir. Aug. 8, 2017).

<sup>1227</sup> Nev. Rev. Stat. § 600.435 (West 2014).

<sup>1228</sup> See *Russell Rd. Food & Beverage, LLC v. Galam*, 180 F. Supp. 3d 724 (D. Nev. 2016).

<sup>1229</sup> On this point, the court observed that "the mark is registered in Nevada, and 'registration on the principal register creates a presumption of distinctiveness.'" *Id.* at 742 (quoting *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 876 (9th Cir. 1999)).

<sup>1230</sup> *Id.*

<sup>1231</sup> *Id.*

<sup>1232</sup> Cf. *Russell Rd. Food & Beverage, LLC v. Galam*, 180 F. Supp. 3d 724, 744 (D. Nev. 2016) (holding as a matter of law that counterclaim defendants unable to establish priority of rights were equally unable to establish mark fame prior to counterclaim plaintiff's date of first use).

<sup>1233</sup> See *Theta Chi Fraternity, Inc. v. Leland Stanford Junior Univ.*, 212 F. Supp. 3d 816 (N.D. Cal. 2016).

<sup>1234</sup> Quoted in *id.* at 828.

growth and expansion plan”<sup>1235</sup> and touted its various philanthropic activities.

None of that, however, dissuaded the court from dismissing the fraternity’s dilution cause of action for failure to state a claim. Of the relevant statutory factors, it noted, the fraternity had addressed only the registered status of its marks in any detail. Moreover, the court determined from the complaint, “Plaintiff does not allege that it has advertised and/or publicized the Theta Chi marks; it only alleges that it has expended resources ‘with its strategic growth and expansion plan,’ which may or may not be related to plaintiff’s marks.”<sup>1236</sup> The court also deemed the plaintiff’s asserted membership numbers unimpressive:

[G]iven that courts have ruled against dilution claims by plaintiffs with 20 million users . . . , or 196,000 alumni members . . . , the allegation that Theta Chi has had 175,000 members over the course of 160 years is insufficient to support a claim that the Theta Chi marks are famous. Indeed, the fact that Theta Chi voluntarily left Stanford in 1988 in part due to a lack of membership, suggests that the Theta Chi marks were not even famous on Stanford’s campus.<sup>1237</sup>

In the face of these deficiencies, “plaintiff’s allegation regarding ‘a high level of actual recognition among the consuming public’ is simply a formulaic recitation of part of the dilution statute, and the court need not rely on it.”<sup>1238</sup>

Stanford was not the only defendant to pursue a successful motion to dismiss an allegation of mark fame. In a different case leading to the same outcome, the plaintiff was a clothing designer and had previously employed the lead defendant before the lead defendant left the plaintiff and formed a competitive company, which the plaintiff also named as a defendant.<sup>1239</sup> The plaintiff claimed fame for its KISCHE and MARSEILLE marks prior to the defendants’ date of first use, but the court was skeptical. It noted the plaintiff’s averments were two-fold and rested on the alleged fame of the plaintiff itself and on “materials incorporated in the complaint, including a video in which a commentator calls [the plaintiff’s goods] a ‘luxurious line,’ customer ratings, purchase orders to ‘major women’s fashion retailers,’ and an email in which [a third party] show[ed that] it thought that [the] [plaintiff’s]

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<sup>1235</sup> *Quoted in id.*

<sup>1236</sup> *Id.*

<sup>1237</sup> *Id.* (citation omitted) (citing *Arcsoft, Inc. v. Cyberlink Corp.*, 153 F. Supp. 3d 1057, 1066 (N.D. Cal. 2015); *Sigma Chi Fraternity v. Sethscot Collection*, No. 98-CV-2102, 2000 WL 34414961, at \*10 (S.D. Fla. Apr. 7, 2000), *aff’d*, 48 F. App’x 739 (11th Cir. 2002)).

<sup>1238</sup> *Id.* at 828-29.

<sup>1239</sup> *See Kische USA LLC v. Simsek*, 121 U.S.P.Q.2d 1255 (W.D. Wash. 2016).

cardigan was famous.”<sup>1240</sup> The court found those allegations insufficient as a matter of law to establish the fame of the plaintiff’s mark because “[t]he evidence on which [the plaintiff] bases its factual allegations shows at most that fashion purchasers recognized [the plaintiff’s] marks—not that the general consuming public widely recognized the marks.”<sup>1241</sup>

A third successful motion to dismiss received a favorable reception before a Florida federal district court.<sup>1242</sup> The mark at issue was 411 KITCHEN CABINETS, used in connection with the sale of kitchen- and bathroom-related items. Reviewing the complaint, the court concluded the plaintiff had failed to allege facts that, even if taken as true for purposes of the defendant’s motion, established the fame of its claimed mark. “At most,” the court concluded:

Plaintiff has alleged that its mark “has enjoyed a good name and reputation in the cabinets, countertops, vanities and granite industry.” That allegation does not establish the requisite fame required for a dilution claim and falls well-short of alleging that Plaintiff’s mark is on the same scale as marks like Budweiser, Camel, and Barbie.<sup>1243</sup>

Defense motions for summary judgment also proved effective weapons against claims of mark fame. For example, the Sixth Circuit rejected a plaintiff’s attempt to protect the DJ LOGIC mark when used for disc jockey services.<sup>1244</sup> Having lost on summary judgment before the district court, the plaintiff sought to demonstrate a factual dispute on the issue by pointing to “his sworn declaration describing his experience in the music industry and his deposition testimony that he was a guest contributor on a Grammy-winning album.”<sup>1245</sup> Noting that “[c]ourts have interpreted [Section 43(c)] to require the [plaintiff’s] mark to be a ‘household name,’”<sup>1246</sup> the appellate court held the district court properly had entered summary judgment in the defendants’ favor: “[The plaintiff’s] evidence clearly falls short of the high threshold for fame under the Lanham Act. ‘DJ LOGIC’ is simply in a different league from the marks that have met this threshold.”<sup>1247</sup>

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<sup>1240</sup> Quoted in *id.* at 1267 (first, second, and fifth alterations in original).

<sup>1241</sup> *Id.*

<sup>1242</sup> See 411 Kitchen Cabinets, LLC v. King of Kitchen & Granite, Inc., 120 U.S.P.Q.2d 1572 (S.D. Fla. 2016), *report and recommendations accepted*, No. 9:16-CV-80206, 2016 WL 8794463 (S.D. Fla. Nov. 14, 2016).

<sup>1243</sup> *Id.* at 1576.

<sup>1244</sup> See *Kibler v. Hall*, 843 F.3d 1068 (6th Cir. 2016), *cert. denied*, 138 S. Ct. 91 (2017).

<sup>1245</sup> *Id.* at 1083.

<sup>1246</sup> *Id.*

<sup>1247</sup> *Id.*

Another case arising from the entertainment industry also resulted in a defense victory on a summary judgment motion.<sup>1248</sup> The mark at issue was MASTERMIND, which the plaintiff, a rap performer, had registered for audio and video recordings, entertainment services, and various other related goods and services. The plaintiff claimed to have used the mark for eighteen years, but his showing in response to the defendants' motion otherwise failed to demonstrate the mark had acquired distinctiveness, much less that it was famous. In particular, the plaintiff failed "to show the extent and geographic reach of advertising and publicity of the mark";<sup>1249</sup> "[a]dditionally," the court found, "Plaintiff provided the Court with no evidence of the amount, volume, and geographic extent of the total sales of his goods under the 'Mastermind' mark."<sup>1250</sup> With the summary judgment record equally devoid of evidence or testimony bearing on the issue of actual consumer recognition of the mark,<sup>1251</sup> the court found as a matter of law that "[w]hile Plaintiff has had a lengthy professional career in the hip-hop industry, there is no evidence that the 'Mastermind' mark is so 'widely recognized by the general consuming public of the United States' as it relates to identifying Plaintiff and his goods and services."<sup>1252</sup>

A similar outcome transpired in a dispute over the eligibility of the configuration of a plastic bag closure used primarily in the baked-goods industry for protection under Section 43(c).<sup>1253</sup> In rejecting the counterclaim plaintiff's assertion of mark fame after a bench trial, the court observed that "'niche fame' among a specific marketplace or group of consumers is insufficient and the general public itself must associate the trademark at issue with the trademark owner."<sup>1254</sup> It then found the counterclaim plaintiff's configuration enjoyed just such fame:

There is no dispute in this case that [the counterclaim plaintiff's] customers are primarily the bakeries and other companies that buy its bag closures by the thousands for use in automatic bag closure machines. To the extent that [the counterclaim plaintiff's] claimed trade dress configurations have any degree of fame, it would be among this small

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<sup>1248</sup> See *Caiz v. Roberts*, 224 F. Supp. 3d 944 (C.D. Cal. 2016), *judgment entered*, No. CV No. 15-09044-RSWL-AGR, 2016 WL 7335777 (C.D. Cal. Dec. 16, 2016), *appeal docketed*, No. 17-55051 (9th Cir. Jan 12, 2017).

<sup>1249</sup> *Id.* at 954.

<sup>1250</sup> *Id.*

<sup>1251</sup> *Id.*

<sup>1252</sup> *Id.* at 955 (quoting 15 U.S.C. § 1125(c)(2)(A) (2012)).

<sup>1253</sup> See *Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F. Supp. 3d 245 (S.D.N.Y. 2016), *aff'd*, 699 F. App'x 93 (2d Cir. 2017).

<sup>1254</sup> *Id.* at 283.

segment of the population rather than the general consuming public of the United States. . . . The general consuming public may very well be aware of the bag closures that [the counterclaim plaintiff] sells, but they have no reason to associate the closures with [the counterclaim plaintiff] rather than with one or more other unnamed companies or with the producers of the products that are contained in the bags on which the closures are used.<sup>1255</sup>

The counterclaim plaintiff's federal dilution cause of action therefore fell short of the mark.<sup>1256</sup>

***(c) Opinions Deferring Resolution of the Mark-Fame and Mark-Distinctiveness Inquiry***

Some courts chose not to resolve the mark-fame and mark-distinctiveness inquiries, at least as a matter of law, but instead to defer that resolution until later in the proceedings.<sup>1257</sup> For example, a Pennsylvania federal district court denied a motion to dismiss a federal dilution cause of action for failure to state a claim after determining the plaintiff had sufficiently averred the fame of its BUCK ROGERS mark for various goods associated with the science fiction hero of the same name.<sup>1258</sup> The plaintiff had allowed federal registrations of its mark to lapse, but the court properly observed that “the fact that Plaintiff does not currently hold a registration for the mark does not foreclose a finding of fame since the statute establishes a totality-of-the-circumstances test for fame.”<sup>1259</sup> Moreover, with respect to the remaining statutory fame factors, the plaintiff had adequately pleaded that “products bearing the Buck Rogers mark . . . are sold and distributed all over the United States, that Plaintiff has produced movies and television products with Universal Studios and Walt Disney using the ‘Buck Rogers’ name, and that several Buck Rogers-related items are displayed at the Smithsonian.”<sup>1260</sup> The court ultimately rejected the defendant's motion, explaining that:

Since it could be plausibly inferred that a mark used in nationwide marketing on a wide range of products and displayed as part of an exhibit at a major national museum enjoys wide public recognition in distinguishing merchandise

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<sup>1255</sup> *Id.*

<sup>1256</sup> *Id.* at 284.

<sup>1257</sup> *See, e.g.*, IPOX Schuster, LLC v. Nikko Asset Mgmt. Co., 191 F. Supp. 3d 790, 808 (N.D. Ill. 2016) (declining to dismiss claim of mark fame under Illinois dilution statute based on averment of mark fame within that state).

<sup>1258</sup> *See* Dille Family Trust v. Nowlan Family Trust, 207 F. Supp. 3d 535 (E.D. Pa. 2016).

<sup>1259</sup> *Id.* at 547.

<sup>1260</sup> *Id.*

and products, Plaintiff has provided enough factual support for the fame element at the motion to dismiss stage.<sup>1261</sup>

Other courts declined to grant motions for summary judgment on the issue. One was a Mississippi federal district court, which rejected a defense motion in an action to protect the allegedly famous GIT-R-DONE mark for entertainment services.<sup>1262</sup> The court's decision was influenced by competing expert witness testimony on the issue of the mark's notoriety. Moreover, although the defendant argued that the plaintiff's own survey showed 51.5% of respondents did not associate the mark with the plaintiff, the court concluded that "Defendant does not cite any [case] law – and the Court has found none in the Fifth Circuit or elsewhere – that failure to establish a minimum percentage of recognition mandates summary judgment on a dilution claim."<sup>1263</sup> The plaintiff's claim of mark fame therefore survived until trial.

Another unsuccessful defense motion for summary judgment came in an action to protect the trade dress of a line of corrugated luggage.<sup>1264</sup> In denying the motion, the court cited the opinion of the plaintiff's expert that the plaintiff's luggage was iconic, as well as registrations of the plaintiff's designs on the USPTO's Principal Register.<sup>1265</sup> Equally to the point, "[the plaintiff] has also produced evidence that it has consistently used the marks in commerce in the United States since 1985; that it has significant sales in the United States; and that it spends substantial resources both in advertising and enforcing its trademarks."<sup>1266</sup> Based on those showings, the court found "[the plaintiff] has adduced sufficient evidence to raise a triable issue regarding the fame of its marks."<sup>1267</sup>

In contrast, it was the plaintiff's motion for summary judgment that fell short in a different case.<sup>1268</sup> That plaintiff was Deere & Co., which sought protection under Section 43(c) for the green-and-yellow colors of its agricultural equipment. The problem for Deere's motion was the inception of the defendant's use in 1966, by which Deere's trade dress must have become famous under the express

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<sup>1261</sup> *Id.*

<sup>1262</sup> *See* Git-R-Done Prods., Inc. v. Giterdone C Store, LLC, 226 F. Supp. 3d 684 (S.D. Miss. 2016).

<sup>1263</sup> *Id.* at 692.

<sup>1264</sup> *See* Rimowa Distrib., Inc. v. Travelers Club Luggage, Inc., 217 F. Supp. 3d 400 (D. Mass. 2016).

<sup>1265</sup> *Id.* at 412.

<sup>1266</sup> *Id.*

<sup>1267</sup> *Id.*

<sup>1268</sup> *See* Deere & Co. v. FIMCO Inc., 239 F. Supp. 3d 964 (W.D. Ky. 2017).



text of Section 43(c)(1).<sup>1269</sup> Based on favorable third-party sources during those years, Deere claimed fame “by 1923 or, at the latest, by 1950,”<sup>1270</sup> but the court found that:

[T]he mere fact that Deere’s use of yellow and green were referenced in 1923 and 1950 is insufficient, at this stage, to say that 1923 or 1950 are the years Deere’s mark became so “widely recognized” so as to make it famous for dilution purposes. Indeed, our sister courts have stated that “general media assertions and acclamations of fame are not strong evidence” of fame because fame for trademark dilution purposes “is not proven through the words of trade publication articles declaring it so.” Although Deere has additionally presented evidence as to its advertising and sales figures, the Court finds that determining a precise year in which Deere’s mark became famous would require the Court to weigh all of the evidence, an improper task for the Court at summary judgment.<sup>1271</sup>

## (2) Actual or Likely Dilution

### (a) Actual or Likely Dilution by Blurring

Applying the actual dilution standard found in that state’s dilution statute, a Nevada federal district court found it satisfied as a matter of law.<sup>1272</sup> The plaintiff’s mark was CRAZY HORSE III, used in connection with a Las Vegas strip club, while the defendants used CRAZY HORSE TOO for a directly competing establishment located only 5.2 miles away. In weighing the plaintiff’s summary judgment motion, the court found it undisputed that the similarities between the parties’ marks and businesses had caused “substantial actual confusion among consumers.”<sup>1273</sup> That finding drove another one, namely, that the defendants’ conduct had impermissibly lessened the ability of the plaintiff’s mark to distinguish its services within the meaning of the state statute.<sup>1274</sup>

In contrast, a different claim of blurring failed when the Eleventh Circuit affirmed a Florida federal district court’s application of the dilution statute of that state<sup>1275</sup> in a clash between

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<sup>1269</sup> The defendant actually claimed a predecessor had adopted the challenged trade dress as early as 1923 or 1928, but the court declined to accept that showing because the defendant supported it only with hearsay testimony. *Id.* at 996.

<sup>1270</sup> *Id.*

<sup>1271</sup> *Id.* (quoting *Maker’s Mark Distillery, Inc. v. Diageo N. Am., Inc.*, 703 F. Supp. 2d 671, 697, 699 (W.D. Ky. 2010), *aff’d*, 679 F.3d 410 (6th Cir. 2012)).

<sup>1272</sup> See *Russell Rd. Food & Beverage, LLC v. Galam*, 180 F. Supp. 3d 724 (D. Nev. 2016).

<sup>1273</sup> *Id.* at 743.

<sup>1274</sup> *Id.*

<sup>1275</sup> Fla. Stat. § 495.151(1) (West 2015).

the plaintiff, the owner of the Florida INTERNATIONAL UNIVERSITY mark in connection with its operation of a public research university, and the defendant, which used its FLORIDA NATIONAL UNIVERSITY mark for the educational services provided at its privately operated institution of higher learning.<sup>1276</sup> Despite having found the plaintiff's mark strong enough to qualify for protection against likely dilution, the district court determined dilution was, in fact, unlikely, citing the perceived dissimilarity of the parties' respective marks, the lack of any bad-faith intent by the defendant, and the absence of any evidence consumers associated the marks with each other.<sup>1277</sup> On appeal, the plaintiff argued the district court had erred for the same reasons it had allegedly erroneously rejected the plaintiff's claims of infringement and unfair competition; when the plaintiff's appellate arguments as to its infringement and unfair competition causes of action failed, so too did its appellate arguments as to dilution under the state statute.<sup>1278</sup>

Finally, one court reached a decidedly split decision when addressing two dilution-based causes of action, one grounded in the Pennsylvania dilution statute<sup>1279</sup> and the other under Section 43(c).<sup>1280</sup> The plaintiff's federal cause of action survived the defendant's motion to dismiss because the complaint averred the defendant had used a mark identical to that of the plaintiff in connection with directly competitive goods and services, and because that pleading "also pled numerous facts concerning [the plaintiff's] own established use of the mark in that marketplace, as well as facts suggesting that this use was widely recognized."<sup>1281</sup> These allegations sufficed to state a cause of action for likely dilution under federal law, but the outcome was different under the state statute, which codified an actual standard for liability. As to the latter, the court held that "Plaintiff has alleged that Defendant engaged in conduct that is 'likely to cause dilution,' but has not alleged that any dilution actually occurred, nor does the [complaint] contain facts to support an inference that dilution occurred beyond the conclusory assertion that Plaintiff's reputation has been injured";<sup>1282</sup> the dismissal of that cause of action followed.

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<sup>1276</sup> See *Fla. Int'l Univ. Bd. of Trs. v. Fla. Nat'l Univ., Inc.*, 830 F.3d 1242 (11th Cir. 2016).

<sup>1277</sup> *Id.* at 1267.

<sup>1278</sup> *Id.*

<sup>1279</sup> 54 Pa. Cons. Stat. § 1124 (West 2015).

<sup>1280</sup> See *Dille Family Trust v. Nowlan Family Trust*, 207 F. Supp. 3d 535 (E.D. Pa. 2016).

<sup>1281</sup> *Id.* at 548.

<sup>1282</sup> *Id.*

***(b) Actual or Likely Dilution by Tarnishment***

Under Section 43(c)(2)(C), “dilution by tarnishment” is an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark,”<sup>1283</sup> and this standard proved difficult to satisfy over the past year. Indeed, despite proceeding against a group of absentee defendants, one plaintiff failed to demonstrate likely dilution by tarnishment in a motion for a default judgment.<sup>1284</sup> Both parties were in the fitness business, and the plaintiff’s motion mounted a three-pronged attack on the defendants, namely, that the plaintiff had not credentialed the defendants’ trainers, the defendants did not have adequate insurance for their gym, and the lead defendant had “an extensive criminal record.”<sup>1285</sup> The court was sufficiently unimpressed to rule in favor of the absent defendants:

Even if these claims are true, [Plaintiff] has not shown that the quality of Defendants’ fitness training is inferior in any way, or the service provided will somehow tarnish [Plaintiff’s] mark. There is also nothing apparently unwholesome or unsavory with Defendants’ fitness training. Tarnishment requires that Defendants’ use of the [Plaintiff’s] mark has caused someone to associate some inferior product or service.<sup>1286</sup>

Another claim under Section 43(c) and the Arizona dilution statute<sup>1287</sup> failed following a bench trial.<sup>1288</sup> The counterclaim defendant purchased vehicles manufactured by the counterclaim plaintiff and modified them extensively before reselling them with the counterclaim plaintiff’s marks still affixed to them. Based on the parties’ respective showings, the court rejected the counterclaim plaintiff’s assertion that the counterclaim defendant’s conduct was likely to, or did, dilute the fame of the counterclaim plaintiff’s marks. Rather, it found, “[o]ther than defendant’s bold assertions of inferior quality, there is no evidence that vehicles upfitted and resold by plaintiff are inferior in any respect. There is no substantial evidence (only speculation) about the stability of [the counterclaim defendant’s] [modified] vehicles.”<sup>1289</sup>

As that outcome suggests, claims of tarnishing uses failed under applications of state dilution statutes as well, including in a case

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<sup>1283</sup> 15 U.S.C. § 1125(c)(2)(C) (2012).

<sup>1284</sup> See *CrossFit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295 (N.D. Ga. 2017).

<sup>1285</sup> *Id.* at 1310.

<sup>1286</sup> *Id.*

<sup>1287</sup> Ariz. Rev. Stat. § 44-1448.01 (2017).

<sup>1288</sup> See *Moab Indus. v. FCA US, LLC*, 120 U.S.P.Q.2d 1215 (D. Ariz. 2016).

<sup>1289</sup> *Id.* at 1225.

brought under the Massachusetts statute<sup>1290</sup> and arising from comparative advertising by both parties.<sup>1291</sup> The summary judgment record established that the plaintiff sold two pre-colonoscopy preparations—one in the United States and one in Canada. When the Canadian government issued a warning about the product sold in that country, the defendant capitalized on the warning through advertising suggesting it applied with equal force to the plaintiff's United States product. Alleging that the defendant's attempt to conflate the two products violated the statute, the plaintiff sought an injunction against the defendant's use in the same advertisement of the marks for the plaintiff's two products. This theory failed in the face of the defendant's responsive showing that the plaintiff's own advertising frequently treated the two products as equivalent, from which the court concluded that any tarnishment was in effect a preexisting condition.<sup>1292</sup>

An apparent claim of likely actual dilution by tarnishment under the Illinois dilution statute<sup>1293</sup> similarly fell short.<sup>1294</sup> The plaintiff invoking the statute was a clinical laboratory that analyzed urine, blood, and other samples for health care practitioners; among other services, it offered a test to assess the levels of heavy metals in patients' urine. The lead defendant, a retired psychiatrist, operated "numerous health care consumer advocacy websites" and was the principal of two corporations that criticized the plaintiff's tests and were also named as defendants.<sup>1295</sup> The plaintiff argued the defendants' use of its marks in their critiques diluted the marks' distinctiveness, but the court disagreed. It concluded from the summary judgment record that "[the plaintiff] has pointed only to the facts that: (1) [one of the defendants' articles] contains [the plaintiff's] logo and name; and (2) the report by [the plaintiff's] damages expert . . . stated '[the plaintiff's] Elemental Testing business unit was significantly harmed and [the plaintiff's] trademark value was diluted.'"<sup>1296</sup> At least for purposes of the parties' cross-motions for summary judgment, the first of these facts was evidence the defendants had used the plaintiff's marks, but the second failed to create a material dispute concerning the existence of any damage suffered by the plaintiff. Rather, "the single reference in [the expert's] 34-page expert report to 'trademark value,' unaccompanied by any discussion of that concept or any breakdown

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<sup>1290</sup> Mass. Gen. Laws ch. 110H, § 13 (West 2006).

<sup>1291</sup> See *Ferring Pharma., Inc. v. Braintree Labs.*, 221 F. Supp. 3d 161 (D. Mass. 2016).

<sup>1292</sup> *Id.* at 169.

<sup>1293</sup> 765 Ill. Comp. Stat. § 1036/65(a) (West 2009).

<sup>1294</sup> See *Doctor's Data, Inc. v. Barrett*, 170 F. Supp. 3d 1087 (N.D. Ill. 2016).

<sup>1295</sup> The lead defendant dissolved the two corporations prior to the parties' filing of cross-motions for summary judgment. *Id.* at 1097.

<sup>1296</sup> *Id.* at 1101.

of damages estimated to be traceable to trademark dilution, is insufficient to raise a genuine issue of material fact on this question.”<sup>1297</sup> Moreover, and of equal importance, “causing consumers to think less highly of a trademarked product or service—even if accomplished through false or misleading statements—is not equivalent to diluting the distinctiveness of [the mark for] that product or service.”<sup>1298</sup>

### ***(E) 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.<sup>1299</sup> If a prior arbitration proceeding under the Uniform Dispute Resolution Policy (UDRP) has resulted in the suspension, transfer, or disabling of a domain name, the ACPA also authorizes what is effectively a mechanism for the domain name registrant to appeal the outcome of the UDRP action by bringing a cause of action for reverse domain name hijacking.<sup>1300</sup>

### **(1) In Rem Actions**

The only readily reported opinion to address an in rem action under the ACPA entered a preliminary injunction against the continued use or transfer of the domain names identified as defendants.<sup>1301</sup> It did so based on the plaintiff’s demonstration that sites associated with the domain names were being used to sell goods bearing counterfeit imitations of the plaintiff’s registered marks. With neither the defendants nor their registrants appearing in court to mount a defense, the outcome was a foregone conclusion.<sup>1302</sup>

### **(2) In Personam Actions**

One defendant under the ACPA stood little chance of escaping liability based on the summary judgment record assembled by both parties.<sup>1303</sup> The plaintiff owned a federal registration of the JUST BULBS mark for the retail sale of lightbulbs, and it ill-advisedly allowed its registration of the [www.justbulbs.com](http://www.justbulbs.com) domain name to

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<sup>1297</sup> *Id.*

<sup>1298</sup> *Id.* at 1102.

<sup>1299</sup> *See* 15 U.S.C. § 1125(d) (2012).

<sup>1300</sup> *See id.* § 1114(2)(D)(v).

<sup>1301</sup> *See* Louis Vuitton Malletier S.A. v. 2016bagslouisvuitton.com, 121 U.S.P.Q.2d 1029 (S.D. Fla. 2016).

<sup>1302</sup> *Id.* at 1033.

<sup>1303</sup> *See* Bulbs 4 E. Side, Inc. v. Ricks, 199 F. Supp. 3d 1151 (S.D. Tex. 2016).

lapse, which allowed the defendant to register it in his own name. When the defendant began selling lightbulbs on a website associated with the domain name, the plaintiff initiated a UDRP proceeding, from which the defendant emerged victorious after professing an intent to sell only plant bulbs on the site. When, a decade later, the defendant abandoned that business model in favor of selling advertising to competitors of the plaintiff, the plaintiff initiated a second UDRP action and then filed a complaint asserting a cause of action under the ACPA. Granting the plaintiff's motion for summary judgment at the expense of the defendant's motion, the court found ample undisputed evidence of the defendant's bad-faith intent to profit from his use of the domain name. That evidence included his failure to sell lightbulbs prior to registering it,<sup>1304</sup> his lack of intellectual property rights corresponding to it,<sup>1305</sup> his record of acquiring and trafficking in other domain names (even if he had not attempted to sell the particular one at issue),<sup>1306</sup> his use of privacy services to conceal his identity,<sup>1307</sup> and his full awareness of the plaintiff's rights at the time he resumed his lightbulb-related activities.<sup>1308</sup> Under these circumstances, the plaintiff deserved to prevail because "[a]n overwhelming majority of the factors suggest bad faith, and the Court is particularly convinced that Defendant's egregious pattern of cybersquatting shows bad faith."<sup>1309</sup>

Although it did not reach a finding of liability under the ACPA on the merits, another reported opinion at least declined to grant a motion to dismiss the plaintiff's request for such a finding for failure to state a claim.<sup>1310</sup> The complaint averred the plaintiff's ownership of the 411 KITCHEN CABINETS VANITIES & GRANITE mark for the sale of kitchen- and bathroom-related items, as well as the www.411kitchencabinets.com domain name. Having left the plaintiff, a former employee allegedly established a competing business that registered www.411kitchencabinet.com as a domain name. Those averments, along with the plaintiff's claim the defendant's conduct had led to actual confusion, were enough for the court to make short work of the defendant's motion: "Considering [the statutory] factors, Plaintiff has sufficiently alleged that

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<sup>1304</sup> *Id.* at 1168.

<sup>1305</sup> *Id.* at 1169.

<sup>1306</sup> *Id.* at 1169-70, 1170-71.

<sup>1307</sup> *Id.* at 1170.

<sup>1308</sup> *Id.* at 1171.

<sup>1309</sup> *Id.*

<sup>1310</sup> See 411 Kitchen Cabinets, LLC v. King of Kitchen & Granite, Inc., 120 U.S.P.Q.2d 1572 (S.D. Fla. 2016), *report and recommendations accepted*, No. 9:16-CV-80206, 2016 WL 8794463 (S.D. Fla. Nov. 14, 2016).

Defendant acted with a bad faith intent to profit off of Plaintiff's mark."<sup>1311</sup>

Other opinions were decidedly pro-defendant. The plaintiff in the case producing one of them owned a number of federally registered marks beginning with the word "Ariel," under which it provided mutual funds and other financial services, while the defendant offered personalized financial advice to individuals under the ARIEL CAPITAL ADVISORS mark.<sup>1312</sup> In denying the parties' cross-motions for summary judgment on the plaintiff's likelihood-of-confusion-based causes of action, the court found a factual dispute concerning the defendant's intent based on the defendant's knowledge of the plaintiff's prior rights when adopting its mark, on the one hand, and testimony from the defendant's principal he had named his company after his daughter and a ministry in which he and his wife participated, on the other.<sup>1313</sup> That dispute did not preclude the defendant from prevailing on the plaintiff's ACPA cause of action as a matter of law, though:

Cybersquatting typically occurs when a person registers a domain name of a well-known trademark and then attempts to profit from this either by "ransoming the domain name back to the trademark holder or by using the domain name to divert business from the trademark holder to the domain name holder." [The plaintiff] cites its evidence that [the defendant's principal] was aware of [the plaintiff] and its marks when he established [the defendant], but in the Court's view this falls short of evidence from which a reasonable jury could infer a "bad faith intent to profit from" [the plaintiff's] marks.<sup>1314</sup>

A second reported opinion granting a defense motion for summary judgment came from a Virginia federal district court.<sup>1315</sup> The plaintiff owned the VIVE mark for computer software applications facilitating three-dimensional presentations and for services related to that software, while the defendants used the HTC HIVE mark for a headset capable of running virtual reality games. The defendants also had registered and were using three domain names based on their mark, namely, [www.htcvive.com](http://www.htcvive.com), [www.vive.com](http://www.vive.com), and [www.viveport.com](http://www.viveport.com), and that led the plaintiff to assert a claim under the ACPA, as well as a more conventional one

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<sup>1311</sup> *Id.* at 1576.

<sup>1312</sup> *See* *Ariel Invs., LLC v. Ariel Capital Advisors LLC*, 230 F. Supp. 3d 849 (N.D. Ill. 2017), *rev'd on other grounds*, No. 17-1516, 2018 WL 632553 (7th Cir. Jan. 31, 2018).

<sup>1313</sup> *Id.* at 864.

<sup>1314</sup> *Id.* at 865 (citation omitted) (quoting *DaimlerChrysler v. Net Inc.*, 388 F.3d 201, 204 (6th Cir. 2004)).

<sup>1315</sup> *See* *Valador, Inc. v. HTC Corp.*, 241 F. Supp. 3d 650 (E.D. Va. 2017), *aff'd*, 707 F. App'x 138 (4th Cir. 2017).

for infringement. The court disposed of both causes of action as a matter of law, concluding of the ACPA claim that “no reasonable juror, given the totality of circumstances as reflected in the undisputed factual record, could find that [the defendant] had a bad faith intent to profit from plaintiff’s mark.”<sup>1316</sup> “To begin with,” the court found, “the undisputed record reflects that [the lead defendant] has intellectual property rights in, and independently selected, the ‘VIVE’ mark.”<sup>1317</sup> The plaintiff similarly failed to identify a factual dispute concerning the lead defendants’ alleged intent to divert the plaintiff’s customers or the actual diversion of those customers.<sup>1318</sup> Finally, there was no record evidence or testimony that the defendants ever had attempted to sell the disputed domain names to the plaintiff or that they had provided false information during the application process.<sup>1319</sup> Thus, “[t]he undisputed factual record further confirms that [the defendants] had a good faith basis for registering its domain names.”<sup>1320</sup>

Allegations of reverse domain name hijacking made appearances in two reported opinions. Having settled earlier litigation brought against them by the same plaintiff, one group of defendants promptly violated the settlement agreement by failing to transfer to the plaintiff a domain name similar to the plaintiff’s flagship mark, which led the plaintiff to procure a “registrar lock” preventing the transfer of the domain name to a third party.<sup>1321</sup> The defendants argued that action constituted reverse domain name hijacking, and they counterclaimed for that tort under Section 32(2)(D)(v).<sup>1322</sup> Granting the plaintiff’s motion for summary judgment on the counterclaim, the court defined the elements of reverse domain name hijacking in the following manner:

To state a claim for reverse domain name hijacking, a claimant must establish:

(1) that it is a domain name registrant; (2) that its domain name was suspended, disabled, or transferred under a policy implemented by a registrar as described in [Section 32(2)(D)(ii)(II)]; (3) that the owner of the mark that prompted the domain name to be suspended, disabled, or transferred has notice of the action by service or otherwise; and (4) that the plaintiff’s registration or

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<sup>1316</sup> *Id.* at 672.

<sup>1317</sup> *Id.*

<sup>1318</sup> *Id.*

<sup>1319</sup> *Id.*

<sup>1320</sup> *Id.* at 673.

<sup>1321</sup> *See Am. Diabetes Ass’n v. Friskney Family Trust, LLC*, 177 F. Supp. 3d 855 (E.D. Pa. 2016).

<sup>1322</sup> 15 U.S.C. § 1114(2)(D)(v) (2012).



use of the domain name is not unlawful under the Lanham Act, as amended.

Failure to satisfy any one of these four elements will be “fatal to recovery.”<sup>1323</sup>

The defendants’ counterclaim foundered on the second of the four prerequisites for liability. Specifically, because the registrar lock merely prevented the transfer of the domain name without disabling it, the plaintiff was entitled to summary judgment.<sup>1324</sup>

In contrast, a different cause of action for reverse domain name hijacking survived a motion to dismiss for failure to state a claim.<sup>1325</sup> The defendant previously had prevailed in a UDRP arbitration, and the plaintiffs sought both relief from that opinion and a finding the defendant had forced the arbitration in bad faith. Because the defendant (and arguably the locus of the parties’ dispute) was located in Turkey, the defendant encouraged the court to dismiss the plaintiff’s complaint on what the court described as “prudential grounds of international comity.”<sup>1326</sup> The court declined to do so, holding:

Congress amended the Lanham Act with ACPA “principally for the purpose of protecting trademark owners against cyberpiracy.” Moreover, U.S. district courts may hear trademark disputes between foreign litigants arising out of WIPO UDRP domain name proceedings over domain names administered by U.S. domain name registrars. Plaintiffs have pled a Lanham Act claim. The court discerns no reason to dismiss the claim[] on “prudential grounds” or “international comity.”<sup>1327</sup>

The court additionally rejected the defendant’s argument the court should suspend its proceedings in light of a proceeding between the parties in Turkey because “[the] defendant has not adequately explained how the litigation in Turkey will resolve the question of whether plaintiffs’ use of the [disputed] domain name is unlawful under the Lanham Act.”<sup>1328</sup>

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<sup>1323</sup> *Am. Diabetes Ass’n*, 177 F. Supp. 3d at 874 (citation omitted) (quoting *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*, 330 F.3d 617, 626-27 (4th Cir. 2003); *Hawes v. Network Sols., Inc.*, 337 F.3d 377, 385 (4th Cir. 2003)).

<sup>1324</sup> *Id.* at 874-75.

<sup>1325</sup> *See* *Alsoy v. Ciceksepeti Internet Hizmetleri Anonim Sirketi*, 232 F. Supp. 3d 613 (D. Del. 2017).

<sup>1326</sup> *Id.* at 620.

<sup>1327</sup> *Id.* (quoting *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*, 330 F.3d 617, 624 (4th Cir. 2003)).

<sup>1328</sup> *Id.* at 621.

## *b. Passing Off and Reverse Passing Off*

### *i. Passing Off*

In an application of Ninth Circuit law, the Federal Circuit held that the appearance of a plaintiff's product in a defendant's promotional material does not always lead to liability for passing off.<sup>1329</sup> A default judgment entered by the district court prevented the defendant from using images of the plaintiff's products and drawings in its advertising, and the breadth of that injunction led to appellate scrutiny. Nevertheless, so long as the injunction did not prevent the defendant from using images of the plaintiff's goods in a way clearly distinguishing the parties' respective goods—a point conceded by the plaintiff during oral argument—the injunction was not fatally overbroad.<sup>1330</sup>

The Seventh Circuit also disposed of a claim of passing off, this one brought by a manufacturer of karaoke accompaniment tracks.<sup>1331</sup> According to the plaintiff, the defendants' practice of using the plaintiff's registered marks in connection with unauthorized "media shifted" copies of tracks originating with the plaintiff constituted passing off. In the court's estimation, the fatal flaw in the plaintiff's case was that the defendants did not sell the modified tracks in the marketplace; rather, patrons of the defendants' bar encountered the plaintiff's marks only when the marks appeared on monitors installed in the bar. That display, the court held, failed to support a viable cause of action for passing off:

[T]he defendants' patrons are not direct purchasers of karaoke tracks. They simply see and hear the karaoke tracks that [the defendants' bar] plays for them. They have no interaction with the medium from which the tracks are played, in the way that a karaoke jockey might. Any confusion, in short, is not about the source of the tangible good sold in the marketplace . . . .<sup>1332</sup>

The same plaintiff suffered an equally definitive loss at the hands of the Ninth Circuit, which affirmed the dismissal for failure to state a claim of a substantively identical passing off case against another set of defendants.<sup>1333</sup> Drawing upon the Seventh Circuit's opinion, the Ninth Circuit held that the plaintiff's complaint alleged "possible confusion over the source of content," rather than over the

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<sup>1329</sup> See *United Constr. Prods., Inc. v. Tile Tech, Inc.*, 843 F.3d 1363 (Fed. Cir. 2016).

<sup>1330</sup> *Id.* at 1372-73.

<sup>1331</sup> See *Phoenix Entm't Partners, LLC v. Rumsey*, 829 F.3d 817 (7th Cir. 2016).

<sup>1332</sup> *Id.* at 829.

<sup>1333</sup> See *Slep-Tone Entm't Corp. v. Wired for Sound Karaoke & DJ Servs., LLC*, 845 F.3d 1246 (9th Cir. 2017).

source of a tangible good.<sup>1334</sup> Even accepting the facts alleged in it as true, the complaint's passing off cause of action was fatally defective.<sup>1335</sup>

## ii. Reverse Passing Off

The Supreme Court's restrictive interpretation of Section 43(a)(1)(A) of the Act<sup>1336</sup> in *Dastar Corp. v. Twentieth Century Fox Film Corp.*,<sup>1337</sup> reduces that section's utility in challenges to reverse passing off unless defendants have taken physical goods originating with plaintiffs and sold them as their own. A New York federal district court explained the requirements for a post-*Dastar* finding of reverse passing off in the following manner:

To establish a Lanham Act violation based on "reverse passing off," the plaintiff must prove that (1) the product at issue originated with plaintiff, (2) the origin of the product was falsely designated by the defendant, (3) the false designation of origin was likely to cause consumer confusion, and (4) the plaintiff was harmed by the defendant's false designation of origin.<sup>1338</sup>

*Dastar* took its toll on a number of Section 43(a) claims, including an averment of reverse passing expressly labeled as such off, which failed at the pleadings stage.<sup>1339</sup> The cause of action in question rested on the allegation that the defendant had marketed a script and "series bible" for a television series or motion picture using a mark belonging to the plaintiff. Weighing the defendant's motion to dismiss for failure to state a claim, the court observed that "[l]ikelihood of confusion about the origin of a good under the Lanham Act may occur in one of two forms: either 'passing off,' in which 'a producer misrepresents his own goods or services as someone else's,' or 'reverse passing off' in which a 'producer misrepresents someone else's goods or services as his own.'"<sup>1340</sup> The court then found the plaintiff's cause of action under the latter theory of relief fatally flawed because Plaintiff does not allege that the script or series bible were produced by Plaintiff, which is the fundamental basis of a reverse passing-off claim. Plaintiff has

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<sup>1334</sup> *Id.* at 1249.

<sup>1335</sup> *Id.* at 1250.

<sup>1336</sup> 15 U.S.C. § 1125(a)(1)(A) (2012).

<sup>1337</sup> 539 U.S. 23 (2003).

<sup>1338</sup> *TufAmerica, Inc. v.Codigo Music LLC*, 162 F. Supp. 3d 295, 332 (S.D.N.Y. 2016) (quoting *Sun Trading Distrib. Co. v. Evidence Music, Inc.*, 980 F. Supp. 722, 727 (S.D.N.Y. 1997)).

<sup>1339</sup> *See Dille Family Trust v. Nowlan Family Trust*, 207 F. Supp. 3d 535 (E.D. Pa. 2016).

<sup>1340</sup> *Id.* at 545 (quoting *Dastar*, 539 U.S. at 27 n.1).

therefore failed to plead a false designation of origin claim, and that claim shall be dismissed.”<sup>1341</sup>

Facebook similarly defended itself at the pleadings stage against an allegation of reverse passing off grounded in the theory that it and its contractors performed the architectural, engineering, and design services that led to a “rapid deployment data center.”<sup>1342</sup> According to the plaintiffs, Facebook and other defendants “enticed them to reveal their data center designs and construction methods with promises of acquisition and partnership, only to then copy those designs.”<sup>1343</sup> Facebook moved to dismiss the plaintiff’s reverse passing off cause of action, and the court granted the motion for two reasons: (1) Section 43(a) does not protect the copying of ideas;<sup>1344</sup> and (2) “Plaintiffs fail to allege or convincingly argue exactly how Facebook is offering those services in a commercial transaction, such that there is opportunity for consumers to make mistaken purchasing decisions of those services.”<sup>1345</sup>

Another successful invocation of *Dastar* disposed of the Section 43(a) cause of action of a photographer allowed to record events at the World Trade Center site on September 11, 2001.<sup>1346</sup> The plaintiff previously had licensed the lead defendant to use the resulting photographs, but he became convinced the lead defendant had issued unauthorized sublicenses to the other defendants. In response to a defense motion to dismiss, the plaintiff sought to distinguish *Dastar* by pointing out that case did not involve an extant copyright, while the plaintiff held registrations covering his work. The New York federal district court hearing the action rejected that strategy, holding instead that “courts in this district have rejected the argument that the holding in *Dastar* should be limited to non-copyrighted material or copyrighted material that have [sic] entered the public domain because ‘the Supreme Court did not articulate any distinction between copyrighted and uncopyrighted material [in *Dastar*].’”<sup>1347</sup> Simply put, “an author may not claim that the producer of the tangible product, by reproducing the author’s ideas without proper attribution, has committed an actionable ‘false designation of origin.’”<sup>1348</sup>

A final notable defense victory confirmed *Dastar*’s relevance to claims bearing on the provenance of technological innovations, and

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<sup>1341</sup> *Id.*

<sup>1342</sup> See *BladeRoom Grp. v. Facebook, Inc.*, 219 F. Supp. 3d 984 (N.D. Cal. 2017).

<sup>1343</sup> *Id.* at 986.

<sup>1344</sup> *Id.* at 994.

<sup>1345</sup> *Id.*

<sup>1346</sup> See *Fioranelli v. CBS Broad. Inc.*, 232 F. Supp. 3d 531 (S.D.N.Y. 2017).

<sup>1347</sup> *Id.* at 539 (alterations in original) (quoting *Atrium Grp. De Ediciones y Publicaciones, S.L. v. Harry N. Abrams, Inc.*, 565 F. Supp. 2d 505, 512–13 (S.D.N.Y. 2008)).

<sup>1348</sup> *Id.* at 541.

not merely of potentially copyrighted material.<sup>1349</sup> The parties to that action competed in the lighting business, and the plaintiff accused the defendant of claiming to have invented technology that in fact originated with the plaintiff. Noting it was undisputed that the defendant had manufactured the goods it promoted with the challenged representations, the dismissed the plaintiff's Section 43(a) cause of action for failure to state a claim because:

[The plaintiff's] claim undoubtedly would have merit if [the defendant] had bought some of [the plaintiff's] LED bulbs and simply repackaged them as its own. [The defendant's] alleged wrongdoing, however, is vastly different: it claims to have invented the [technology] inside its LED bulbs. But "[t]he consumer who buys a branded product does not automatically assume that the brand-name company is the same entity that came up with the idea for the product, or designed the product—and typically does not care whether it is. The words of the Lanham Act should not be stretched to cover matters that are typically of no consequence to purchasers."<sup>1350</sup>

Nevertheless, the Eighth Circuit properly disposed of a defense argument that an action to protect a series of registered names and phrases from motion pictures, which the plaintiffs had used "for trademark purposes on a host of consumer goods for many years," did not constitute a disguised copyright action in contravention of *Dastar*.<sup>1351</sup> As the court pointed out, "[i]mages of the film actors in character and signature phrases from the films are not communications, concepts, or ideas that the consumer goods embody as *Dastar* defines these terms."<sup>1352</sup> Instead, "[p]roducts marketed under [the defendants'] licenses employ iconic film characters' pictures to associate the products with [the plaintiffs'] films, not to copy the film itself. Accordingly, these are trademark claims, not disguised copyright claims, and *Dastar* does not bar them."<sup>1353</sup>

*Dastar* similarly did not bar a false advertising action before a California federal district court in which the defendants allegedly affixed a false copyright notice to a line of bobbleheads depicting Hillary Clinton in prison garb.<sup>1354</sup> *Dastar* arose from an allegedly false claim the defendant owned the copyright covering of series of videos originally produced by the plaintiffs; in contrast, the copyright notice at issue before the California court appeared on the

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<sup>1349</sup> See *OptoLum, Inc. v. Cree, Inc.*, 122 U.S.P.Q.2d 1208 (D. Ariz. 2017).

<sup>1350</sup> *Id.* at 1213-14 (quoting *Dastar*, 539 U.S. at 32-33).

<sup>1351</sup> See *Warner Bros. Entm't, Inc. v. X One X Prods.*, 840 F.3d 971, 980 (8th Cir. 2016).

<sup>1352</sup> *Id.*

<sup>1353</sup> *Id.*

<sup>1354</sup> See *Bobbleheads.com, LLC v. Wright Bros.*, 259 F. Supp. 3d 1087 (S.D. Cal. 2017).

defendants' website and read, "(c) Donald J. Trump."<sup>1355</sup> The plaintiffs complaint accused the defendants of creating the false impression their bobbleheads had the endorsement of then-candidate Trump—the complaint also accused the defendants of claiming to produce "[t]he official bobble head doll of the 2016 Donald Trump Presidential campaign"<sup>1356</sup>—and that accusation proved dispositive in the court's denial of the defendants' motion to dismiss. Specifically, it held, "this claim of false endorsement is unrelated to the authorship or origin of Defendants' bobbleheads, and thus *Dastar* does not bar Plaintiff's Lanham Act claim."<sup>1357</sup>

### *c. False Association*

An innovative, but ultimately unsuccessful, theory of false association made an appearance in a clash between two Florida institutions of higher learning.<sup>1358</sup> The plaintiff was a public research university, while its opponent was a private school. When the defendant adopted a name similar to that of the plaintiff, the plaintiff asserted causes of action for infringement and unfair competition, which failed when the district court determined confusion was unlikely between the parties' respective marks.

The plaintiff advanced a fallback argument, pursuant to which the defendant was liable for false association in violation of Section 43(a) because it had deliberately sought to reap the perceived benefits of an affiliation with the Florida university system. Unlike the district court, which disposed of that argument after finding for the defendant on the plaintiff's infringement claim, the Eleventh Circuit concluded of Section 43(a)'s express text that "[t]his language seems to encompass [the plaintiff's] false association theory that [the defendant] has used a name, symbol (its logo), and device (the course naming and numbering system) that create the false impression that [the defendant] is associated with the State of Florida."<sup>1359</sup> Nevertheless, the appellate court also ascertained from the record that the plaintiff had failed to demonstrate the defendant's conduct had harmed the plaintiff. In particular, although "30% to 50%" of respondents to a survey conducted by the defendant "thought that the State of Florida or some other government entity operates [the defendant], less than 1% of survey respondents associated [the defendant] with [the plaintiff]."<sup>1360</sup> In short, [the plaintiff] has not shown how it could have been harmed

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<sup>1355</sup> Quoted in *id.* at 1096.

<sup>1356</sup> Quoted in *id.* at 1093.

<sup>1357</sup> *Id.*

<sup>1358</sup> See *Fla. Int'l Univ. Bd. of Trs. v. Fla. Nat'l Univ., Inc.*, 830 F.3d 1242 (11th Cir. 2016).

<sup>1359</sup> *Id.* at 1266.

<sup>1360</sup> *Id.* at 1267.

by people wrongly thinking that [the defendant] is a Florida public university, especially when any such association did not lead them to associate [the defendant] with [the plaintiff].”<sup>1361</sup>

#### *d. False Advertising*

Liability for false advertising generally turned on plaintiffs’ ability to make a five-part showing:

(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.<sup>1362</sup>

For the Second Circuit, however, the relevant test had four prerequisites: “To prevail on a Lanham Act false advertising claim, a plaintiff must establish that the challenged message is (1) either literally or impliedly false, (2) material, (3) placed in interstate commerce, and (4) the cause of actual or likely injury to the plaintiff.”<sup>1363</sup> Adding to the doctrinal inconsistency, one court

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<sup>1361</sup> *Id.*

<sup>1362</sup> Verisign, Inc. v. XYZ.COM LLC, 848 F.3d 292, 298–99 (4th Cir. 2017) (quoting Design Res., Inc. v. Leather Indus. of Am., 789 F.3d 495, 501 (4th Cir. 2015)); *see also* OptoLum, Inc. v. Cree, Inc., 122 U.S.P.Q.2d 1208, 1212 (D. Ariz. 2017); Baltimore Sports & Soc. Club, Inc. v. Sport & Soc., LLC, 228 F. Supp. 3d 544, 552 (D. Md. 2017); Kische USA LLC v. Simsek, 121 U.S.P.Q.2d 1255, 1265 (W.D. Wash. 2016); Ferring Pharma., Inc. v. Braintree Labs., 221 F. Supp. 3d 161, 165 (D. Mass. 2016); Smart Vent, Inc. v. USA Floodair Vents, Ltd., 193 F. Supp. 3d 395, 424 (D.N.J. 2016), *reconsideration denied*, No. 10-168, 2017 WL 1026541 (D.N.J. Mar. 15, 2017); Underground Sols., Inc. v. Palermo, 188 F. Supp. 3d 717, 725 (N.D. Ill. 2016); Paleteria La Michoacana, Inc. v. Productos Lacteos Tocombo S.A. De C.V., 188 F. Supp. 3d 22, 113 (D.D.C. 2016), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017); Beachbody LLC v. Universal Nutrients, LLC, 119 U.S.P.Q.2d 1734, 1738 (C.D. Cal. 2016); Am. Muscle Docks & Fabrication, LLC v. Merco, Inc., 187 F. Supp. 3d 694, 699-700 (N.D. W. Va. 2016); Electrology Lab., Inc. v. Kunze, 169 F. Supp. 3d 1119, 1157 (D. Colo. 2016); Obesity Research Inst., LLC v. Fiber Research Int’l, LLC, 165 F. Supp. 3d 937, 949 (S.D. Cal. 2016); Hilsinger Co. v. Kleen Concepts, LLC, 164 F. Supp. 3d 195, 200 (D. Mass. 2016).

<sup>1363</sup> Church & Dwight Co. v. SPD Swiss Precision Diagnostics, GmbH, 843 F.3d 48, 65 (2d Cir. 2016).

applied a different four-factor test,<sup>1364</sup> while another used a test consisting of six factors.<sup>1365</sup>

## **i. False Statements of Fact in Commercial Advertising and Promotion**

### ***(A) Actionable Statements of Fact***

A threshold issue in any false advertising action is whether the defendant has made an actionable, objectively verifiable statement of fact. Some statements failed to qualify because they were mere puffery, which one court noted encompassed two different concepts:

[N]on-actionable “puffery” comes in at least two possible forms: (1) an exaggerated, blustering, and boasting statement upon which no reasonable buyer would be justified in relying; or (2) a general claim of superiority over comparable products that is so vague that it can be understood as nothing more than a mere expression of opinion.<sup>1366</sup>

The Fourth Circuit drew a line between actionable statements of fact and puffery in an appeal arising from a dispute between two registrars of top-level domain names.<sup>1367</sup> Seeking to spur demand for its .xyz top-level domain, the lead defendant and its principal (also a named defendant) questioned the availability of domain names from the plaintiff, the registrar of the .com top-level domain, with such statements as “[w]ith over 120 million .coms registered

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<sup>1364</sup> See *Enigma Software Grp. USA, LLC v. Bleeping Computer LLC*, 194 F. Supp. 3d 263, 293 (S.D.N.Y. 2016) (“A false advertising claim under § 43(a) must also allege that: (1) ‘the statement in the challenged advertisement is false . . . or . . . likely to deceive or confuse consumers’; (2) the defendant ‘misrepresented an inherent quality or characteristic of the product’; (3) the defendant ‘placed the false or misleading statement in interstate commerce’; and (4) ‘the plaintiff has been . . . injured as a result of the misrepresentation, either by direct diversion of sales or by a lessening of goodwill associated with its products.’” (alterations in original) (quoting *Merck Eprova AG v. Gnosis S.p.A.*, 760 F.3d 247, 255 (2d Cir. 2014)).

<sup>1365</sup> See *Bobbleheads.com, LLC v. Wright Bros.*, 259 F. Supp. 3d 1087, 1096–97 (S.D. Cal. 2017) (“Under the Lanham Act, a prima facie case requires a showing that (1) the defendant made a false statement either about the plaintiff’s or its own product; (2) the statement was made in commercial advertisement or promotion; (3) the statement actually deceived or had the tendency to deceive a substantial segment of its audience; (4) the deception is material; (5) the defendant caused its false statement to enter interstate commerce; and (6) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to the defendant, or by a lessening of goodwill associated with the plaintiff’s product.” (quoting *Newcal Indus. v. Ikon Office Sol.*, 513 F.3d 1038, 1052 (9th Cir. 2008)).

<sup>1366</sup> *XYZ Two Way Radio Serv., Inc. v. Uber Techs., Inc.*, 214 F. Supp. 3d 179, 183 (E.D.N.Y. 2016) (quoting *Pizza Hut, Inc. v. Papa John’s Int’l, Inc.*, 227 F.3d 489, 497 (5th Cir. 2000)), *reconsideration denied*, No. 15-cv-3015, 2017 WL 4326503 (E.D.N.Y. Sept. 28, 2017).

<sup>1367</sup> See *Verisign, Inc. v. XYZ.COM LLC*, 848 F.3d 292 (4th Cir. 2017).



today, it's impossible to find the domain name that you want" and "[a]ll the good real estate is taken. The only thing that's left is something with a dash or maybe three dashes and a couple of numbers in it."<sup>1368</sup>

In the false advertising suit that followed, the Fourth Circuit affirmed the district court's grant of the defendants' motion for summary judgment. With respect to the first of the statements reproduced above, the court focused on the "indefinite nature of the referenced 'you' to hold that "[w]hether an anonymous 'you' can find the domain name of his or her choosing is not something that can be proven true or false."<sup>1369</sup> "Instead," the court observed, "taken as a whole—with the exaggerated 'impossible' and the implied supposition about what 'you' might want—the statement conveys an opinion about consumer preferences, a blustery assertion of the subjective value (or lack thereof) of available .com names that qualifies as puffery, or some combination of the two."<sup>1370</sup>

The same was true with respect to the defendants' "real estate" statement. Reading the two sentences comprising that statement together, the court concluded that "we think that the overall message must be construed as one of subjective opinion: The available .com names are not 'good' because they involve dashes and numbers."<sup>1371</sup> Although the speaker "may have exaggerated" when he characterized "something with a dash or maybe three dashes and a couple of numbers in it" as the "only" .com domain names remaining, "that is precisely the kind of puffery or bluster on which no reasonable consumer would rely."<sup>1372</sup> Moreover, that the statement had been spoken rendered it all the more puffery because "when it comes to spoken statements . . . , which may be offered more casually than their written counterparts, we must take care not to label as 'literally false' what really is no more than a colloquial exaggeration, readily understood as such."<sup>1373</sup> The district court therefore had correctly dismissed the plaintiff's challenge to the statements.

In another dispute in which the district court assigned to the case reached a finding of nonactionable puffery as a matter of law at the pleadings stage, ride-sharing service Uber Technologies had made a number of representations concerning the safety of the

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<sup>1368</sup> Quoted in *id.* at 297.

<sup>1369</sup> *Id.* at 303.

<sup>1370</sup> *Id.*

<sup>1371</sup> *Id.*

<sup>1372</sup> *Id.*

<sup>1373</sup> *Id.*

“Uber experience.”<sup>1374</sup> The court was sufficiently unimpressed with the challenge to those representations by two competing black-car services that it granted Uber’s motion to dismiss:

No doubt, these statements are intended to convey the impression that Uber takes the safety of its passengers seriously. But they do so in terms that clearly fall within one or more of the accepted definitions of puffery. The overall tone is boastful and self-congratulatory. Many of the statements are couched in aspirational terms—“committed to,” “aim to,” “believe deeply”—that cannot be proven true or false. Others are vague and hyperbolic; if Uber literally set the “strictest safety standards possible” at the outset, it could not “improve them every day.” In sum, the Court concludes that the challenged statements cannot reasonably be understood as specific representations of objective facts.<sup>1375</sup>

A different set of plaintiffs struck out in their bid for injunctive relief against additional representations by Uber describing its partners as “partners”; as the court characterized the plaintiffs’ argument, “[t]hey claim that this is deceptive because Uber considers its drivers independent contractors and expressly disclaims liability for their actions.”<sup>1376</sup> Granting Uber’s motion to dismiss this challenge as well, the court noted first that “[t]he plaintiffs’ claim[] starts from the premise that customers take ‘partners’ as a legal term of art, namely, individuals legally liable for each other’s acts.”<sup>1377</sup> It then held that premise untenable because “nothing in the statements themselves suggests that meaning, and the complaint does not allege any facts to support an inference that customers understand the term that way. Indeed, the term ‘partner,’ as used on Uber’s website, reads like euphemistic adpeak devoid of any inherent meaning.”<sup>1378</sup>

Dismissal for failure to state a claim also transpired in litigation by a mattress manufacturer against a pair of online mattress reviewers who received compensation from other manufacturers if the reviewers successfully matched purchasers with mattresses.<sup>1379</sup> Among the advertising targeted by the plaintiff were representations that the lead defendant: (1) was “brand-agnostic

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<sup>1374</sup> See *XYZ Two Way Radio Serv., Inc. v. Uber Techs., Inc.*, 214 F. Supp. 3d 179 (E.D.N.Y. 2016), *reconsideration denied*, No. 15-cv-3015, 2017 WL 4326503 (E.D.N.Y. Sept. 28, 2017).

<sup>1375</sup> *Id.* at 184 (citation omitted).

<sup>1376</sup> *Id.* at 185.

<sup>1377</sup> *Id.*

<sup>1378</sup> *Id.*

<sup>1379</sup> See *Casper Sleep, Inc. v. Mitcham*, 204 F. Supp. 3d 632 (S.D.N.Y. 2016), *reconsideration denied*, No. 16 Civ. 3224 (JSR), 2016 WL 7188788 (S.D.N.Y. Nov. 17, 2016).

and retailer agnostic”;<sup>1380</sup> (2) had once sold mattresses before he “switched teams to be on the side of the customer”;<sup>1381</sup> and (3) promised to “help thousands [of potential mattress purchasers] a day through [his] website.”<sup>1382</sup> As a matter of law, the court held, the first statement was “too subjective and opinion-laden to support a Lanham Act claim,”<sup>1383</sup> while the second and third were “unprovable, inactionable puffery.”<sup>1384</sup>

In another case presenting a successful motion to dismiss an allegation of false advertising, the parties were operators of adult recreational sports leagues.<sup>1385</sup> Seeking to discourage athletes from signing up with its competitors, the counterclaim defendant launched a promotional campaign characterizing the plaintiff’s offerings as “imitation” programs. In response to the counterclaim defendant’s attack on the adequacy of its Section 43(a) cause of action, the counterclaim plaintiff argued that the counterclaim defendant’s imitation reference could be proven objectively true or false, but the court took a different view, concluding that:

“[I]mitation” cannot “be *verified* through empirical data,” or by other means. Construing the facts in [the counterclaim plaintiff’s] favor, [the counterclaim plaintiff] has failed to plead false advertising under the Lanham Act because “imitation” is not a “specific and measurable claim, capable of being proved false or of being reasonably interpreted as a statement of objective fact.”<sup>1386</sup>

It therefore dismissed the counterclaim plaintiff’s averments of false advertising for failure to state a claim.<sup>1387</sup>

A final successful challenge to the adequacy of a complaint came in a challenge to advertising used to promote the technology underlying the defendant’s lighting products.<sup>1388</sup> The advertising in question referred to the technology as, *inter alia*, a “genius idea,” a “very elegant solution,” and an “innovation.”<sup>1389</sup> The defendant characterized those references as mere puffery, and the court agreed, holding that:

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<sup>1380</sup> Quoted in *id.* at 639.

<sup>1381</sup> Quoted in *id.*

<sup>1382</sup> Quoted in *id.* (alterations in original).

<sup>1383</sup> *Id.*

<sup>1384</sup> *Id.*

<sup>1385</sup> See *Baltimore Sports & Soc. Club, Inc. v. Sport & Soc., LLC*, 228 F. Supp. 3d 544 (D. Md. 2017).

<sup>1386</sup> *Id.* at 553 (quoting *EndoSurg Med., Inc. v. EndoMaster Med., Inc.*, 71 F. Supp. 3d 525, 554 (D. Md. 2014); *Metro. Reg’l Info. Sys., Inc. v. Am. Home Realty Network, Inc.*, 948 F. Supp. 2d 538, 552 (D. Md. 2013)).

<sup>1387</sup> *Id.*

<sup>1388</sup> See *OptoLum, Inc. v. Cree, Inc.*, 122 U.S.P.Q.2d 1208 (D. Ariz. 2017).

<sup>1389</sup> Quoted in *id.* at 1212.

[The defendant's] assertion that its . . . [t]echnology was a "genius idea" is the epitome of puffing. The statement is purely subjective and "precisely the type of generalized boasting upon which no reasonable buyer would rely." Similarly, statements of "innovation" and technological "breakthroughs" are "not specific, not concrete, not measurable, and therefore puffery."<sup>1390</sup>

Moreover, the defendant's "very elegant solution" claim was also "sufficiently imprecise to constitute puffery," and the same was true with respect to the defendant's assertion "that its LED bulbs have the 'look and feel' of traditional lights, and its boasting about the bulbs' 'long useful life' and 'energy efficiency and low cost.'"<sup>1391</sup> All things considered, "[the plaintiff] has failed to allege that [the defendant] made a false or misleading statement of *provable fact* regarding the nature, characteristics, or qualities of its LED bulbs."<sup>1392</sup>

Findings of puffery as a matter of law also occurred in response to defense motions for summary judgment on the issue. One plaintiff falling victim to such a motion objected to a competitor's averments that the plaintiff's goods and services were superior to those of the plaintiff.<sup>1393</sup> Observing that it was "unaware of any cause of action for a company's failure to affirmatively state that its products are inferior to a competitor's,"<sup>1394</sup> the court held the challenged statements constituted puffery as a matter of law.<sup>1395</sup> In doing so, the court rejected the plaintiff's argument that, even if nonactionable, the statements became so when considered with another to the effect that the defendant was the "driving force" behind a particular project: The problem with that theory, the court held, was an absence of any record evidence or testimony the two sets of statements had ever been communicated to the same potential consumers.<sup>1396</sup>

Other claims of actionable misstatements failed for different reasons, including, for example, in a case brought by a clothing designer against one of its former employees and a company founded by the former employee.<sup>1397</sup> The plaintiff objected to the defendants'

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<sup>1390</sup> *Id.* at 1213 (quoting *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1145 (9th Cir. 1997); *Rosenthal Collins Grp. v. Trading Techs. Int'l, Inc.*, No. 05 C 4088, 2005 WL 3557947, at \*10 (N.D. Ill. Dec. 26, 2005)).

<sup>1391</sup> *Id.*

<sup>1392</sup> *Id.*

<sup>1393</sup> *See Am. Muscle Docks & Fabrication, LLC v. Merco, Inc.*, 187 F. Supp. 3d 694 (N.D. W. Va. 2016).

<sup>1394</sup> *Id.* at 697 n.1.

<sup>1395</sup> *Id.* at 702.

<sup>1396</sup> *Id.* at 703.

<sup>1397</sup> *See Kische USA LLC v. Simsek*, 121 U.S.P.Q.2d 1255 (W.D. Wash. 2016).

alleged use of the plaintiff's mark as a key word to trigger advertising for the defendants' goods, their use of the plaintiff's address, and their sale of clothing reflecting the plaintiff's designs, all of which it challenged under a false advertising rubric. That challenge failed when the court granted the defendants' motion to dismiss, holding, "[t]hese allegations do not describe statements of fact . . . , because the alleged statements do not 'include "specific" assertions that . . . describe absolute characteristics" of [the plaintiff's products] that could be tested.'"<sup>1398</sup>

A final notable opinion addressed the issue of whether an actionable statement of fact had occurred in a battle between two producers of alcoholic beverages.<sup>1399</sup> The counterclaim defendant had included the ® symbol on its bottles even though it lacked a federal registration, and that error led the counterclaim plaintiff to accuse it of false advertising. The counterclaim defendant moved for summary judgment, arguing, as the court summarized its position, that "its erroneous inclusion of the ® symbol on its vodka bottle cannot give rise to a false advertising claim under the Lanham Act because § 43(a) applies only to misrepresentations relating to the inherent qualities or characteristics of the goods or services in question."<sup>1400</sup> The court agreed, and it therefore entered summary judgment in the counterclaim defendant's favor, with the explanation that "[t]he purpose of federal registration is to put the public on notice of the registrant's ownership of the mark; the goods or services to which the mark pertains are entirely irrelevant."<sup>1401</sup>

These generally pro-defense dispositions notwithstanding, at least some allegations of actionable statements of fact withstood scrutiny. One that did was advanced by a manufacturer of bobbleheads, which objected to representations by some of its competitors that their company produced "[t]he official bobble head doll of the 2016 Donald Trump Presidential campaign";<sup>1402</sup> for good measure, the defendants' website also bore a notice reading "(c) Donald J. Trump."<sup>1403</sup> The defendants argued in a motion to dismiss that the putative copyright notice was a nonactionable opinion, but the court disagreed. In denying the defendants' motion, it held that "Defendants claim that someone else (the Trump organization)

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<sup>1398</sup> *Id.* at 1265 (second and third alterations in original) (quoting *L.A. Taxi Coop., Inc. v. Uber Techs., Inc.*, 114 F. Supp. 3d 852, 861 (N.D. Cal. 2015)).

The court then disposed of the plaintiff's challenge to another set of alleged misrepresentations because the complaint failed to aver the defendants (as opposed to third parties) had made them. *Id.* at 1266.

<sup>1399</sup> *See Classic Liquor Imps., Ltd. v. Spirits Int'l B.V.*, 201 F. Supp. 3d 428 (S.D.N.Y. 2016).

<sup>1400</sup> *Id.* at 450.

<sup>1401</sup> *Id.* at 452.

<sup>1402</sup> *Quoted in Bobbleheads.com, LLC v. Wright Bros.*, 259 F. Supp. 3d 1087, 1093 (S.D. Cal. 2017).

<sup>1403</sup> *Quoted in id.*

claims some right (a copyright) in, among other things, Defendants' website. Whether or not the Trump organization does, in fact, claim to have such copyrights is an ascertainable fact and thus is actionable under the Lanham Act."<sup>1404</sup>

Another motion to dismiss similarly failed to get the job done.<sup>1405</sup> The challenged statements concerned anti-spyware software sold by the plaintiff and appeared in postings made by one of the defendant's employees on a website operated by the defendant. The postings used the words "scam," "rogue," "dubious," and "ineffective," which the defendant characterized as too imprecise for the plaintiff to prove false.<sup>1406</sup> The court acknowledged that might be true if it considered the words in isolation. Nevertheless, viewed "holistically," the "thematically similar and mutually reinforcing" postings created the impression that, when in "free scanning" mode, the plaintiff's software intentionally generated false positives: "In other words, rather than being a means to enable a user to detect and remove unwanted spyware, [the plaintiff's software] is itself a rogue product designed to loot customers."<sup>1407</sup> As a consequence, "the words 'rogue' and 'dubious' accuse [the plaintiff] of a defined course of conduct, and this claim, through discovery, can be proven or disproven."<sup>1408</sup>

## ***(B) Actionable Commercial Advertising and Promotion***

### **(1) Opinions Finding Actionable Commercial Advertising and Promotion**

The only readily apparent finding of actionable commercial advertising and promotion was one as a matter of law.<sup>1409</sup> According to the plaintiff, the defendant had engaged in false advertising by having its employees rate positive reviews of the plaintiff's goods on Amazon as helpful, which caused the reviews to have higher visibility; moreover, the defendant also putatively had offered free goods to consumers in exchange for additional positive reviews. Responding to the plaintiff's motion for summary judgment, the defendant argued its conduct did not fall within the scope of Section

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<sup>1404</sup> *Id.* at 1101.

<sup>1405</sup> *See* Enigma Software Grp. USA, LLC v. Bleeping Computer LLC, 194 F. Supp. 3d 263 (S.D.N.Y. 2016).

<sup>1406</sup> *Quoted in id.* at 284.

<sup>1407</sup> *Id.*

<sup>1408</sup> *Id.* at 285.

These observations occurred in the context of the court's evaluation of the adequacy of the plaintiff's averments of defamation, but the court adopted them by reference when addressing the plaintiff's cause of action for false advertising. *Id.* at 297.

<sup>1409</sup> *See* Vitamins Online, Inc. v. Heartwise, Inc., 207 F. Supp. 3d 1233 (D. Utah 2016), *vacated in part*, No. 2:13-CV-982-DAK, 2017 WL 2733867 (D. Utah May 11, 2017).

43(a). In holding otherwise, the Utah federal district court hearing the case applied the Tenth Circuit’s multifactor test on the issue:

In order to qualify as commercial advertising or promotion, the conduct “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) must be disseminated sufficiently to the relevant purchasing public to constitute ‘advertising’ or ‘promotion’ within that industry.”<sup>1410</sup>

Under that application, the plaintiff was entitled to summary judgment on the issue. As the court explained, “a defendant does not need to *make* a statement but only needs to *use* a statement or other form of conduct specified in [Section 43(a) of] that Act.”<sup>1411</sup> Moreover, although the record did not disclose the number of consumers actually exposed to the representations at issue, “when the information is included in a classic advertising campaign, the information is generally understood to have been disseminated to the public, and, therefore, generally meets the fourth prong of the test for commercial advertising or promotion.”<sup>1412</sup>

## (2) Opinions Declining to Find Actionable Commercial Advertising and Promotion

An unusually large number of courts rejected plaintiffs’ claims that their opponents’ alleged misrepresentations rose to the level of commercial advertising and promotion. One did so at the pleadings stage of the case before it, in which a clothing designer accused a former employee and a company founded by that employee of false advertising.<sup>1413</sup> According to the plaintiff’s complaint, the defendants had purchased the plaintiff’s mark as a key word to trigger advertising for the defendants’ goods, had used the plaintiff’s address, and had sold clothing reflecting the plaintiff’s designs. Granting the defendants’ motion to dismiss, the court held the plaintiff had failed to aver the existence of commercial advertising or promotion. Apparently unaware of the Supreme Court’s holding in *Lexmark Int’l, Inc. v. Static Control Components, Inc.*<sup>1414</sup> that direct competition is not a prerequisite for standing under Section 43(a), it reached that conclusion by invoking a four-part test, which required showings of:

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<sup>1410</sup> *Id.* at 1241 (alterations in original) (quoting *Proctor & Gamble Co. v. Haugen*, 222 F.3d 1262, 1273-74 (10th Cir. 2000)).

<sup>1411</sup> *Id.*

<sup>1412</sup> *Id.* at 1242.

<sup>1413</sup> *See Kische USA LLC v. Simsek*, 121 U.S.P.Q.2d 1255 (W.D. Wash. 2016).

<sup>1414</sup> 134 S. Ct. 1377 (2014).

(1) commercial speech; (2) by the defendant who is in commercial competition with the plaintiff; (3) for the purpose of influencing consumers to buy defendant's goods or services. While the representations need not be made in a 'classic advertising campaign,' but may consist instead of more informal types of 'promotion,' the representations (4) must be disseminated sufficiently to the relevant purchasing public to constitute 'advertising' or 'promotion' within that industry.<sup>1415</sup>

The court's actual analysis was less detailed, however, and rested on its conclusion that it could not "reasonably infer that the statements were made to influence consumers to buy [the plaintiff's] goods or were 'disseminated sufficiently to the relevant purchasing public.'"<sup>1416</sup>

The Eleventh Circuit applied the same four-part test and therefore similarly failed to take *Lexmark* into account.<sup>1417</sup> The appeal before that court arose from the attempts by a physician, his medical corporation, and his professional liability company to recover for false advertising allegedly contained in two articles by another physician criticizing the plaintiffs for using a drug in a manner not approved of by the Food and Drug Administration. The summary judgment record failed to create a factual dispute as to the noncommercial nature of the defendants' speech, and the plaintiffs' claim for false advertising necessarily failed before the district court and on appeal as a result.

With respect to the first of the four inquiries, the appellate court held that whether the speech in question was, in fact, commercial turned on a separate tripartite test taking into account whether: (1) the defendant conceded the challenged speech consisted of an advertisement; (2) it referred to a specific product; and (3) the speaker had an economic motivation for distributing the challenged speech.<sup>1418</sup> Not only did the challenged speech not propose a commercial transaction, it failed to pass muster under each of the factors of the court's three-part test. "First," the court held, "[the defendants] do not concede the articles are advertisements, nor can they reasonably be construed as such."<sup>1419</sup> Second, the articles did not discuss any goods or services for sale by the defendants, but instead only mentioned the lead defendant's medical practice for context.<sup>1420</sup> Finally, the plaintiffs had not demonstrated an economic

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<sup>1415</sup> *Kische USA*, 121 U.S.P.Q.2d at 1266 (quoting *Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co.*, 173 F.3d 725, 735 (9th Cir. 1999)).

<sup>1416</sup> *Id.* at 1267 (quoting *Coastal Abstract Serv.*, 173 F.3d at 735).

<sup>1417</sup> See *Tobinick v. Novella*, 848 F.3d 935 (11th Cir. 2017), *cert. denied*, 138 S. Ct. 449 (2017).

<sup>1418</sup> *Id.*

<sup>1419</sup> *Id.* at 951.

<sup>1420</sup> *Id.*



motivation by the defendants, even though the challenged articles were placed next to revenue-generating advertising; rather, “magazines and newspapers often have commercial purposes, but those purposes do not convert the individual articles within these editorial sources into commercial speech subject to Lanham Act liability.”<sup>1421</sup> The district court therefore properly had disposed of the plaintiffs’ Section 43(a) claim as a matter of law.<sup>1422</sup>

Summary judgment of nonliability also proved the outcome in an action brought by a pharmaceutical company against a competitor.<sup>1423</sup> The advertising at issue in the case did not expressly mention the plaintiff; rather, the plaintiff based its false advertising cause of action on five instances in which employees of the defendant used the advertising to question the efficacy of the plaintiff’s products. That, according to the court, was not enough: “[T]he five isolated instances of [the defendant’s] employees mentioning the [challenged] advertisement in connection with [the plaintiff’s product] is [sic] insufficient to show that the promotion was publicly distributed as an advertisement or promotion.”<sup>1424</sup>

A West Virginia federal district court also disposed of a false advertising claim on a defense motion for summary judgment based on the lack of actionable advertising and promotion by the defendant.<sup>1425</sup> The plaintiff objected to alleged statements by the defendant to the effect that the defendant’s boat docks and boat dock accessories were superior to those of the plaintiff; the plaintiff also accused the defendant of having advised potential customers of the parties that the plaintiff lacked the financial capacity to deliver on its contracts. The defendant supported its motion with declarations from witnesses who generally denied knowledge of the challenged statements, and the defendant failed to respond with record citations placing that testimony into dispute. The absence of proof the alleged statements had occurred in the first instance, the court held, precluded a finding they qualified as actionable advertising and promotion.<sup>1426</sup>

### **(3) Opinions Deferring Resolution of the Actionable-Commercial-Advertising-and-Promotion Inquiry**

The fact-intensive nature of the inquiry into whether a defendant has engaged in commercial advertising or promotion

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<sup>1421</sup> *Id.* at 952.

<sup>1422</sup> *Id.*

<sup>1423</sup> *See* Ferring Pharma., Inc. v. Braintree Labs., 221 F. Supp. 3d 161 (D. Mass. 2016).

<sup>1424</sup> *Id.* at 169.

<sup>1425</sup> *See* Am. Muscle Docks & Fabrication, LLC v. Merco, Inc., 187 F. Supp. 3d 694 (N.D. W. Va. 2016).

<sup>1426</sup> *Id.* at 701.

sufficient to establish its liability for false advertising does not lend itself to resolution as a matter of law on motions to dismiss for failure to state a claim. For example, in a battle over advertising practices in the black pepper industry, the lead plaintiff accused the defendant of “slack-filling” its containers so consumers purchasing them received less pepper than they expected.<sup>1427</sup> The defendant’s motion to dismiss argued that the size of its pepper tins did not constitute actionable advertising, but the court declined to reach such a result. Invoking (but not necessarily applying in its entirety) a four-part doctrinal test for commercial advertising and promotion,<sup>1428</sup> it concluded, “[t]he size of a package signals to the consumer vital information about a product and is as influential in affecting a customer’s choices as an explicit message on its surface.”<sup>1429</sup> The defendant’s preemptive attack on the lead plaintiff’s averments therefore fell short.

A second unsuccessful motion to dismiss came in a case in which a computer software developer filed a false advertising suit challenging online posts by personnel of an operator of a customer support website: According to the complaint, the posts both disparaged the plaintiff’s software and encouraged readers to purchase competitive software from third parties from which the defendant received commissions.<sup>1430</sup> Citing *Lexmark*, the court (properly) rejected the defendant’s argument that the absence of direct competition between the parties precluded a finding the posts constituted commercial advertising and promotion.<sup>1431</sup> Moreover, it also determined the plaintiff had adequately alleged the communications at issue qualified as pure commercial speech because they proposed a commercial transaction<sup>1432</sup> and,

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<sup>1427</sup> See *In re McCormick & Co. Pepper Prods. Mktg. & Sales Practices Litig.*, 215 F. Supp. 3d 51 (D.D.C. 2016).

<sup>1428</sup> The court summarized the four-part test in the following manner:

Courts have defined “commercial advertising or promotion” under the Lanham Act as “(1) commercial speech; (2) made by a defendant who is in commercial competition with the plaintiff; (3) for the purpose of influencing consumers to buy the defendant’s goods or services[]; and] (4) . . . disseminated sufficiently to the relevant purchasing public to constitute ‘advertising’ or ‘promotion’ within that industry.”

*Id.* at 59 (alterations in original) (quoting *Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co.*, 173 F.3d 725, 734-35 (9th Cir. 1999)).

<sup>1429</sup> *Id.* at 60.

<sup>1430</sup> See *Enigma Software Grp. USA, LLC v. Bleeping Computer LLC*, 194 F. Supp. 3d 263 (S.D.N.Y. 2016).

<sup>1431</sup> *Id.* at 296-97.

<sup>1432</sup> As the court explained:

By promoting [the defendant’s affiliates’] products as superior to [the plaintiff’s], these posts unmistakably constitute advertisements for the Affiliate products. (Indeed, [the defendant] goes one step further, providing links through which users can purchase the products). And, by alleging that [the defendant] earns a

additionally, that the defendant had sufficiently disseminated them to the relevant market because they had appeared on a website viewed by more than 3.5 million visitors every month.<sup>1433</sup>

Defense motions for summary judgment on the issue also failed. Objecting to advertising by a competitor calling the efficacy of its colonoscopy-preparation product into dispute, one plaintiff unsuccessfully moved the Massachusetts federal district court assigned to hear its false advertising claim for a finding of liability as a matter of law.<sup>1434</sup> As the court noted in an opinion suggesting the court intended to grant summary judgment to the *defendant*, the record reflected only two instances in which the efficacy claims might have reached members of the consuming public. “Those two instances,” the court held, “are inadequate to show that the efficacy [representations] were distributed to the general public,”<sup>1435</sup> and the plaintiff’s motion was meritless as a result.

### (C) *Falsity*

Courts generally agreed there were two ways in which to demonstrate falsity. First, “[t]o establish literal falsity, a plaintiff must show that the advertisement either makes an express statement that is false or a statement that is ‘false by necessary implication,’ meaning that the advertisement’s ‘words or images, considered in context, necessarily and unambiguously imply a false message.’”<sup>1436</sup> Second, “[i]f a message is not literally false, a plaintiff may nonetheless demonstrate that it is impliedly false if the message leaves ‘an impression on the listener or viewer that conflicts with reality.’”<sup>1437</sup> Both types of alleged falsity came into play over the past year.

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commission on directed sales of those products, the [complaint] adequately pleads that [the defendant] has an economic incentive to engage in such promotion.

*Id.* at 294 (citations omitted).

<sup>1433</sup> *Id.* at 295.

<sup>1434</sup> See *Ferring Pharma., Inc. v. Braintree Labs.*, 221 F. Supp. 3d 161 (D. Mass. 2016).

<sup>1435</sup> *Id.* at 167.

<sup>1436</sup> *Church & Dwight Co. v. SPD Swiss Precision Diagnostics, GmbH*, 843 F.3d 48, 65 (2d Cir. 2016) (quoting *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 158 (2d Cir. 2007)); see also *Ferring Pharma., Inc. v. Braintree Labs.*, 221 F. Supp. 3d 161, 165 (D. Mass. 2016); *XYZ Two Way Radio Serv., Inc. v. Uber Techs., Inc.*, 214 F. Supp. 3d 179, 182 (E.D.N.Y. 2016), *reconsideration denied*, No. 15-cv-3015, 2017 WL 4326503 (E.D.N.Y. Sept. 28, 2017); *Underground Sols., Inc. v. Palermo*, 188 F. Supp. 3d 717, 726 (N.D. Ill. 2016); *Electrology Lab., Inc. v. Kunze*, 169 F. Supp. 3d 1119, 1158 (D. Colo. 2016).

<sup>1437</sup> *Church & Dwight*, 843 F.3d at 65 (quoting *Time Warner Cable*, 497 F.3d at 153); see also *Ferring Pharma.*, 221 F. Supp. 3d at 165; *XYZ Two Way Radio Serv.*, 214 F. Supp. 3d at 182; *Underground Sols.*, 188 F. Supp. 3d at 726; *Electrology Lab.*, 169 F. Supp. 3d at 1158.

### (1) Opinions Finding Falsity

The leading opinion reaching a finding of falsity—multiple findings of falsity, in fact—came from the Second Circuit in a case involving a home pregnancy test, which was promoted through two sets of packages and two sets of advertisements.<sup>1438</sup> An alleged innovation of the defendant’s test was its ability to estimate how many weeks a user had been pregnant. The information communicated by the defendant’s test was the number of weeks passed since the woman’s ovulation, but, as the court summarized things:

For a number of reasons—partially historical, partially because of the desirability of conformity—the metric commonly used by the medical profession to describe how long a woman has been pregnant (notwithstanding its obvious literal inaccuracy) speaks in terms of the number of weeks elapsed not since ovulation, fertilization, or implantation of the egg, but since the woman’s last menstrual period (the “LMP”). A pregnant woman’s LMP normally occurs approximately two weeks prior to her ovulation. Thus, the medical profession’s conventional formula to describe how many weeks a woman has been pregnant yields a number two weeks higher than the number furnished by the [defendant’s] Product, which measures weeks since ovulation.<sup>1439</sup>

One target of the plaintiff’s allegations of false advertising was the original “Launch Package” of the defendant’s test and the defendant’s advertising, both of which referred to the test’s “weeks estimator”:



Because the descriptions of the estimator failed to advise consumers that it measured weeks since ovulation and because it failed to clarify that that measure differed from the one most commonly

<sup>1438</sup> See *Church & Dwight*, 843 F.3d at 65-71.

<sup>1439</sup> *Id.* at 53.

applied in the medical profession,<sup>1440</sup> the Second Circuit affirmed the district court's finding that the Launch Package and defendant's advertising of the estimator was literally false by necessary implication.<sup>1441</sup> What's more, the court concluded "[i]t makes no difference . . . whether the Defendant's messages [about the Launch Package] were literally false, because the district court also correctly found the messages to be impliedly false."<sup>1442</sup>

The court then turned to a second package, or "Revised Package," offered by the defendant:



Reviewing the trial record, the court concluded that "[i]n the Revised Package, Defendant set forth more clearly that the [test] measures weeks since ovulation."<sup>1443</sup> Nevertheless, based on survey evidence suggesting that "16.0% or 17.3%" of respondents exposed to the Revised Package still believed the test measured the duration of pregnancy in the same manner as the medical profession generally, sufficient evidence existed to support the district court's finding of implied falsity.<sup>1444</sup>

An Illinois federal district court also reached multiple findings of falsity in a contest arising from the subterranean pipe industry.<sup>1445</sup> The defendant styled himself as an independent scientist, but a competitor of the plaintiff subsidized his research and resulting presentations. Those presentations described in great detail problems with the type of pipe sold by the plaintiff, but the

<sup>1440</sup> Although the defendant's television advertising contained something of an explanation of the methodology used by its tests, "[i]ts references to ovulation in the disclaimers were too fleeting and small to affect a consumer's understanding, and, furthermore, made no reference to the fact that the Product uses a different metric from the medical profession's universal standard." *Id.* at 67.

<sup>1441</sup> According to the court, "[t]he issue is not whether Defendant's measure of weeks could have been understood to measure from LMP versus from ovulation/fertilization. The issue is whether Defendant's measurement of weeks would be understood by reasonable consumers to measure by a different metric than used by the medical profession." *Id.* at 66.

<sup>1442</sup> *Id.* at 67.

<sup>1443</sup> *Id.* at 68.

<sup>1444</sup> *Id.*

<sup>1445</sup> See *Underground Sols., Inc. v. Palermo*, 188 F. Supp. 3d 717, 725 (N.D. Ill. 2016).

court found those descriptions had a tenuous relationship with the truth. In one example, it concluded, the defendant had misstated the findings of an independent third-party study; in others, the defendant greatly exaggerated the lengths of cracks appearing in pipes of the type sold by the plaintiff.<sup>1446</sup> The court therefore granted the plaintiff's motion for summary judgment as to those representations.<sup>1447</sup>

## (2) Opinions Declining to Find Falsity

One plaintiff's allegations of falsity failed to make it out of the starting gate and instead fell victim to a meritorious motion to dismiss.<sup>1448</sup> The plaintiff sold mattresses, while the lead defendant and his company (also named as a defendant) styled themselves as online mattresses reviewers. The defendants' website claimed the lead defendant did not "just get paid [a] commission from one brand or retailer" but instead was an "affiliate for *many* different companies [such that he] can help find you great deals no matter where they are."<sup>1449</sup> It also represented that the lead defendant's "only compensation is when [he] help[s] match a reader to the right product, and that reader makes the purchase through a link on [his] site," he "can act as a brand-agnostic and retailer-agnostic salesman."<sup>1450</sup> The plaintiff did not necessarily allege the falsity of the defendants' representations, but it nevertheless objected to the defendants' presentation of the lead defendant as "a brand-agnostic and retailer-agnostic salesman"<sup>1451</sup> on the theory that the website "affirmatively implies that [the lead defendant] is an affiliate of virtually *all* the mattress companies whose products he reviews and therefore that his reviews remain unbiased despite these connections."<sup>1452</sup> The court held the plaintiff had failed to state a claim because, as it explained, "[i]t is implausible that [the lead defendant's] readers would infer from an admission of pecuniary interest in some but not all mattress brands that [the lead defendant] is, in fact, entirely unbiased."<sup>1453</sup>

A Fourth Circuit opinion drove home the point that a plaintiff alleging literally false advertising must come forward with evidence

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<sup>1446</sup> As the court described one of the plaintiff's allegations, "[the defendant] falsely stated that thirteen miles of pipe needed to be replaced . . . in Salt Lake City, Utah, when in fact there were only seven miles of pipe to begin with." *Id.* at 727.

<sup>1447</sup> *Id.* at 728.

<sup>1448</sup> See *Casper Sleep, Inc. v. Mitcham*, 204 F. Supp. 3d 632 (S.D.N.Y. 2016), *reconsideration denied*, No. 16 Civ. 3224 (JSR), 2016 WL 7188788 (S.D.N.Y. Nov. 17, 2016).

<sup>1449</sup> Quoted in *id.* at 639 (alterations in original).

<sup>1450</sup> Quoted in *id.* (alterations in original).

<sup>1451</sup> Quoted in *id.*

<sup>1452</sup> Quoted in *id.*

<sup>1453</sup> *Id.*

of falsity in response to a defense motion for summary judgment.<sup>1454</sup> The plaintiff learning that lesson the hard way was the registrar for the .com top-level domain. It challenged representations by the lead defendant, the registrar for the .xyz top-level domain, that “99” and “nine out of ten” of searches to determine the availability of .com domain names turned out negative. The summary judgment record did not help the plaintiff’s case: As the court explained, the plaintiff’s own data demonstrated that “out of approximately two billion requests it receives each month to register a .com name, fewer than three million—less than one percent—actually are registered. And indeed, [the plaintiff’s] expert on domain name availability conceded the accuracy of the data behind the 99 percent statistic.”<sup>1455</sup> No dispute therefore existed as to the truth of the defendant’s representations.

An equally successful defense motion for summary judgment came in an action in which the counterclaim plaintiff alleged the appearance of the phrase “Since 1867” on the counterclaim defendant’s vodka bottles constituted literally false advertising.<sup>1456</sup> The court determined consumers might attribute two different meanings to the phrase: On the one hand, the phrase could refer to the year of the founding of the counterclaim defendant’s distillery; on the other hand, however, it could identify the year in which the counterclaim defendant introduced the particular beverage sold in the bottles.<sup>1457</sup> As a matter of law, the court concluded, the existence of these competing alternatives precluded a finding the phrase was literally false.<sup>1458</sup>

### (3) Opinions Deferring Resolution of the Falsity Inquiry

As always, some courts proved unwilling to resolve allegations of falsity at the pleadings stage,<sup>1459</sup> with one doing so on a motion to amend a complaint to add a challenge to the defendant’s representations that it made its goods in the United States.<sup>1460</sup> In opposing the motion, the defendant argued its advertising could not

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<sup>1454</sup> See *Verisign, Inc. v. XYZ.COM LLC*, 848 F.3d 292 (4th Cir. 2017).

<sup>1455</sup> *Id.* at 304.

<sup>1456</sup> See *Classic Liquor Imps., Ltd. v. Spirits Int’l B.V.*, 201 F. Supp. 3d 428 (S.D.N.Y. 2016).

<sup>1457</sup> *Id.* at 453.

<sup>1458</sup> *Id.* at 454.

<sup>1459</sup> See, e.g., *Casper Sleep, Inc. v. Mitcham*, 204 F. Supp. 3d 632, 640 (S.D.N.Y. 2016) (declining to grant motion to dismiss allegations that defendants falsely had claimed to be affiliates of plaintiff after relationship had ended), *reconsideration denied*, No. 16 Civ. 3224 (JSR), 2016 WL 7188788 (S.D.N.Y. Nov. 17, 2016); *Obesity Research Inst., LLC v. Fiber Research Int’l, LLC*, 165 F. Supp. 3d 937, 950 (S.D. Cal. 2016) (holding that counterclaim plaintiff had adequately alleged falsity based on averments counterclaim defendant had promoted benefits of its product as clinically proven when, in fact, counterclaim defendant’s proffered tests were on different product).

<sup>1460</sup> See *Hilsinger Co. v. Kleen Concepts, LLC*, 164 F. Supp. 3d 195 (D. Mass. 2016).

be literally false in light of the absence of a universally accepted definition of “Made in the USA.” After reviewing the plaintiff’s proposed amendment, however, the court noted that it “appears to state a claim for false designation of origin under an *implied*-falsity theory.”<sup>1461</sup> The court therefore rejected the defendant’s attack on the amendment as futile.<sup>1462</sup>

A different motion to dismiss failed in a false advertising dispute in the black pepper industry.<sup>1463</sup> According to the lead plaintiff, the defendant’s practice of “slack-filling” its containers misled consumers into believing the containers contained more pepper than they really did. The defendant’s motion relied heavily on the argument that its packages featured accurate recitations of the weight of pepper contained in them, but that theory failed to convince the court. To the contrary, the court concluded, “[a]n accurate statement of weight does not necessarily correct a consumer’s misimpression of product quantity based on the size of a container, because consumers are accustomed to seeing how much space a product occupies but may not know how that relates to its weight.”<sup>1464</sup> As a consequence, “[i]f the size of [the defendant’s] containers had a tendency to mislead or deceive, as plaintiff claims, that is enough to satisfy the Lanham Act’s falsity requirement.”<sup>1465</sup>

Yet another ill-fated motion to dismiss was filed by defendants that manufactured and sold health supplements.<sup>1466</sup> The plaintiffs’ complaint asserted a panoply of misrepresentations by the defendants, including the allegation that distributors signing up with the plaintiffs could earn a million dollars within a year; because the plaintiffs supported that averment with a link to a video putatively posted by an agent of the lead defendant and touting the challenged statement, the defendants were not entitled to dismissal for failure to state a claim, just as they also were not entitled as a matter of law to escape liability arising from alleged misrepresentations in the same video concerning their financial backing.<sup>1467</sup> The defendants also failed to secure the dismissal of the plaintiffs’ challenge to a Facebook posting touting the health benefits of the defendants’ “pure Calcium Bentonite Clay”—a product allegedly containing high levels of lead—even if the representations at issue were “not technically false”:

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<sup>1461</sup> *Id.* at 201.

<sup>1462</sup> *Id.*

<sup>1463</sup> *See In re McCormick & Co. Pepper Prods. Mktg. & Sales Practices Litig.*, 215 F. Supp. 3d 51 (D.D.C. 2016).

<sup>1464</sup> *Id.* at 60.

<sup>1465</sup> *Id.*

<sup>1466</sup> *See Youngevity Int’l, Corp. v. Smith*, 224 F. Supp. 3d 1022 (S.D. Cal. 2016).

<sup>1467</sup> *Id.* at 1030.



The argument seems to be that, even if high lead dosages are present in the clay products, the Facebook Posting is neither false nor has a tendency to mislead because it does not specifically disclaim lead related health hazards. The Court disagrees. Read as a whole, the Facebook Posting tends to suggest that the clay products are overall good for a person's health. If, as Plaintiffs allege, the products do in fact contain high levels of lead, this would be false.<sup>1468</sup>

Other claims of falsity proved so fact-specific they did not lend themselves to resolution on motions for summary judgment. Several of them underlay an action between competitors in the market for "bowel preparation" products used in advance of colonoscopies.<sup>1469</sup> The plaintiff sold two such products, one in Canada and the other in the United States, and one set of challenged advertisements used statements by the Canadian government about the former product to call the safety of the latter into question. The parties' cross-motions for summary judgment each fell short—the plaintiff's motion because of record evidence it had promoted the two products as equivalent, and the defendant's motion because of conflicting showings on whether the defendant's personnel might have used the Canadian government's statement as support for the propositions that the plaintiff's United States product was "deadly" and "kills people."<sup>1470</sup>

The same result held with respect to counterclaims for false advertising asserted by the defendant, which rested on the plaintiff's representations that its United States product had the "lowest volume of active ingredient" and, additionally, possessed "superior cleansing efficacy."<sup>1471</sup> In denying the plaintiff's motion for summary judgment with respect to the first of these claims, the court concluded that "genuine issues of material fact persist as to whether [the plaintiff's] lowest volume promotion is literally false."<sup>1472</sup> Specifically, "a fact finder could interpret [the plaintiff's] lowest volume claim as invoking a comparison to the entire market of bowel preparation treatments, including tablets which have a lower volume than [the plaintiff's product]."<sup>1473</sup> Moreover, the court found, various internal documents produced by the plaintiff, as well as testimony by the plaintiff's own expert witness, "all acknowledge that additional hydration is needed, including hydration with electrolytes, in order for [the plaintiff's] product to work

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<sup>1468</sup> *Id.*

<sup>1469</sup> See *Ferring Pharm., Inc. v. Braintree Labs., Inc.*, 221 F. Supp. 3d 161 (D. Mass. 2016).

<sup>1470</sup> Quoted in *id.* at 167.

<sup>1471</sup> Quoted in *id.* at 170.

<sup>1472</sup> *Id.*

<sup>1473</sup> *Id.*

effectively.”<sup>1474</sup> The result was a factual dispute precluding entry of summary judgment in the plaintiff’s favor.

The same was true with respect to the second representation at issue. The plaintiff argued its claim of “superior cleansing efficacy” was literally true because it was an establishment claim supported by the results of a scientific study. The court proved unwilling to give the study dispositive effect. As it noted, “[t]o demonstrate that an establishment claim is literally false, the [party claiming falsity] must show that the study at issue does not support it or is unreliable.”<sup>1475</sup> Reviewing the summary judgment record, the court concluded the defendant had raised a factual dispute over the study’s reliability through, improbably enough, declaration testimony from one of the study’s authors disputing its use to support the plaintiff’s advertising.<sup>1476</sup> The defendant’s counterclaim therefore survived the plaintiff’s motion.

In another dispute presenting an unsuccessful motion for summary judgment, the defendant had touted a particular type of subterranean pipe by touting the proclivity to crack of the pipe sold by the plaintiff.<sup>1477</sup> The plaintiff alleged that, as part of his presentations on the issue, the defendant routinely advised audiences that a particular crack was 2,200 feet long, when, in fact, it was “roughly 1700 feet long.”<sup>1478</sup> The plaintiff supported this allegation with expert witness testimony, but its expert conceded that, because the pipe in question had suffered so much damage it could not be removed from the ground, his measurement as only approximate, and that concession apparently prevented the court from finding the advertising literally false on the plaintiff’s motion for summary judgment.<sup>1479</sup>

The same was true of the plaintiff’s accusations the defendant had engaged in literally true but otherwise false advertising. Those accusations focused on the defendant’s references to a third-party scientific study, which according to the plaintiff, used pipe with a different chemical makeup than the plaintiff’s pipe; moreover, the defendant allegedly had failed to disclose certain assumptions underlying the study. The plaintiff’s false advertising cause of action also relied on the theories that reporting on the lengths of cracks in pipes without disclosing the initiating event was misleading and that the methodology used by the third-party study was inappropriate for the type of pipe tested. These claims set into motion a battle of competing expert witness testimony, which the

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<sup>1474</sup> *Id.*

<sup>1475</sup> *Id.* at 171.

<sup>1476</sup> *Id.*

<sup>1477</sup> *See* *Underground Sols., Inc. v. Palermo*, 188 F. Supp. 3d 717, 725 (N.D. Ill. 2016).

<sup>1478</sup> *Id.* at 727.

<sup>1479</sup> *Id.* at 728.

court eventually found created factual disputes appropriate for resolution by the jury.<sup>1480</sup>

## ii. Actual or Likely Deception

Although actual or likely deception is generally a prerequisite for liability,<sup>1481</sup> some courts allow plaintiffs to forgo either showing through, for example, survey evidence, if they can demonstrate either literal falsity, or, alternatively, intentionally deceptive conduct by defendants: “There are two paths to success on a Lanham Act claim. A plaintiff can show that an advertisement is ‘literally false’ in which case consumer deception is presumed. Consumer deception is also presumed if a plaintiff demonstrates an intentional attempt to confuse consumers.”<sup>1482</sup>

An application of both these exceptions appeared in an opinion from a Colorado federal district court.<sup>1483</sup> The record generated by a bench trial before that court demonstrated that, after selling his interest in a business that educated and certified individuals in the fields of medical and aesthetic laser use to the plaintiff, the lead defendant set up a competing business and promoted it through various representations deemed false by the court. These included statements concerning his credentials, his ability to issue certificates from the plaintiff, the relationship between the plaintiff and the lead defendant’s new business, and the alleged existence of a registration covering the certification mark he used. The representations concerning an alleged relationship between the parties’ business was literally false; “therefore, [the plaintiff] need not present evidence of consumer confusion.”<sup>1484</sup> Moreover, those representations, along with all others at issue in the case had been made “intentionally and willfully.”<sup>1485</sup>

Both exceptions held in a different case in which the court similarly excused the plaintiff from a showing of either or likely

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<sup>1480</sup> *Id.* at 729-31.

<sup>1481</sup> *See, e.g.,* Beachbody LLC v. Universal Nutrients, LLC, 119 U.S.P.Q.2d 1734, 1738 (C.D. Cal. 2016) (granting motion to dismiss Section 43(a) cause of action based on plaintiff’s failure to allege actual or likely deception); Smart Vent, Inc. v. USA Floodair Vents, Ltd., 193 F. Supp. 3d 395, 424 (D.N.J. 2016) (denying plaintiff’s motion for summary judgment based on absence of evidence in record of actual or likely deception), *reconsideration denied*, No. 10-168, 2017 WL 1026541 (D.N.J. Mar. 15, 2017).

<sup>1482</sup> *Ferring Pharm., Inc. v. Braintree Labs., Inc.*, 221 F. Supp. 3d 161, 165 (D. Mass. 2016) (citation omitted); *see also* *Underground Sols., Inc. v. Palermo*, 188 F. Supp. 3d 717, 726 (N.D. Ill. 2016); *Hilsinger Co. v. Kleen Concepts, LLC*, 164 F. Supp. 3d 195, 200 (D. Mass. 2016).

<sup>1483</sup> *See* *Electrology Lab., Inc. v. Kunze*, 169 F. Supp. 3d 1119 (D. Colo. 2016).

<sup>1484</sup> *Id.* at 1158.

<sup>1485</sup> *Id.*

deception.<sup>1486</sup> That plaintiff was an assisted living facility, which the Ohio Department of Health had cited in 2010 for certain relatively minor transgressions.<sup>1487</sup> Although any injuries caused by the conduct underlying the citation lay outside the relevant statute of limitations, the plaintiff placed a print advertisement in December 2014 announcing, “**ATTENTION!** The government has cited [the plaintiff] for failing to provide necessary care and services to maintain the highest well-being of each resident.”<sup>1488</sup> The advertisement went on to advise readers that “[i]f you suspect that a loved one was **NEGLECTED or ABUSED** at [the plaintiff’s facility], call [the defendant] today!”<sup>1489</sup> It finished with the words, “Bedsores,” “Broken Bones,” “Unexplained Injuries,” and “**Death.**”<sup>1490</sup> As the court noted, “[t]he words ‘Attention,’ ‘Neglected or Abused,’ and ‘Death,’ were in bold type and were colored red. ‘Cited’ was also underlined in red.”<sup>1491</sup> The plaintiff brought a cause of action under the Ohio Deceptive Trade Practices Act,<sup>1492</sup> which a panel of the Court of Appeals of Ohio addressed by treating case law interpreting false advertising claims under Section 43(a) as persuasive authority. The court acknowledged the advertisement’s references to sanctions might be literally true in one sense, but they were literally false, and therefore actionable, by implication. Specifically, the court held, “the only reasonable conclusion is that the advertisement falsely implied [the plaintiff operated] a facility where patients were being exposed to very dangerous conditions, including death, and that [the defendant] made impliedly false statements intended to deceive customers.”<sup>1493</sup> Moreover, “in view of the intentional deception, a rebuttable presumption of causation and injury in fact arose—which was not rebutted by [the defendant].”<sup>1494</sup>

A defendant falling victim to the intentional-misconduct exception to the rule requiring plaintiffs to show either actual or likely deception manufactured a pregnancy test that estimated the

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<sup>1486</sup> See *Heartland of Urbana OH, LLC v. McHugh Fuller Law Grp.*, 72 N.E.3d 23 (Ohio Ct. App. 2016).

<sup>1487</sup> *Id.* at 31 (“The three matters . . . involved in the June 24, 2010 citation . . . involved three relatively minor matters: a failure to document and administer laxatives prescribed for constipation; a failure to timely reassess abdominal pain for 18 hours; and a failure to apply prescribed antibiotic for two weeks after a physician had ordered a culture.”).

<sup>1488</sup> *Quoted in id.* at 27.

<sup>1489</sup> *Quoted in id.*

<sup>1490</sup> *Quoted in id.*

<sup>1491</sup> *Id.*

<sup>1492</sup> Ohio Rev. Code Ann. §§ 4165.01-.04 (West 2010).

<sup>1493</sup> *Heartland of Urbana OH*, 72 N.E.3d at 41-42.

<sup>1494</sup> *Id.* at 42.

duration of a user's pregnancy from the date of her last ovulation.<sup>1495</sup> That methodology, however, was inconsistent with the medical profession's practice of measuring pregnancy length from the date of the last menstrual period ("LMP"), which rendered certain of the defendant's advertising impliedly false. According to the Second Circuit's summary of it, the trial record apparently contained at least some evidence of actual consumer confusion supporting the district court's finding of liability.<sup>1496</sup> Nevertheless, that consideration occupied less of the appellate court's attention than record evidence and testimony of the clear awareness among the defendant's management of the confusion potentially caused by the distinction between the defendant's ovulation metric and the conventional LMP metric. "This evidence," the Second Circuit concluded, "was sufficient to support a presumption of consumer confusion supporting a finding of implied falsity."<sup>1497</sup>

In the absence of a showing of either literal falsity or intentional deception, courts generally required plaintiffs to satisfy this prerequisite for liability through survey evidence: "[W]here . . . a plaintiff argues that a statement is literally true but nevertheless misleading, then it is incumbent on the plaintiff to present extrinsic evidence of consumer confusion, generally in the form of consumer survey evidence."<sup>1498</sup> Consequently, a plaintiff relying on a literally-true-but-misleading theory of false advertising, but which fails to support it with the required extrinsic evidence, risks losing on a motion for summary judgment.<sup>1499</sup>

Nevertheless, courts did not require survey evidence in all cases. One did not do so in a battle initiated by a manufacturer of a certain type of subterranean pipe against a scientist whose work had been subsidized by a competitor of the manufacturer.<sup>1500</sup> The parties cross-moved for summary judgment, in connection with which the scientist argued the plaintiff had failed to adduce the required evidence or testimony of deception. The court disagreed, citing declaration testimony by two engineers who had attended presentations by the defendant: Based on the defendant's discussion of pipe cracking, one engineer had developed concerns about the brittleness of pipe sold by the plaintiff, and the other feared the plaintiff's pipe was dangerous. This testimony proved enough to

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<sup>1495</sup> See *Church & Dwight Co. v. SPD Swiss Precision Diagnostics, GmbH*, 843 F.3d 48 (2d Cir. 2016).

<sup>1496</sup> *Id.* at 67.

<sup>1497</sup> *Id.* at 68.

<sup>1498</sup> *Verisign, Inc. v. XYZ.COM LLC*, 848 F.3d 292, 304 (4th Cir. 2017) (citation omitted) (internal quotation marks omitted).

<sup>1499</sup> See, e.g., *id.* at 304-05.

<sup>1500</sup> See *Underground Sols., Inc. v. Palermo*, 188 F. Supp. 3d 717, 725 (N.D. Ill. 2016).

defeat the defendant's motion for a finding of nonliability as a matter of law.<sup>1501</sup>

### iii. Materiality

The materiality prerequisite for liability has assumed less apparent significance in recent years, and the Second Circuit's treatment of the prerequisite was consistent with that trend.<sup>1502</sup> After reviewing its past opinions on the requirements for materiality, that court concluded there was no need to synthesize them into a cohesive bright-line rule. Nevertheless, it noted as an initial matter that "a defendant's false advertising is not material to a plaintiff's Lanham Act claim unless that falsity had the capacity to adversely affect the plaintiff's business by influencing consumer purchasing decisions."<sup>1503</sup> It then risked conflating the materiality and damage prerequisites by holding:

While the materiality of the falsity and the likelihood of injury to the plaintiff resulting from the defendant's falsity are separate essential elements, in many cases the evidence and the findings by the court that a plaintiff has been injured or is likely to suffer injury will satisfy the materiality standard—especially where the defendant and plaintiff are competitors in the same market and the falsity of the defendant's advertising is likely to lead consumers to prefer the defendant's product over the plaintiff's.<sup>1504</sup>

Simply put, therefore, "[i]f consumers, faced with the choice to purchase either the plaintiff's product or the defendant's, are likely to prefer the defendant's product by reason of the defendant's false advertising, the falsity of the defendant's advertising is material to the plaintiff's Lanham Act claim."<sup>1505</sup>

A New York federal district court similarly required little of a software manufacturer complaining about unfavorable comments posted by an employee of the defendant on the defendant's software-review website.<sup>1506</sup> The plaintiff's software targeted unwanted spyware, but the comments suggested that the "free scanning" mode version of the plaintiff's product deliberately triggered false positives to induce users to purchase licenses for the fully functional version. In denying the defendant's motion to dismiss, the court held

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<sup>1501</sup> *Id.* at 731.

<sup>1502</sup> *See Church & Dwight Co. v. SPD Swiss Precision Diagnostics, GmbH*, 843 F.3d 48 (2d Cir. 2016).

<sup>1503</sup> *Id.* at 70.

<sup>1504</sup> *Id.*

<sup>1505</sup> *Id.* at 71.

<sup>1506</sup> *See Enigma Software Grp. USA, LLC v. Bleeping Computer LLC*, 194 F. Supp. 3d 263 (S.D.N.Y. 2016).

the plaintiff had adequately pleaded the materiality of the challenged comments because “[the defendant’s] statements about [the plaintiff’s software’s] ineffectiveness implicate inherent qualities and characteristics of that product. Accordingly, they are likely to ‘influence the purchasing decisions of consumers’ and thus are ‘material’ for purposes of § 43(a).”<sup>1507</sup>

In contrast, a Colorado federal district court took the materiality prerequisite for liability more seriously, and it did so to the detriment of the plaintiff before it.<sup>1508</sup> In prevailing on the merits of its claim of falsity, the plaintiff successfully demonstrated the lead defendant had misled consumers seeking certificates in the field of medical and aesthetic laser use into thinking the certificates in question would come from the plaintiff when, in fact, they came from a third party. That showing did not entitle the plaintiff to a finding of liability, however, for, as the court found, “while the evidence supports that receiving *some* certification was important to the consumers, for many consumers it mattered not whether it was [from a particular provider].”<sup>1509</sup>

#### iv. Interstate Commerce

Courts infrequently addressed the requirement that a false representation occur in interstate commerce to be actionable with little frequency. The underlying reason? The satisfaction of that requirement was rarely in dispute.<sup>1510</sup> Thus, for example, one court addressing a false-advertising-based challenge to representations posted in an online chat room concluded that “[t]here is no dispute that posting to internet fora placed the statements in interstate commerce.”<sup>1511</sup>

#### v. Damage and Causation

Although not often the subject of judicial attention, the prerequisite of damage and causation for liability for false advertising played a role in at least some reported opinions during

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<sup>1507</sup> *Id.* at 297.

<sup>1508</sup> See *Electrology Lab., Inc. v. Kunze*, 169 F. Supp. 3d 1119 (D. Colo. 2016).

<sup>1509</sup> *Id.* at 1158.

<sup>1510</sup> See, e.g., *Smart Vent, Inc. v. USA Floodair Vents, Ltd.*, 193 F. Supp. 3d 395, 424 (D.N.J. 2016) (finding a lack of material dispute while weighing parties’ cross-motions for summary judgment), *reconsideration denied*, No. 10-168, 2017 WL 1026541 (D.N.J. Mar. 15, 2017).

<sup>1511</sup> *Enigma Software Grp. USA, LLC v. Bleeping Computer LLC*, 194 F. Supp. 3d 263, 297 (S.D.N.Y. 2016) (alteration in original) (quoting *Romeo & Juliette Laser Hair Removal, Inc. v. Assara I LLC*, No. 08 Civ. 0442, 2016 WL 815205, at \*7 (S.D.N.Y. Feb. 29, 2016)).

the past year.<sup>1512</sup> One came from the Second Circuit, which entertained an appeal from a manufacturer of home pregnancy tests whose advertising had been found both literally and impliedly false.<sup>1513</sup> The trial record contained evidence and testimony that, contemporaneously with the advertising, sales of the plaintiff's competitive tests had decreased, while those of the defendant had increased. As the appellate court summarized its position, "Defendant argues that this redistribution of consumer preference was attributable to [an] important new feature Defendant was offering, and that there is no reason to attribute any diminution in Plaintiff's market share to the falsity of Defendant's advertising."<sup>1514</sup> That argument proved an insufficient basis to overturn the district court's finding of injury and causation, however, especially because the trial had been bifurcated and the district court had reached a finding only of the existence of an injury suffered by the plaintiff, rather than one quantifying that injury.<sup>1515</sup>

More commonly, courts found the prerequisite of damage without extended analysis. For example, that result held in an action in which the trial record demonstrated the lead defendant had misrepresented his relationship with the plaintiff in various ways.<sup>1516</sup> The parties trained their customers to use lasers for medical and aesthetic purposes and then granted the customers the right to use certain certification marks. Addressing the damage caused by the lead defendant's conduct, the court found that "[s]tudents signed up for [the lead defendant's] courses believing they were taking a . . . course [from the plaintiff] and would be receiving . . . certificates [from the plaintiff], but they did not. [The lead defendant's] actions injured not only [the plaintiff's] sales but also its reputation."<sup>1517</sup>

Finally, some courts determined that factual disputes precluded them from resolving the question of damage as a matter of law. For example, despite having engaged in literally false advertising, one defendant nevertheless moved the court for summary judgment based on an alleged lack of damage to the plaintiff.<sup>1518</sup> The plaintiff's showing did not include evidence or testimony that either of the two misled consumers it identified had withheld business from the plaintiff because of the defendant's advertising, but that did not

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<sup>1512</sup> See, e.g., *Verisign, Inc. v. XYZ.COM LLC*, 848 F.3d 292, 301 (4th Cir. 2017) (affirming grant of defense motion for summary judgment based on plaintiff's failure to adduce evidence of damage and causation).

<sup>1513</sup> See *Church & Dwight Co. v. SPD Swiss Precision Diagnostics, GmbH*, 843 F.3d 48 (2d Cir. 2016).

<sup>1514</sup> *Id.* at 71.

<sup>1515</sup> *Id.* at 72.

<sup>1516</sup> See *Electrology Lab., Inc. v. Kunze*, 169 F. Supp. 3d 1119 (D. Colo. 2016).

<sup>1517</sup> *Id.* at 1159 (footnote omitted).

<sup>1518</sup> See *Underground Sols., Inc. v. Palermo*, 188 F. Supp. 3d 717 (N.D. Ill. 2016).



entitle the defendant to judgment as a matter of law. Rather, the court observed while denying the defendant's motion for summary judgment, "[i]t cannot be the law that where a plaintiff succeeds in retaining its customers by spending an abundance of time, energy, and money to combat false advertising, the defendant who produced and disseminated the false advertisement or commercial promotion escapes liability for violating the Lanham Act."<sup>1519</sup>

In contrast, a plaintiff's motion for summary judgment fell short in a different case.<sup>1520</sup> In support of its claim of damage, the plaintiff asserted the defendant's allegedly false advertising had diverted its sales to the defendant. Nevertheless, the plaintiff's failure to identify any record evidence or testimony in support of that contention led the court to hold that "[w]hile there is a reasonable inference that [the defendant's] misrepresentation . . . led to increasing its sales and decreasing [the plaintiff's] sales, that inference is unavailable to [the plaintiff] as the movant in its summary judgment motion."<sup>1521</sup> The plaintiff's reliance on "the self-serving declaration of its own Vice-President, who likewise advances the belief of diversion, but points to no empirical evidence (in the form of sales data or otherwise) to substantiate that notion" proved equally unavailing.<sup>1522</sup> The plaintiff's moving papers therefore failed to get the job done.

### ***e. False Endorsement and Violations of the Right of Publicity***

Plaintiffs asserting persona-based torts under Section 43(a) and corresponding causes of action under state law did not fare well.<sup>1523</sup> One of the unusual factual scenarios underlying a false endorsement claim under Section 43(a) presented itself in a case in which the lead defendant filmed the plaintiff walking through the streets of Manhattan for a public service announcement entitled *10 Hours Walking in NYC as a Woman*.<sup>1524</sup> The point of the PSA was to educate viewers about the sexist comments and other harassment routinely encountered by female pedestrians in the city, and it captured the following scenes, among others:<sup>1525</sup>

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<sup>1519</sup> *Id.* at 731.

<sup>1520</sup> *See Smart Vent, Inc. v. USA Floodair Vents, Ltd.*, 193 F. Supp. 3d 395 (D.N.J. 2016), *reconsideration denied*, No. 10-168, 2017 WL 1026541 (D.N.J. Mar. 15, 2017).

<sup>1521</sup> *Id.* at 425.

<sup>1522</sup> *Id.*

<sup>1523</sup> *See, e.g., Dille Family Trust v. Nowlan Family Trust*, 207 F. Supp. 3d 535, 544-45 (E.D. Pa. 2016) (applying persona-based test for false endorsement under Section 43(a) to dismiss cause of action advanced by trust for failure to state claim).

<sup>1524</sup> *See Roberts v. Bliss*, 229 F. Supp. 3d 240 (S.D.N.Y. 2017).

<sup>1525</sup> *Id.* at 246.



Following the PSA's viral success, the lead defendant, without the plaintiff's knowledge, licensed his footage to a restaurant chain that incorporated it into a commercial, but, as the court noted, "[t]he ad covers Plaintiff's image with digital renditions of oversized . . . appetizers, including mozzarella sticks, potato skins, and pot stickers."<sup>1526</sup> The plaintiff therefore was no longer visible:<sup>1527</sup>



Addressing the defendants' motion to dismiss for failure to state a claim, the court held as an initial matter that:

The elements of a false endorsement claim under the Lanham Act are that the defendant, (1) in commerce, (2) made a false or misleading representation of fact (3) in connection with goods or services (4) that is likely to cause consumer confusion as to the origin, sponsorship, or approval of the goods or services.<sup>1528</sup>

According to the court, the plaintiff's claim fell short for two reasons, the first of which was that the unrecognizability of the plaintiff precluded a finding that the defendant had made a false or misleading statement about her involvement in the revised video.<sup>1529</sup> The second was that the parodic nature of the revised

<sup>1526</sup> *Id.* at 245.

<sup>1527</sup> *Id.* at 247.

<sup>1528</sup> *Id.* at 248 (quoting *Burck v. Mars, Inc.*, 571 F. Supp. 2d 446, 455 (S.D.N.Y. 2008)).

<sup>1529</sup> The court acknowledged the possibility that the plaintiff's movements were so distinctive that viewers could recognize her for that reason, even when obscured by appetizers. Unfortunately, for the plaintiff, though, she had failed to include such an averment of distinctiveness in her complaint. "Indeed," the court noted, "the [original] video appears

video prevented the plaintiff from plausibly alleging a likelihood of confusion.<sup>1530</sup>

Perhaps the most notable state law persona-based causes of action to fail were brought under the California right of publicity statute<sup>1531</sup> and the common law of that state by a group of disgruntled PGA Tour caddies.<sup>1532</sup> The caddies had a number of grievances against the Tour, but one was the Tour's practice of requiring them to wear bibs featuring the marks of corporate tournament sponsors; according to the plaintiffs, that condition of their employment rendered them "human billboards" in violation of the statute.<sup>1533</sup> As the court pointed out, however, "the contracts the caddies sign before participating in tournaments allow the tour to require them to wear bibs."<sup>1534</sup> This meant that "[b]y definition, . . . the caddies have consented to the use of their images at tournaments to display what is on the bibs."<sup>1535</sup> Especially because the same contracts expressly "granted and assigned to the Tour their 'individual television, radio, motion picture, photographic, electronic, . . . and all other similar or related media rights with respect to, their participation in Tour events,'" the Tour was entitled to the dismissal of the caddies' causes of action for failure to state claims.<sup>1536</sup>

A prior consent proved equally fatal to the claims of two other California-based plaintiffs.<sup>1537</sup> The lead plaintiff was a technology reporter at a local California television station, who entered into a contract making the station the "exclusive, perpetual, and unencumbered owner forever" of the material the lead plaintiff and his company (also a plaintiff) contributed to the station;<sup>1538</sup> for good measure, the agreement also provided that the exploitation of that material by the station could include "unlimited uses in all forms of reproduction, transmission, exhibition, display, and presentation, including television, theaters, rental libraries, devices marketed for the home . . . , books, periodicals, wireless, internet uses and all other types of exploitation now existing or hereafter devised."<sup>1539</sup> After the station terminated the agreement, it and other stations

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designed to highlight the unsolicited attention received not by any one woman in particular but by women generally." *Id.* at 250.

<sup>1530</sup> *Id.* at 251-52.

<sup>1531</sup> Cal. Civ. Code § 3344 (West 2016).

<sup>1532</sup> See *Hicks v. PGA Tour, Inc.*, 165 F. Supp. 3d 898 (N.D. Cal. 2016).

<sup>1533</sup> Quoted in *id.* at 907.

<sup>1534</sup> *Id.*

<sup>1535</sup> *Id.*

<sup>1536</sup> *Id.* (alteration in original).

<sup>1537</sup> See *Local TV, LLC v. Superior Ct.*, 206 Cal. Rptr. 3d 884 (Ct. App. 2016).

<sup>1538</sup> Quoted in *id.* at 887.

<sup>1539</sup> Quoted in *id.*

affiliated with it continued to display links to videos featuring the lead plaintiff and his work, which led the plaintiffs to seek relief under California statutory and common law. When the trial court declined to grant the station's motion for summary judgment, the station unusually, but successfully, petitioned the California Court of Appeal for the "extraordinary" remedy of a writ of mandate.<sup>1540</sup>

Attempting to escape the broad language of their agreement with the station, the plaintiffs argued they had not consented to the particular manner in which the station and its affiliates used the disputed material, focusing in particular on the appearance of the lead plaintiff's nickname and his picture on the station's website. Although the plaintiffs characterized that use as an advertisement for the station's overall programming, the court disagreed. It determined that "the use of [the lead plaintiff's] name and picture was not for 'advertising and publicizing' the stations or their content, any more than a traditional newspaper headline and photo of a columnist constitutes advertising or publicity for the newspaper."<sup>1541</sup> The trial court therefore had erred as a matter of law by failing to grant the defendants' motion for summary judgment.<sup>1542</sup>

Albeit for different reasons, a Georgia federal district court took an equally dim view of a lawsuit brought under the common-law cause of action of that state challenging a segment entitled "What's Wrong with These Ads . . . and These Signs?" airing on *The Ellen DeGeneres Show*.<sup>1543</sup> According to the plaintiff's complaint, Generes displayed a picture of one of the plaintiff's real estate signs and referred to the plaintiff by a derogatory term, namely, "titty Pierce" instead of by her name "Titi Pierce." The court determined the plaintiff had failed to plead a cause of action for misappropriation of her identity, and it therefore granted the defendants' motion to dismiss: "Regardless of whether the plaintiff is a private citizen or a public figure, information that is open to the public cannot be misappropriated. Because Plaintiff's real estate sign was public information, she failed to state a claim for misappropriation of likeness."<sup>1544</sup>

A few plaintiffs asserting state-law right of publicity claims prevailed in the face of this otherwise pro-defendant case law. One who did was the founder of a company (also a named plaintiff) that sold health supplements through distributors.<sup>1545</sup> During a

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<sup>1540</sup> *Id.* at 889.

<sup>1541</sup> *Id.* at 891.

<sup>1542</sup> *Id.* at 893-94.

<sup>1543</sup> See *Pierce v. Warner Bros Entm't, Inc.*, 237 F. Supp. 3d 1375 (M.D. Ga. 2017).

<sup>1544</sup> *Id.* at 1381 (citation omitted).

<sup>1545</sup> See *Youngevity Int'l Corp. v. Smith*, 224 F. Supp. 3d 1022 (S.D. Cal. 2016), *modified*, No. 3:16-cv-00704-L-JLB, 2016 WL 7626585 (S.D. Cal. Dec. 29, 2016).

seventeen-year period in which they served as distributors for the plaintiffs, the defendants operated websites featuring the individual plaintiff's likeness and also accepted telephonic orders using a toll-free number that was a mnemonic of the individual plaintiff's last name. When the parties' relationship fell apart and the plaintiffs terminated them as distributors, the defendants continued to use the websites and the number, which prompted the plaintiffs to file suit and pursue a preliminary injunction; for their part, the defendants moved to dismiss the plaintiffs' complaint for failure to state a claim.

The court granted the plaintiffs' motion and denied that of the defendants in relevant part. It found no dispute the defendants had misappropriated the individual plaintiff's identity and that they had done so to their own commercial advantage. Citing their prior affiliation with the plaintiffs, the defendants contested the issue of whether the plaintiffs had consented to the defendants' conduct, but the court found that any such consent no longer was operative. Finally, the court concluded the individual plaintiff had suffered the injury required under California law, in substantial part because "[i]t is undisputed that the Websites at issue here are amongst the first results in response to queries about [the individual plaintiff and his company]."<sup>1546</sup>

## ***f. Violations of Rights Under Other State-Law Causes of Action***

### **i. Preemption of State-Law Causes of Action**

#### ***(A) Preemption by the Lanham Act***

The Lanham Act expressly preempts state-law causes of action in a single context: Under Section 43(c)(6), ownership of a federal registration on the Principal Register is "a complete bar" to a challenge "with respect to that [registered] mark" brought under a state dilution statute.<sup>1547</sup> Nevertheless, that did not stop a New York federal district court from improperly invoking case law holding state causes of action preempted by federal *patent* law to hold that federal *trademark* law preempted a New York cause of action.<sup>1548</sup> The cause of action at issue sought relief under the New York dilution statute,<sup>1549</sup> which the court interpreted as requiring the plaintiff to demonstrate "(1) that the trademark is truly distinctive or has acquired secondary meaning, and (2) a likelihood of 'blurring'

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<sup>1546</sup> *Id.* at 1028.

<sup>1547</sup> 15 U.S.C. § 1125(c)(6) (2012).

<sup>1548</sup> See *Bubble Genius LLC v. Smith*, 239 F. Supp. 3d 586 (E.D.N.Y. 2017).

<sup>1549</sup> N.Y. Gen. Bus. Law § 360-1 (McKinney 2012). The court mistakenly referred to the statute as "N.Y. Gen. Bus. Law § 360-I." *Bubble Genius*, 239 F. Supp. 3d at 603 (emphasis added).

or ‘tarnishment.’”<sup>1550</sup> Although the plaintiff sought to establish the second of these requirements by averring the defendant’s conduct was “likely to cause confusion, mistake, and to deceive the public,”<sup>1551</sup> the court appeared simply to ignore that recitation to hold that “because plaintiff’s statutory state law unfair competition claim is based solely on defendant’s alleged copying of its design, it is preempted by federal law.”<sup>1552</sup>

### ***(B) Preemption by the Copyright Act***

When they occur, holdings of preemption in unfair competition litigation most frequently arise under Section 301(a) of the Copyright Act,<sup>1553</sup> which provides that federal copyright law preempts “all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright . . . in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright.”<sup>1554</sup> There were many examples of Section 301(a) in action over the past year,<sup>1555</sup> but one of the better ones came in a Fifth Circuit opinion addressing a claim of unfair competition grounded in the defendants’ introduction of butterfly valves used in the transportation industry.<sup>1556</sup> The plaintiff did not necessarily accuse the defendants of copying its valves per se, but instead claimed the defendants had used purloined drawings of the valves to make their own competitive products. In affirming the dismissal of the plaintiff’s Texas cause of action for misappropriation, the appellate court acknowledged the potential ineligibility of the valves’ design for copyright protection because they were either useful articles or concepts. Nevertheless, that circumstance did not establish Section 301(a)’s inapplicability, for, as the court explained, “[t]he preemption statute . . . sweeps more broadly. It preempts state protection of works that fall within the subject matter (that is, the scope) of copyright, regardless of whether the works are actually afforded protection under the Copyright Act.”<sup>1557</sup> That was true with respect to the cause of action before the court: Although the plaintiff pointed to the putatively extra showings of sweat equity and use

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<sup>1550</sup> *Id.* at 603 (quoting *Eyal R.D. Corp. v. Jewelex N.Y. Ltd.*, 784 F. Supp. 2d 441, 449 (S.D.N.Y. 2011)).

<sup>1551</sup> *Quoted in id.*

<sup>1552</sup> *Id.* at 603-04.

<sup>1553</sup> 17 U.S.C. § 301(a) (2012).

<sup>1554</sup> *Id.*

<sup>1555</sup> *See, e.g.*, *We Shall Overcome Found. v. Richmond Org., Inc.*, 120 U.S.P.Q.2d 1700 (S.D.N.Y. 2016) (holding state unfair competition cause of action aimed at preventing allegedly false claim of copyright protection preempted).

<sup>1556</sup> *See Ultraflo Corp. v. Pelican Tank Parts, Inc.*, 845 F.3d 652 (5th Cir. 2017).

<sup>1557</sup> *Id.* at 656.

against a competitor required for liability, those were not enough to render that claim for relief materially different from that for copyright infringement.<sup>1558</sup>

The Ninth Circuit also affirmed a holding of preemption under Section 301(a).<sup>1559</sup> The plaintiffs in the appeal before that court were former NCAA student-athletes whose basketball team had won the Division III national championship game. They objected to the defendant's licensing of photographs taken during the game, which included their images. The district court granted the defendant's motion to strike the plaintiffs' right of publicity cause of action in an application of the California anti-SLAPP statute,<sup>1560</sup> and the Ninth Circuit affirmed. In the process, the latter tribunal rejected the plaintiffs' argument that photographs of individuals fell outside the scope of copyright protection for purposes of Section 301(a):

[A] publicity-right claim may proceed when a likeness is used non-consensually on merchandise or in advertising. But where a likeness has been captured in a copyrighted artistic visual work and the work itself is being distributed for personal use, a publicity-right claim is little more than a thinly disguised copyright claim because it seeks to hold a copyright holder liable for exercising his exclusive rights under the Copyright Act.<sup>1561</sup>

From there, it was a short step to the conclusion that "Plaintiffs' position . . . would give the subject of every photograph a de facto veto over the artist's rights under the Copyright Act, and destroy the *exclusivity* of rights that Congress sought to protect by enacting the Copyright Act."<sup>1562</sup> Because "Plaintiffs . . . do not identify any use of their likenesses independent of the display, reproduction, and distribution of the copyrighted material in which they are depicted," Section 301 preempted their California cause of action.<sup>1563</sup>

Photographs were at issue in another preemption dispute that ended badly for the plaintiff.<sup>1564</sup> Weighing a defense motion to dismiss, the New York federal district court held that, to escape preemption, "any state law claims [must] include an extra element 'instead of or in addition to the acts of reproduction, performance, distribution, or display . . . [and] the extra element changes the nature of the action so that it is qualitatively different from a

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<sup>1558</sup> *Id.*

<sup>1559</sup> *See* *Maloney v. T3Media, Inc.*, 853 F.3d 1004 (9th Cir. 2017).

<sup>1560</sup> Cal. Civ. Proc. Code § 425.16(b)(1) (West 2016).

<sup>1561</sup> *Maloney*, 853 F.3d at 1016.

<sup>1562</sup> *Id.* at 1019.

<sup>1563</sup> *Id.*

<sup>1564</sup> *See* *Fioranelli v. CBS Broad. Inc.*, 232 F. Supp. 3d 531 (S.D.N.Y. 2017).

copyright infringement claim.”<sup>1565</sup> It then observed that “[b]ased on the extra element test, courts in this Circuit have found numerous state law claims preempted by the Copyright Act, including claims for (1) tortious interference with contractual relations; (2) tortious interference with business expectancy; (3) unjust enrichment; and (4) unfair competition and misappropriation.”<sup>1566</sup> Because of the plaintiffs inability to identify the required extra element, its numerous state-law causes of action—which included common-law unfair competition, statutory unfair competition, false advertising, interference with contractual relations, interference with prospective advantage, unjust enrichment, and “willful intentional tort/lack of due diligence”<sup>1567</sup>—failed as a matter of law.<sup>1568</sup>

In contrast, a jewelry manufacturer’s action to protect the claimed trade dress of its pieces using a California cause of action for palming off survived a preemption-based motion for summary judgment.<sup>1569</sup> The defendant sought to characterize the plaintiff’s allegations as sounding in reverse passing off, but the court determined that “[p]laintiff does not allege that defendant actually obtained genuine . . . bracelets and earrings [produced by plaintiff] and sold them under its own name”;<sup>1570</sup> rather, “[plaintiff] alleges quite the opposite—that [defendant’s] sales of lower-quality, but confusingly similar products using pictures of [plaintiff’s] products gave [defendant] an unfair advantage in the marketplace and constituted unfair competition.”<sup>1571</sup> “Accordingly,” the court held, “plaintiff alleges implied palming off. Such a claim is not preempted by the Copyright Act.”<sup>1572</sup>

### ***(C) Preemption by the Patent Act***

Findings that the federal patent regime preempts state law causes of action are relatively rare, but one occurred in the disposition of a counterclaim seeking to protect the configuration of a closure used to seal plastic bags.<sup>1573</sup> The court found the configuration functional, which in and of itself could have disposed of the counterclaim plaintiff’s cause of action under the New York

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<sup>1565</sup> *Id.* at 541 (second and third alterations in original) (quoting *Computer Assocs. Int’l, Inc. v. Altai, Inc.*, 982 F.2d 693, 716 (2d Cir. 1992)).

<sup>1566</sup> *Id.* (citations omitted).

<sup>1567</sup> *Id.* at 533-34.

<sup>1568</sup> *Id.* at 542.

<sup>1569</sup> *See Brighton Collectibles, LLC v. Believe Prods., Inc.*, 121 U.S.P.Q.2d 1556 (C.D. Cal. 2017).

<sup>1570</sup> *Id.* at 1569.

<sup>1571</sup> *Id.* at 1570.

<sup>1572</sup> *Id.*

<sup>1573</sup> *See Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F. Supp. 3d 245 (S.D.N.Y. 2016), *aff’d*, 699 F. App’x 93 (2d Cir. 2017).



dilution statute,<sup>1574</sup> but that was not the only insurmountable problem faced by the counterclaim plaintiff. Citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*,<sup>1575</sup> the court concluded that the Supreme Court's opinion limited permissible state action to that aimed at preventing consumer confusion. That led to the court's holding after a bench trial that:

[The state statute] goes beyond a statute that protects against consumer confusion and would authorize an injunction without such a showing.

Whether or not [the counterclaim plaintiff] concedes that the trade dress that it claims as part of this litigation has been the subject of a utility or design patent, it cannot dispute that product designs such as the bag closures at issue are "potentially patentable" and therefore [its] claims under [the state statute] are preempted.<sup>1576</sup>

## ii. State-by-State Causes of Action

### (A) California

Like most states, California has statutory causes of action for false advertising<sup>1577</sup> and for unfair competition,<sup>1578</sup> but a federal district court resident in that state held that not everyone can avail themselves of those statutes.<sup>1579</sup> In dismissing the claim of a counterclaim plaintiff under the former statute, the court faulted the counterclaim plaintiff for seeking to vindicate the interest of a third party, which had assigned its rights to the counterclaim plaintiff; the court remarked of that transaction that "[a]n uninjured assignee does not have standing to sue in a representative capacity."<sup>1580</sup> The counterclaim plaintiff's cause of action under the unfair competition statute proved equally unsuccessful because of the absence of a supporting allegation of an injury to competition (as opposed to an injury to the counterclaim plaintiff's own interests). The counterclaim defendant's challenge to both causes of action therefore was well-founded.

A brawl between competing manufacturers of health supplements produced another successful motion to dismiss

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<sup>1574</sup> N.Y. Gen. Bus. Law § 360-1 (McKinney 2016).

<sup>1575</sup> 489 U.S. 141 (1989).

<sup>1576</sup> *Schutte Bagclosures*, 193 F. Supp. 3d at 285 (citations omitted).

<sup>1577</sup> Cal. Bus. & Prof. Code § 17535 (WEST 2016).

<sup>1578</sup> *Id.* § 17204.

<sup>1579</sup> *See Obesity Research Inst., LLC v. Fiber Research Int'l, LLC*, 165 F. Supp. 3d 937 (S.D. Cal. 2016).

<sup>1580</sup> *Id.* at 948.

allegations of false advertising under California law.<sup>1581</sup> One basis of the plaintiffs' claim of liability was the defendants' alleged misrepresentations concerning the money distributors could make if they signed up with the defendants. The plaintiffs did not themselves aver reliance on the defendants' claims but instead cited third-party reliance in the form of distributors misled into signing up to sell the defendants' goods, rather than those of the plaintiffs. Noting the absence of guidance in California opinions, the federal district court hearing the action turned to authority from its fellow tribunals and held:

No California courts have explicitly considered whether third party reliance is sufficient to sustain a false advertising claim between competitors. However, some federal courts have. Though a few have found third party reliance sufficient, most have found that a plaintiff must allege that they personally relied upon the misstatement. This Court adopts the majority approach.<sup>1582</sup>

The court therefore dismissed the plaintiffs' cause of action with leave to replead.<sup>1583</sup>

In contrast, a different claim of standing under the same statute succeeded in an action before an Illinois federal district court.<sup>1584</sup> The plaintiff, which manufactured subterranean plastic pipe, objected to representations made by the defendant about the type of pipe sold by the plaintiff. Denying the standing-based portion of the defendant's motion for summary judgment, the court observed that:

[The plaintiff] has adduced evidence to support the allegation . . . [of] an injury in fact and the loss of money or property as a result of a violation of the law: it has shown that it spent significant resources corresponding and meeting with clients and prospective clients to combat [the defendant's] false or misleading statements.<sup>1585</sup>

The court then rejected the defendant's argument the plaintiff had failed to demonstrate its reliance on the defendant's advertising. As it explained, "although California courts have required that *consumers* allege and prove that they sustained damages as a result of reliance on false representations, requiring a *competitor* to prove reliance would effectively read unfair competition claims out of the statute."<sup>1586</sup>

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<sup>1581</sup> See *Youngevity Int'l, Corp. v. Smith*, 224 F. Supp. 3d 1022 (S.D. Cal. 2016).

<sup>1582</sup> *Id.* at 1031 (citations omitted).

<sup>1583</sup> *Id.*

<sup>1584</sup> See *Underground Sols., Inc. v. Palermo*, 188 F. Supp. 3d 717 (N.D. Ill. 2016).

<sup>1585</sup> *Id.* at 733.

<sup>1586</sup> *Id.*

California law came into play in another notable reported opinion, this one originating in the conversion into a franchise system of a cooperative that operated a chain of pizzerias.<sup>1587</sup> Having dissented from the conversion vote, the counterclaim defendants purported to elect a new board of directors of the no-longer-in-existence cooperative and then to transfer the cooperative's marks to a new entity they controlled. The court rejected these actions as a matter of relevant California law, and that rejection led to a finding as a matter of law that the counterclaim defendants were liable for the conversion of the marks.<sup>1588</sup> Nevertheless, the court declined to grant the entirety of the counterclaim plaintiffs' motion for summary judgment, as it found the counterclaim plaintiffs had failed to support their claim of actual damages with undisputed evidence or testimony.<sup>1589</sup>

### ***(B) Florida***

The Florida Deceptive and Unfair Trade Practices Act currently allows any "person" damaged by a defendant's actions to seek relief under the Act;<sup>1590</sup> an earlier version of the Act used the word "consumer" instead of "person."<sup>1591</sup> In an action between two commercial enterprises brought in part under the Act, the parties disagreed over the plaintiff's eligibility for protection. Declining to grant a defense motion to dismiss, the court noted of the statutory change that "[f]ollowing the amendment, courts have been split as to whether an individual or entity must be a 'consumer' in order to bring a FDUPTA claim."<sup>1592</sup> Nevertheless, it concluded, "[t]he predominant trend is to interpret the amendment as the legislature's intent to broaden the scope of FDUPTA, allowing any person or entity that has suffered a loss as a result of unfair or deceptive acts or practices to sue for damages, whether or not a 'consumer.'"<sup>1593</sup>

### ***(C) Maryland***

The Maryland Consumer Protection Act (MCPA) authorizes private causes of action against those who violate it,<sup>1594</sup> but it also is intended to provide "minimum standards for the protection of

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<sup>1587</sup> See *English & Sons, Inc. v. Straw Hat Rests., Inc.*, 176 F. Supp. 3d 904 (N.D. Cal. 2016).

<sup>1588</sup> *Id.* at 921-24.

<sup>1589</sup> *Id.* at 924-25.

<sup>1590</sup> Fla. Stat. § 501.211 (2010).

<sup>1591</sup> See *e-Ventures Worldwide, LLC v. Google, Inc.*, 188 F. Supp. 3d 1265, 1276 (M.D. Fla. 2016).

<sup>1592</sup> *Id.*

<sup>1593</sup> *Id.*

<sup>1594</sup> Md. Code Ann. Comm. Law § 13-408(a) (2014).

consumers.”<sup>1595</sup> The second of these propositions led to the downfall of two plaintiffs asserting a cause of action under the MCPA.<sup>1596</sup> Those plaintiffs produced toy rockets in direct competition with the defendants. Although the plaintiffs successfully demonstrated their entitlement to relief as a matter of law on their federal infringement claims, the court denied their motion for summary judgment as to their MCPA cause of action. It did so because “[q]uite simply, [the lead plaintiff], a corporate commercial entity, and [the individual plaintiff], the sole owner of [the lead plaintiff], neither have . . . alleged facts nor proffered any evidence that they are ‘consumers’ under the MCPA. Therefore, the MCPA affords them no protection and no remedy.”<sup>1597</sup>

### **(D) New York**

Courts often resolve claims under the Lanham Act and under state law using the same analysis, but this occurs somewhat less frequently where New York causes of action are concerned. One of several opinions to drive home that point over the past year originated in a contest between two producers of alcoholic beverages.<sup>1598</sup> The counterclaim defendant’s bottles bore a “Since 1867” banner, which the counterclaim plaintiff maintained constituted false advertising. The court assigned to the case entered summary judgment in the counterclaim defendant’s favor on the counterclaim plaintiff’s false advertising claims under Section 43(a) after determining the banner was not literally false and, if it were literally true but misleading, the counterclaim plaintiff had failed to support its case with any evidence of actual or likely deception.<sup>1599</sup> Nevertheless, the counterclaim plaintiff’s corresponding causes of action under Sections 349 and 350 of the New York General Business Law<sup>1600</sup> fared better. Denying the counterclaim defendant’s motion as to those causes of action, the court observed that:

[W]hile the Lanham Act requires reference to extrinsic evidence to demonstrate that consumers perceive an ambiguous statement as misleading, the inquiry under §§ 349 and 350 . . . is objective in nature, requiring courts to assess whether a given practice or advertisement is “likely to

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<sup>1595</sup> *Lloyd v. Gen. Motors Corp.*, 916 A.2d 257, 276 (Md. 2007).

<sup>1596</sup> *See JFJ Toys, Inc. v. Sears Holdings Corp.*, 237 F. Supp. 3d 311 (D. Md. 2017).

<sup>1597</sup> *Id.* at 342.

<sup>1598</sup> *See Classic Liquor Imps., Ltd. v. Spirits Int’l B.V.*, 201 F. Supp. 3d 428 (S.D.N.Y. 2016).

<sup>1599</sup> *Id.* at 453-54.

<sup>1600</sup> N.Y. Gen. Bus. Law §§ 349, 350 (McKinney 2016).

mislead a reasonable consumer acting reasonably under the circumstances.”<sup>1601</sup>

The lack of record evidence or testimony of consumer deception therefore was not fatal to the counterclaim plaintiff’s state law claims.

A similar distinction between federal claims and those under New York law appeared in additional opinions, especially with respect to the significance of defendants’ intent.<sup>1602</sup> For example, in a dispute in which the parties advanced competing claims to the same mark for pasta products, the court found in the counterclaim plaintiffs’ favor on their Lanham Act claim and noted with respect to their common-law cause of action for unfair competition that “[a] claim under the Lanham Act, coupled with a showing of bad faith or intent, establishes a claim for unfair competition’ under New York state law.”<sup>1603</sup> The court then found the counterclaim plaintiffs had made such a showing, in part because the counterclaim defendant had sought to establish its priority of rights to the disputed mark by “co-opt[ing]” the counterclaim plaintiffs’ goods as its own.<sup>1604</sup> Beyond that, the counterclaim defendant’s principals had offered “untrustworthy and shifting” and “simply not credible” testimony and had altered evidence before turning it over to their counsel.<sup>1605</sup> This conduct, the court held, established the counterclaim defendant’s liability for common-law unfair competition; moreover, the same was true under the counterclaim plaintiffs’ cause of action for unjust enrichment, which the court held required showings that: (1) the counterclaim defendant was enriched; (2) the enrichment had come at the counterclaim plaintiffs’ expense; and (3) equity and good conscience militated against permitting the counterclaim defendant to retain what the counterclaim defendants sought to recover.<sup>1606</sup>

In another case differentiating between federal and state causes of action, the plaintiffs had little difficulty securing a finding of liability for counterfeiting as a matter of law under their Lanham

<sup>1601</sup> *Classic Liquor Imps.*, 201 F. Supp. at 455 (quoting *Stutman v. Chem. Bank*, 731 N.E.2d 608, 611-12 (N.Y. 2000)).

<sup>1602</sup> *See, e.g.*, *Gym Door Repairs, Inc. v. Young Equip. Sales, Inc.*, 206 F. Supp. 3d 869, 902 (S.D.N.Y. 2016) (denying motion to dismiss cause of action under N.Y. Gen. Bus. Law § 133 because “the [complaint] sufficiently alleges . . . an intent to deceive or mislead because the [complaint] alleges that the . . . defendants produced and disseminated materials bearing the plaintiffs’ trademark names in full”), *reconsideration denied*, No. 15-CV-4244 (JGK), 2016 WL 6652733 (S.D.N.Y. Nov. 10, 2016).

<sup>1603</sup> *Threeline Imps., Inc. v. Vernikov*, 239 F. Supp. 3d 542, 563 (E.D.N.Y. 2017) (quoting *Coach, Inc. v. Horizon Trading USA Inc.*, 908 F. Supp. 2d 426, 436 (S.D.N.Y. 2012)).

<sup>1604</sup> The counterclaim defendant did so in part by forming a company with a name virtually identical to that of the counterclaim plaintiffs’ company and by slipping the name of its company into a contract with a third party. *Id.*

<sup>1605</sup> *Id.*

<sup>1606</sup> *Id.*

Act causes of action, but a factual dispute precluded the same outcome under the common law.<sup>1607</sup> Denying the plaintiff's motion for summary judgment, the court observed that "[t]o establish a claim for common law unfair competition, 'the plaintiff must state a Lanham Act claim coupled with a showing of bad faith or intent.'"<sup>1608</sup> The plaintiffs argued the defendants' counterfeiting created a presumption of a bad-faith intent, but the court did not agree. "Contrary to plaintiffs' assertion," it held, "a bad faith presumption only attaches to an unfair competition claim if a defendant was at least aware of its use of counterfeits."<sup>1609</sup> Because the plaintiffs' showing rested entirely on its asserted presumption as to certain defendants, a factual dispute existed as to those defendants' liability.<sup>1610</sup>

A final reported opinion to distinguish between federal and state-law claims occurred in a case brought by a mattress manufacturer against the operators of an online mattress review site who allegedly positioned themselves as impartial by failing to disclose their financial arrangements with the plaintiff's competitors.<sup>1611</sup> Although the court dismissed the plaintiff's cause of action under Section 43(a) because that statute did not impose an affirmative duty of disclosure, the same result did not hold with respect to Section 349. That section, the court held, "is 'substantially modelled on the Federal Trade Commission Act,'" which *did* impose such a duty.<sup>1612</sup> With the court further rejecting the defendants' argument that Section 349 required the plaintiff to allege a danger to the public health or safety presented by the defendants' advertising,<sup>1613</sup> the plaintiff's cause of action under that section survived the defendant's challenge at the pleadings stage.

Nevertheless, not all causes of action brought under New York law survived scrutiny. Several such causes of action appeared in a complaint filed by a watch manufacturer against a competitor accused of misappropriating the plaintiff's trade dress.<sup>1614</sup> Although

<sup>1607</sup> See *Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137 (E.D.N.Y. 2016).

<sup>1608</sup> *Id.* at 157 (quoting *KatiRoll Co. v. Kati Junction, Inc.*, 33 F. Supp. 3d 359, 370 (S.D.N.Y. 2014)).

<sup>1609</sup> *Id.* at 158.

<sup>1610</sup> *Id.*

<sup>1611</sup> See *Casper Sleep, Inc. v. Mitcham*, 204 F. Supp. 3d 632 (S.D.N.Y. 2016), *reconsideration denied*, No. 16 Civ. 3224 (JSR), 2016 WL 7188788 (S.D.N.Y. Nov. 17, 2016).

<sup>1612</sup> *Id.* at 644 (quoting *Genesco Entm't, a Div. of Lymutt Indus. v. Koch*, 593 F. Supp. 743, 752 (S.D.N.Y. 1984)).

<sup>1613</sup> *Id.* at 643 ("Defendants' suggestion that the allegedly deceptive practice must pose some danger to the public health or safety, or have 'significant ramifications' for the public, is simply wrong. . . . The 'significant ramifications' formulation has been employed by some district courts but never adopted, to this Court's knowledge, by the Second Circuit or a New York state court." (citation omitted)).

<sup>1614</sup> See *Sara Designs, Inc. v. Classic Time Watch Co.*, 234 F. Supp. 3d 548 (S.D.N.Y. 2017).

acknowledging that “the elements of unfair competition under New York law closely parallel the elements of unfair competition under the Lanham Act,”<sup>1615</sup> the court also noted that “[t]o assert a viable New York unfair competition claim, Plaintiff must also allege facts indicative of bad faith.”<sup>1616</sup> Because the complaint lacked those alleged facts, the plaintiff’s unfair competition claim fell short.

Moreover, the same was true of the plaintiff’s statutory causes of action for false advertising under Sections 349 and 350. The court explained of the former that “[a] plaintiff bringing a claim for deceptive practices under Section 349 must prove: (1) the challenged act or practice was consumer oriented; (2) that it was misleading in a material way; and (3) that the plaintiff suffered injury as a result of the deceptive act,”<sup>1617</sup> while “[a] claim of false advertising under Section 350 must meet all of the same elements as a claim under Section 349, and the plaintiff must further demonstrate proof of actual reliance.”<sup>1618</sup> It was the first of these various requirements that sank both causes of action: Because the plaintiff has alleged “no facts supporting an inference of harm to the public interest or consumers outside of harm to its own products and its related property rights,” neither cause of action made it past the pleadings stage.<sup>1619</sup>

A second New York federal district court reached the same conclusion in a different case, albeit at the summary judgment stage of the proceeding.<sup>1620</sup> The plaintiffs had once licensed the defendants to use the plaintiffs’ mark in connection with protective eyewear products, only to discover the defendants’ sale of products produced by a third party and bearing the mark without giving the plaintiffs the opportunity to inspect them for quality-control purposes. The court advanced the following summary of the plaintiffs’ attempt to salvage their causes of action under Sections 349 and 350: “Since the products in question involve sports protective eyewear that consumers wear to protect their eyes in sporting events, and since both parties have had problems with [the third party’s] quality control at times, [the plaintiffs] claim[] that this matter affects the public interest.”<sup>1621</sup> The court was unconvinced by this argument, especially in the absence of record evidence or testimony that the defendants’ goods actually were unsafe, and it therefore granted the defendants’ motion for summary judgment on the issue with the

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<sup>1615</sup> *Id.* at 557.

<sup>1616</sup> *Id.*

<sup>1617</sup> *Id.* at 558.

<sup>1618</sup> *Id.*

<sup>1619</sup> *Id.*

<sup>1620</sup> *See Halo Optical Prods., Inc. v. Liberty Sport, Inc.*, 122 U.S.P.Q.2d 1311 (S.D.N.Y. 2017).

<sup>1621</sup> *Id.* at 1328.

explanation that “this is merely a commercial dispute between two private companies . . . .”<sup>1622</sup>

A final noteworthy rejection of a claim brought under New York law occurred in a battle over the DELMONICO’S mark for restaurant services, owned by an entity in which the parties had equal ownership shares.<sup>1623</sup> The plaintiffs accused the defendants of leveraging the mark without the plaintiffs’ knowledge by first introducing a line of sauces branded with the mark and then opening additional restaurants under it. Although the court allowed the plaintiffs, to move forward with a claim under Section 349,<sup>1624</sup> it balked at the plaintiffs’ conversion claim at least as that claim related to the plaintiffs’ trademark-related objections to the defendants’ conduct. Granting the defendants’ motion to dismiss those objections, the court acknowledged that:

[A]n action for conversion involving intangible property may be sustained when, in reality, it involves the misappropriation of tangible property that manifests intangible intellectual property, such as a master recording embodying a musical performance, the USPTO’s record of patent ownership, and “certificates of stock, promissory notes, and other papers of value.”<sup>1625</sup>

Nevertheless, that exception did not apply in the case before the court. Instead, “[b]ecause ‘[a] trademark is not tangible personal property, but rather is intangible intellectual property having no existence apart from the good will of the product or service it symbolizes,’ it cannot support a claim of conversion.”<sup>1626</sup>

### (E) Washington

“To prevail on a claim under the [Washington Consumer Protection Act], a private plaintiff must prove (1) an unfair or deceptive act or practice (2) occurring in trade or commerce (3) affecting the public interest, (4) injury to a person’s business or property, and (5) causation.”<sup>1627</sup> In a case advancing conventional allegations of infringement, a Washington federal district court held in response to the defendants’ motion to dismiss that satisfaction of

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<sup>1622</sup> *Id.* at 1329.

<sup>1623</sup> *See* Grgurev v. Licul, 229 F. Supp. 3d 267 (S.D.N.Y. 2017).

<sup>1624</sup> *Id.* at 292 (“Plaintiffs have pleaded facts sufficient to give rise to a plausible inference that Defendants engaged in materially misleading conduct, that the conduct was intended to—and, in fact, did—mislead consumers, and that [the company jointly owned by the parties] was injured as a result.”).

<sup>1625</sup> *Id.* at 286 (citations omitted) (quoting Thyroff v. Nationwide Mut. Ins. Co., 864 N.E.2d 1272, 1276 (N.Y. 2007)).

<sup>1626</sup> *Id.* at 286-87 (quoting Harris v. Coleman, 863 F. Supp. 2d 336, 345 (S.D.N.Y. 2012)).

<sup>1627</sup> *Kische USA LLC v. Simsek*, 121 U.S.P.Q.2d 1255, 1268 (W.D. Wash. 2016) (quoting *Rhodes v. Rains*, 381 P.3d 58, 62 (Wash. Ct. App. 2016)).



the third of these prerequisites required a demonstration that the challenged conduct had the capacity to deceive a “substantial portion of the public.”<sup>1628</sup> The plaintiff before that court broadly alleged the defendants had used its marks as keywords for online advertising, had identified the plaintiff’s address as its own, and had imitated clothing designed by the plaintiff. The plaintiff sought to fend off the dismissal of its cause of action by claiming that every individual exposed to the defendants’ alleged misconduct would have been misled by it, as well as that the defendants had represented to dealers the plaintiff was going out of business, but neither strategy met with success; rather, “the only plausible inference that the court can draw from these factual allegations is that this dispute is private.”<sup>1629</sup>

### *g. Secondary Liability*

#### **i. Contributory Unfair Competition**

As a general proposition, “[t]o state a claim for contributory trademark infringement, [a] plaintiff[] must allege facts that plausibly suggest that a defendant intentionally induced others to engage in infringing activities, or continued to supply services to those the contributory infringer has reason to know are engaging in such activities.”<sup>1630</sup> In a case presenting just such a plausible suggestion, the plaintiffs provided their customers with mobile devices for use on the plaintiffs’ wireless network at lower-than-wholesale prices.<sup>1631</sup> They accused the defendants of illegally acquiring and reselling the plaintiffs’ devices to distributors who then sold them to end consumers. Noting that defendants who “either intentionally induce [] a third party to infringe the plaintiff’s mark or suppl[y] a product to a third party with actual or constructive knowledge that the product is being used to infringe that mark” are properly liable for contributory infringement,<sup>1632</sup> the court held the plaintiff adequately had alleged that tort. For one thing, the court concluded, “the Complaint alleges Defendants knowingly aided and enabled distributors and/or sellers of their products to market the products to the general public infringing Plaintiffs’ trademarks by placing an instrument of consumer

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<sup>1628</sup> *Id.* (quoting *Behnke v. Ahrens*, 294 P.3d 729, 737 (Wash. Ct. App. 2012)).

<sup>1629</sup> *Id.*

<sup>1630</sup> *Gym Door Repairs, Inc. v. Young Equip. Sales, Inc.*, 206 F. Supp. 3d 869, 905 (S.D.N.Y. 2016), *reconsideration denied*, No. 15-CV-4244 (JGK), 2016 WL 6652733 (S.D.N.Y. Nov. 10, 2016).

<sup>1631</sup> *See Sprint Sols., Inc. v. Sam*, 206 F. Supp. 3d 755 (E.D.N.Y. 2016).

<sup>1632</sup> *Id.* at 763 (alterations in original) (quoting *Steinway, Inc. v. Ashley*, No. 01 Civ. 9703, 2002 WL 122929, at \*1 (S.D.N.Y. Jan. 29, 2002)).

deception in the hands of distributors and/or sellers”;<sup>1633</sup> for another, “[t]he Complaint further alleges the sale of Defendants’ phones falsely suggested these phones were created, authorized, or approved by Plaintiffs and they included warranties, leading to post-sale consumer confusion.”<sup>1634</sup>

In contrast, a motion to dismiss produced mixed results in an action against Google Inc. based on its alleged dereliction in removing downloadable software applications with allegedly infringing names from its online marketplace.<sup>1635</sup> Having filed two takedown notices, the plaintiff waited 27 and 18 days for Google to act on them. Faced with inconsistent case law on the issue, the court declined to hold without the benefit of a fully developed record that the time periods at issue were brief enough to preclude liability as a matter of law:

Plaintiff cites two incidents in which Google took 18 and 27 days to act on a complaint. This is a markedly shorter period than cases where the courts found sufficient allegations based on a delay in removing the infringing material. The Court finds, however, that whether this delay is actionable cannot be decided at the pleading stage. Although the length of time alone is not sufficient to establish a claim, delay could be actionable if the investigation was unjustifiably and/or purposefully delayed. This is a factual question that must be determined on summary judgment.<sup>1636</sup>

Although the court also allowed the plaintiff to challenge Google’s alleged failure to monitor accused infringers previously called to Google’s attention,<sup>1637</sup> it did dismiss two other bases of the plaintiff’s claim of contributory infringement, namely, that Google had declined to act on a third takedown notice submitted by the plaintiff<sup>1638</sup> and that Google had been willfully blind to the possibility of additional infringers using its services.<sup>1639</sup>

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<sup>1633</sup> *Id.*

<sup>1634</sup> *Id.*

<sup>1635</sup> *See* *Spy Phone Labs v. Google Inc.*, 120 U.S.P.Q.2d 1827 (N.D. Cal. 2016).

<sup>1636</sup> *Id.* at 1833.

<sup>1637</sup> *Id.* at 1834.

<sup>1638</sup> With respect to this allegation, the court noted that the plaintiff had failed to allege Google’s awareness of anything but certain shared words between the plaintiff’s mark and the name of the challenged application; in other words, the complaint neglected to “make factual allegations regarding the likelihood of confusion factors, e.g., strength of the mark, evidence of actual confusion, and the degree of care used by purchasers.” *Id.*

<sup>1639</sup> Based on its prior takedown notices, the plaintiff accused Google of having generalized knowledge that third parties might infringe the plaintiff’s mark. Citing the Second Circuit’s opinion in *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010), the court held:

As the Second Circuit concluded, however, such generalized knowledge is insufficient to impute knowledge on Google without something more. At the

Not all plaintiffs were as fortunate on motions to dismiss.<sup>1640</sup> Under Ninth Circuit law, “[c]ontributory infringement occurs when the defendant either intentionally induces a third party to infringe the plaintiff’s mark or supplies a product to a third party with actual or constructive knowledge that the product is being used to infringe the service mark.”<sup>1641</sup> In preparing a complaint against Stanford University, the Theta Chi national fraternity neglected to pay sufficient attention to this standard, and its cause of action for contributory infringement suffered as a result. One of Theta Chi’s grievances was that the university had rented space to individuals referring to themselves as Ex Theta Chis, or, X-ΘXs.<sup>1642</sup> “The problem with plaintiff’s complaint,” the court held on the university’s motion to dismiss, “is that it does not clearly allege when or suggest how Stanford officials became aware of the allegedly infringing conduct.”<sup>1643</sup> Specifically, the court observed, “[u]nless plaintiff can allege facts to suggest that Stanford officials were aware of direct infringement at the time it happened, plaintiff cannot state a claim for contributory infringement.”<sup>1644</sup> Moreover, the fraternity’s objections to advertisements promoting X-ΘX-related activities also failed to detail how the university controlled the publication in which the advertisements appeared.<sup>1645</sup> The court therefore dismissed the fraternity’s cause of action for contributory infringement with leave to replead.<sup>1646</sup>

Some courts were unable to resolve the claims of contributory infringement before them as a matter of law on motions for summary judgment but instead deferred doing so until a full trial on the merits. For example, a Georgia federal district court taking that step summarized Eleventh Circuit doctrine on the subject in

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hearing. Plaintiff argues Google is like a flea market operator who has been put on notice that a particular vendor is selling counterfeit goods, but continues to allow that vendor to sell counterfeit goods. Not so. Plaintiff seeks to require the flea market operator not to just police specific vendors who it has been put on notice of selling counterfeit goods, but to also preemptively check over the goods of every vendor to ensure they are not also selling counterfeit goods. This is the type of generalized notice that *Tiffany* rejected.

*Spy Phone Labs*, 120 U.S.P.Q.2d at 1834.

<sup>1640</sup> See, e.g., *Gym Door Repairs, Inc. v. Young Equip. Sales, Inc.*, 206 F. Supp. 3d 869, 905-907 (S.D.N.Y. 2016) (granting motion of several defendants to dismiss allegations of contributory infringement based on plaintiffs’ failure to aver knowledge of direct infringement or affirmative steps to encourage it), *reconsideration denied*, No. 15-CV-4244 (JGK), 2016 WL 6652733 (S.D.N.Y. Nov. 10, 2016).

<sup>1641</sup> *Lockheed Martin Corp. v. Network Sols., Inc.*, 194 F.3d 980, 983 (9th Cir. 1999).

<sup>1642</sup> See *Theta Chi Fraternity, Inc. v. Leland Stanford Junior Univ.*, 212 F. Supp. 3d 816 (N.D. Cal. 2016).

<sup>1643</sup> *Id.* at 826.

<sup>1644</sup> *Id.*

<sup>1645</sup> *Id.*

<sup>1646</sup> *Id.*

the following manner: “[A] plaintiff must first show that a third party in fact directly engaged in infringing conduct, and second, that the defendant contributed to that conduct either by knowingly inducing or causing the conduct, or by materially participating in it.”<sup>1647</sup> That restatement arose from an attempt to hold the owner of a mall in which a flea market operated contributorily liable for various misconduct taking place in the market. The mall owner moved the court for summary judgment of nonliability, but, after reviewing the byzantine corporate structure allegedly separating the mall owner from the flea market’s operators, the court declined to excuse the mall operator from the case. “There is more than a scintilla of evidence,” the court held, from which a reasonable jury could reach a finding of contributory infringement, namely, the plaintiff’s showings that the mall owner had been “dictating leasing conditions for its tenant/occupants, continuing to lease, continuing to collect rent, refusing to take effective steps to stop the illegal counterfeiting activity.”<sup>1648</sup>

In contrast, it was a defense motion for summary judgment that fell short in a different case.<sup>1649</sup> The moving defendant professed to be a mere merchant services provider through which the lead defendant made online sales. The summary judgment record documented numerous ties between the two defendants, not the least of which was testimony the lead defendant had formed the moving defendant organization to process purchases made at a website accessible at a domain name closely similar to the plaintiff’s flagship service mark. The record also established the moving defendant and the lead defendant shared the same principal. Under the circumstances, the court found a sufficient factual dispute as to the moving defendant’s contributory liability as to merit a denial of its motion.<sup>1650</sup>

## ii. Vicarious Liability

The doctrine of vicarious liability made few appearances in the case law, and it failed to carry the day in the reported opinion addressing it in greatest detail, which originated in an action against two corporate defendants based on undisputed sales by their employees of goods bearing counterfeit imitations of the plaintiff’s registered marks.<sup>1651</sup> In the absence of guidance from the Supreme Court or the Fifth Circuit, the Texas federal district court assigned

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<sup>1647</sup> *Luxottica Grp., S.p.A. v. Greenbriar Marketplace II, LLC*, 212 F. Supp. 3d 1370, 1377 (N.D. Ga. 2016) (citation omitted).

<sup>1648</sup> *Id.* at 1387.

<sup>1649</sup> *See Am. Diabetes Ass’n v. Friskney Family Trust, LLC*, 177 F. Supp. 3d 855 (E.D. Pa. 2016).

<sup>1650</sup> *Id.* at 884.

<sup>1651</sup> *See Michael Kors, LLC v. Hernandez Int’l Inc.*, 120 U.S.P.Q.2d 1762 (S.D. Tex. 2016).

to the litigation looked to the *Restatement (Second) of Agency* when weighing the plaintiff's argument the corporate defendants should answer for the misconduct of their employees:

[T]he Court takes guidance from the Restatement. It provides in part that “[a] master is subject to liability for the torts of his servants committed while acting in the scope of their employment.” The master also is subject to liability if the servant's act was committed outside the scope of employment and “the servant purported to act or to speak on behalf of the principal and there was reliance upon apparent authority, or he was aided in accomplishing the tort by the existence of the agency relation.”<sup>1652</sup>

Responding to the plaintiff's motion for summary judgment on the question, the corporate defendants cited secret sales records maintained by their allegedly rogue employees, which they claimed placed into dispute the plaintiff's theory that the sale of the unauthorized goods was within the scope of the employees' duties. The court sided with the corporate defendants, holding, “[t]here is a genuine question of material fact whether the authorized duties of [the] employees extended to selling counterfeit goods. Summary judgment thus is not warranted on a theory of vicarious liability.”<sup>1653</sup>

### iii. Direct Liability

One reported opinion addressed the concept of direct liability and whether it should attribute the torts of a group of employees—specifically, criminal counterfeiting—to their employers.<sup>1654</sup> The court issuing it framed the issue in the following manner: “As a general principle of corporate law, ‘[t]he acts of a corporation's vice-principals are considered to be the acts of the corporation itself and are imputed to the corporation. Thus, the liability of a corporation for the acts of its vice-principals is direct rather than vicarious.’”<sup>1655</sup> Although acknowledging it might be appropriate to impute the knowledge of directors or key officers of the corporate defendants to those defendants, the court was less enthusiastic about doing so where the low-level employees at issue were concerned. It therefore denied the plaintiff's motion for summary judgment with the observation that “there is a genuine issue of material fact whether the convicted . . . employees were ‘vice-principals’ whose conduct and knowledge may be imputed to [their employers]. This inquiry

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<sup>1652</sup> *Id.* at 1784 (quoting *Restatement (Second) of Agency* § 219 (1958)).

<sup>1653</sup> *Id.* (footnote omitted).

<sup>1654</sup> *Id.* at 1784.

<sup>1655</sup> *Id.* (quoting *United States ex rel. Vavra v. Kellogg Brown & Root, Inc.*, 727 F.3d 343, 355 (5th Cir. 2013) (Jolly, J., concurring)).

requires further evidence regarding each individual's duties, corporate authority, and other relationships to [their employers], matters that require a trial."<sup>1656</sup>

### *h. Individual Liability*

"The general rule is that a corporate officer or limited liability company member is personally liable if he or she directly participates in the infringement."<sup>1657</sup> Nevertheless, "the 'individual liability standard does not ask whether the individual participated or engaged in some infringing act; instead, it asks whether he actively participated as a moving force in the decision to engage in the infringing acts, or otherwise caused the infringement as a whole to occur.'"<sup>1658</sup>

Although some allegations of individual liability succeeded under these (or closely similar) standards,<sup>1659</sup> the most substantive treatments of the issue went in defendants' favor. For example, in an appeal arising from a tangled franchise-franchisee relationship gone sour, the Eighth Circuit rejected the franchisor's attempt to hold two individuals associated with the former franchisee liable for the former franchisee's post-termination infringement.<sup>1660</sup> Although the individual defendants failed to appear, the allegations in the franchisor's complaint established that the individual defendants had merely operated the franchisee's dry-cleaning operation while the franchisee (unsuccessfully) sought permission to transfer the franchise to them. When the franchisor denied that permission and terminated the franchisee, the individual defendants vacated the premises and did not have any further involvement in what became a holdover franchise. The district court therefore properly had declined to impose a default judgment against the individual defendants.<sup>1661</sup>

Another unsuccessful attempt to hold an individual defendant personally liable for the alleged infringement of a corporate entity transpired in an action targeting the landlord of a flea market and

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<sup>1656</sup> *Id.* at 1784-85.

<sup>1657</sup> *Martinizing Int'l, LLC v. BC Cleaners, LLC*, 855 F.3d 847, 852 (8th Cir. 2017).

<sup>1658</sup> *Luxottica Grp., S.p.A. v. Greenbriar Marketplace II, LLC*, 212 F. Supp. 3d 1370, 1379 (N.D. Ga. 2016) (quoting *Chanel, Inc. v. Italian Activewear of Fla., Inc.*, 931 F.2d 1472, 1478 n.8 (11th Cir. 1991)).

<sup>1659</sup> *See, e.g., Tex. Roadhouse, Inc. v. Tex. Corral Rests., Inc.*, 122 U.S.P.Q.2d 1251 (N.D. Ind. 2017) (declining to grant individual defendant's motion to dismiss based on plaintiffs' averments of his direct participation in operations for restaurants featuring allegedly infringing trade dress); *Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137, 170-74 (E.D.N.Y. 2016) (finding individual defendants liable as a matter of law based on plaintiffs' showings they had either directly participated in counterfeiting operation or supervised aspects of it).

<sup>1660</sup> *See Martinizing Int'l, LLC v. BC Cleaners, LLC*, 855 F.3d 847 (8th Cir. 2017).

<sup>1661</sup> *Id.* at 852.

the landlord's principal, who was named as an individual defendant.<sup>1662</sup> In moving the court for summary judgment, the individual defendant did not contest the plaintiff's showing that counterfeiting of the plaintiff's registered marks had occurred at the flea market. Nevertheless, the plaintiff failed to adduce evidence or testimony that the individual defendant was personally involved in the flea market's operations or that he personally observed or monitored the flea market's vendors; moreover, although he received occasional complaints about counterfeiting occurring at the flea market, he referred them to the principals of the corporate landlord, upon which he relied to address the complaints. Under these circumstances, his indirect ownership interest in the landlord was insufficient, in and of itself to create a factual dispute as to his individual liability.<sup>1663</sup>

## 2. Defenses

### *a. Legal Defenses*

#### **i. Abandonment**

Section 45 of the Lanham Act identifies two circumstances under which a mark owner can abandon its rights:

A mark shall be deemed to be "abandoned" if either of the following occurs:

(1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.<sup>1664</sup>

Both types of abandonment came into play over the course of the past year.

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<sup>1662</sup> See *Luxottica Grp., S.p.A. v. Greenbriar Marketplace, LLC*, 212 F. Supp. 3d 1370 (N.D. Ga. 2016).

<sup>1663</sup> *Id.* at 1386-89.

<sup>1664</sup> 15 U.S.C. § 1127 (2012).

*(A) Nonuse*

As always, some opinions made the obvious point that a mark cannot be abandoned through nonuse if it remains in use. One came from the Second Circuit, which reviewed a district court finding of abandonment as a matter of law and found it wanting.<sup>1665</sup> The appellate court noted the counterclaim plaintiff had introduced into the summary judgment record declaration testimony of the ongoing use of the disputed marks, supported by exhibits in the form of screenshots from its website. This showing, the court concluded, contradicted the district court's finding there was no dispute about the marks' nonuse.<sup>1666</sup> The result was a vacatur and remand.<sup>1667</sup>

Still, however, some claims of abandonment succeeded, with the most notable one coming from the Fifth Circuit.<sup>1668</sup> The trial record of the action before that court established that a company controlled by the defendant had discontinued a mark and then resumed the mark's use a mere nine months later. Presented with an e-mail in which the defendant declared, "I do not wish to use anything for the [mark] ever again," the jury found abandonment, and the appellate court declined to disturb that verdict. As the court explained, "[t]hat [the defendant's company] resumed use of the mark within nine months of stopping does not necessarily negate intent to abandon."<sup>1669</sup>

In reaching this outcome, the court addressed the adequacy of the district court's jury instruction on the issue. The instruction tracked the text of Section 45,<sup>1670</sup> but that was not enough for the defendant, whose company the jury found had abandoned its trademark. Taking issue with the instruction, the defendant argued the district court should have advised the jury that some nonuse was excusable. The court of appeals disagreed, observing instead that:

"Excusable nonuse," as [the defendant] frames it, is captured by the instruction to the jury that an element of trademark abandonment is "intent not to resume use" because the additional language that [the defendant] seeks would only inform the jury that some nonuse does not indicate intent to

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<sup>1665</sup> See *Cross Commerce Media, Inc. v. Collective, Inc.*, 841 F.3d 155 (2d Cir. 2016).

<sup>1666</sup> *Id.* at 169.

<sup>1667</sup> *Id.* at 170.

<sup>1668</sup> See *Vetter v. McAtee*, 850 F.3d 178 (5th Cir. 2017).

<sup>1669</sup> *Id.* at 185.

<sup>1670</sup> The jury instruction read, "[t]rademarks can be abandoned through non-use. A trademark is abandoned if it is proven by a preponderance of the evidence, that (1) the use of trademark was discontinued; and (2) an intent not to resume such use." *Quoted in id.* at 184.



abandon. Thus, an instruction that some trademark nonuse is excusable would have been redundant.<sup>1671</sup>

### ***(B) Naked Licensing***

Following a full trial on the issue, one court disposed of a claim of abandonment through naked licensing in the usual manner, which was to reject it.<sup>1672</sup> Things did not begin well for the counterclaim defendants asserting the defense after the court remarked that “[c]ourts will generally find abandonment through naked licensing only in extreme cases in which the trademark owner exercises no control whatsoever”<sup>1673</sup> and also that “[the counterclaim defendants] face[] a steep mountain to climb, as courts place a stringent burden on a party asserting abandonment on a theory of naked licensing.”<sup>1674</sup> The counterclaim plaintiff’s licenses left “much to be desired” because some were initially verbal or implied in nature;<sup>1675</sup> in addition, that “[the counterclaim plaintiff’s] quality control inspections are infrequent and irregular, and it seems to provide its licensees fairly wide latitude in determining the visual appearance of their stores.”<sup>1676</sup> Nevertheless, “[the counterclaim plaintiff] also appears to have made a concerted effort to increase its level of control during the pendency of this litigation by entering into written licensing agreements and conducting inspections, including at least one documenting the visit with photographs seemingly for the purpose of this litigation with its trial counsel present.”<sup>1677</sup> Additional facts supporting the court’s disposition of the defense were purchases by the counterclaim plaintiff’s licensees of inventory, uniforms, and equipment directly from the counterclaim plaintiff and the close familial relations between the counterclaim plaintiff and its licensees.<sup>1678</sup> All in all, the court concluded, “[the counterclaim plaintiff] has satisfied the minimum level of control necessary to avoid abandonment through naked licensing.”<sup>1679</sup>

A leader of a religious organization and a company owned by that organization, which had delegated the management of a food market to a member of the organization who eventually went rogue

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<sup>1671</sup> *Id.*

<sup>1672</sup> *See* Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V., 188 F. Supp. 3d 22 (D.D.C. 2016), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).

<sup>1673</sup> *Id.* at 92.

<sup>1674</sup> *Id.* at 93.

<sup>1675</sup> *Id.*

<sup>1676</sup> *Id.*

<sup>1677</sup> *Id.*

<sup>1678</sup> *Id.* at 93-94.

<sup>1679</sup> *Id.* at 93.

and claimed to own the mark under which the market operated, also successfully fought off a finding of naked licensing.<sup>1680</sup> They did so during a bench trial through testimony from the organization's leader, who owned a federal registration covering the mark, that:

[He had] maintained continuous oversight over [the market's] operations and management from its inception [until the parties' dispute], and that he authorized various [organization] members to use the mark precisely and solely because of their assigned roles with respect to the business and their adherence to the [organization's] service and food preparation standards.<sup>1681</sup>

The same testimony precluded the defendant from establishing naked licensing of the market's operations during the time prior to the defendant's management of it.<sup>1682</sup>

Another failed defense claim of a naked license fell short according to the common-sense proposition that it cannot exist in the absence of an actual license.<sup>1683</sup> The defendant learning this lesson the hard way apparently claimed a third party's use of a mark similar to that of the plaintiff should work an abandonment of the plaintiff's rights. Although the defendant argued the plaintiff had had a relationship with the third party for over two years without sending a demand letter, the summary judgment record demonstrated the plaintiff had attempted to negotiate a license with the third party during that period. The court therefore rejected the defendant's claim of abandonment with the explanation that:

[The defendant] has offered no evidence that [the plaintiff] has yet granted [the third party] a license to use its mark, much less that any such licensing was uncontrolled. In fact, [a witness for the plaintiff] testified that the two companies are currently in negotiations to find a way for [the third party] to continue using its name in a way that would not interfere with [the plaintiff's] trademarks, suggesting that [the plaintiff] is adamant about controlling use of its mark and is in the process of negotiating a controlled license.<sup>1684</sup>

## ii. Prior Use

On its face, the Lanham Act contains three defenses of which a defendant claiming prior use in an action brought by the owner of an incontestable registration can avail itself. The first is codified in

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<sup>1680</sup> See *Yah Kai World Enters. v. Napper*, 195 F. Supp. 3d 287 (D.D.C. 2016).

<sup>1681</sup> *Id.* at 314.

<sup>1682</sup> *Id.*

<sup>1683</sup> See *Ariel Invs., LLC v. Ariel Capital Advisors LLC*, 238 F. Supp. 3d 1009 (N.D. Ill. 2017), *rev'd on other grounds*, No. 17-1516, 2018 WL 632553 (7th Cir. Jan. 31, 2018).

<sup>1684</sup> *Id.* at 1028.

Section 33(b)(5) of the Act,<sup>1685</sup> which preserves the rights of an “intermediate junior user” whose use of its mark postdates that of a senior user but predates the issuance of a registration to the senior user.<sup>1686</sup> That defense requires a defendant invoking it to demonstrate that: (1) it adopted its mark before the issuance of the senior user’s registration and without knowledge of the senior user’s prior use; (2) the scope of the geographic market in which it used its mark prior to the registration of the senior user’s mark; and (3) it has continuously used the mark in the preregistration geographic market.<sup>1687</sup> A second appears in Section 33(b)(6), which recognizes as a “defense or defect” that the defendant adopted and registered its mark prior to the issuance of the plaintiff’s registration; that exclusion from liability also applies only to the geographic market occupied prior to the plaintiff’s registration date.<sup>1688</sup> Finally, the Act’s third geographic rights defense appears in the following exception to incontestability found in Section 15:

[E]xcept to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the owner to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable . . . .<sup>1689</sup>

In a case in which the defendant invoked Section 33(b)(5)’s affirmative defense, the Seventh Circuit tackled the meaning of continuous use under that statute.<sup>1690</sup> During a bench trial on that issue, the plaintiff emphasized the defendant’s failure to introduce sales records postdating the 2012 issuance of the plaintiff’s registration, and the district court relied on that omission to find the defendant had failed to prove the required continuity. As the Seventh Circuit noted on appeal, however, the district court’s exclusive focus on sales records had caused it to “miss[] the forest

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<sup>1685</sup> 15 U.S.C. § 1115(b)(5) (2012).

<sup>1686</sup> See J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 26:38 (4th ed. 2016) (“If Orange Co. uses the mark in territory X, Blue Inc. then uses it in territory A, and then Orange files a use-based application to register the mark, then Blue is an ‘intermediate junior user.’”).

<sup>1687</sup> *What-A-Burger of Va., Inc. v. Whataburger, Inc. of Corpus Christi, Tex.*, 357 F.3d 441, 446 (4th Cir. 2004).

<sup>1688</sup> 15 U.S.C. § 1115(b)(6).

<sup>1689</sup> *Id.* § 1065.

<sup>1690</sup> See *S.C. Johnson & Son, Inc. v. Nutraceutical Corp.*, 835 F.3d 660 (7th Cir. 2016).

while looking for one specific kind of tree.”<sup>1691</sup> Specifically, the appellate court found, the trial record contained apparently undisputed testimony by an executive vice president of the defendant of continuous sales by the defendant itself and by a licensee of the defendant. Because “[the defendant] did not have to show either a high volume of sales or widespread recognition,” the defendant had demonstrated its entitlement to Section 33(b)(5)’s protection.<sup>1692</sup>

In contrast, a lack of continuity sank a different claim of protected intermediate junior use under Section 33(b)(5).<sup>1693</sup> It came in a suit by a leader of a religious organization and a company owned by that organization against a rogue member who managed certain of the organization’s properties before asserting control over them and the mark under which they operated. The trial record established that the organization had affirmatively removed the defendant from his management position on one occasion, and there was an additional period of time during which he otherwise had not been involved in the properties. Those circumstances prevented the defendant from demonstrating the continuity of use required for a successful assertion of the defense; moreover, the defendant’s admitted awareness of the plaintiffs’ prior use of the disputed mark before beginning his own was additionally fatal.<sup>1694</sup>

Continuity played a significant role in a third reported opinion interpreting Section 33(b)(5), albeit one not reaching a final resolution of the issue.<sup>1695</sup> The absence of a material dispute concerning the defendants’ status as intermediate junior users led them to move the court for summary judgment on their ability to continue using their mark in the geographic markets they occupied at the time of the plaintiff’s nationwide priority date. Conflating the concepts of abandonment and continuous use, the court found conflicting evidence and testimony in the record as to whether the defendants’ use of their mark had taken a hiatus during a rebranding initiative. Although some uses of the mark continued, the court concluded that a reasonable jury might find they were merely residual or, in the words of a defense witness, “rogue” advertising;<sup>1696</sup> likewise, although the defendants had maintained a domain name based on the mark, “[a]bsent proof that defendants intended the domain name itself to identify the source of services and not merely defendants’ location on the internet, the domain

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<sup>1691</sup> *Id.* at 668.

<sup>1692</sup> *Id.* at 669.

<sup>1693</sup> *See* *Yah Kai World Enters. v. Napper*, 195 F. Supp. 3d 287 (D.D.C. 2016).

<sup>1694</sup> *Id.* at 312.

<sup>1695</sup> *See* *UHS of Del., Inc. v. United Health Servs., Inc.*, 227 F. Supp. 3d 381 (M.D. Pa. 2016).

<sup>1696</sup> *Id.* at 401.

name alone does not constitute ‘use’ of a mark.”<sup>1697</sup> The extent to which the defendants qualified for the defense therefore presented a jury question.

A final assertion of Section 33(b)(5) failed for a different reason.<sup>1698</sup> Although the lead defendant appeared to have begun the challenged use prior to the plaintiff’s claimed priority date, the court found from the summary judgment record that “[the lead defendant] does not allege that it used the [disputed] phrase . . . as either a name or a mark, but rather that it used the phrase in a generic way to describe its services.”<sup>1699</sup> Because “[g]eneric or descriptive use of a phrase does not create priority,”<sup>1700</sup> the defendants’ prior use defense failed to protect them from the plaintiff’s allegations of infringement and unfair competition.

### iii. Descriptive Fair Use

Descriptive fair use, sometimes known as “classic” fair use,<sup>1701</sup> by a defendant of either the plaintiff’s mark or the words making up that mark may be justified under any of three theories. First, Section 33(b)(4) of the Act recognizes as a defense to the conclusive evidentiary presumptions attaching to an incontestably registered mark that a defendant is using “otherwise than as a mark” 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.”<sup>1702</sup> Second, the common law preserves defendants’ ability to use personal names and descriptive terms in their primary descriptive sense; consequently, a defendant in an action to protect a registered mark who first satisfies Section 33(b)(4)’s requirements can then fall back on the common law to provide a defense on the merits. Finally, Section 43(c)(3)(A) excludes from liability in a likelihood-of-dilution action “[a]ny fair use, including a . . . descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person’s own goods or services.”<sup>1703</sup> As a general proposition, “[t]o successfully assert a classic fair use defense a defendant must show: ‘1) [d]efendant’s use of the term is not as a trademark or service mark; 2) [d]efendant uses the term “fairly and in good faith;” and 3) [d]efendant uses the term “only to describe its

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<sup>1697</sup> *Id.* at 401-02.

<sup>1698</sup> *See* Meth Lab Cleanup, LLC v. Bio Clean, Inc., 205 F. Supp. 3d 1243 (W.D. Wash. 2016).

<sup>1699</sup> *Id.* at 1254.

<sup>1700</sup> *Id.*

<sup>1701</sup> *See, e.g.,* Caiz v. Roberts, 224 F. Supp. 3d 944, 956 (C.D. Cal. 2016), *judgment entered*, No. CV No. 15-09044-RSWL-AGRx, 2016 WL 7335777 (C.D. Cal. Dec. 16, 2016), *appeal docketed*, No. 17-55051 (9th Cir. Jan 12, 2017).

<sup>1702</sup> 15 U.S.C. § 1115(b)(4) (2012).

<sup>1703</sup> *Id.* § 1125(c)(3)(A).

goods or services.””<sup>1704</sup> Moreover, because descriptive fair use is an affirmative defense, the facts underlying it must be pleaded in response to a complaint.<sup>1705</sup>

A dispute over the phrase “meth lab cleanup” for use in connection with the decontamination of illegal clandestine drug lab sites and related services produced a finding of descriptive fair use as a matter of law.<sup>1706</sup> Responding to the defendants’ motion for summary judgment, the plaintiff argued the defendants had changed their once-nonactionable uses of the phrase and had begun “deliberately and in bad faith using the phrase in a trademark sense.”<sup>1707</sup> As support for that theory, the plaintiff asserted that “[f]irst, [the lead defendant] changed one of the tabs listing the services offered by [the lead defendant] from ‘Drug Lab Cleanup & Disposal’ to ‘Meth Lab Cleanup,’”<sup>1708</sup> and, “[s]econd, [the lead defendant] added the metatag ‘meth lab cleanup’ to its website,”<sup>1709</sup> with the latter action allegedly taking place “shortly” after employees of the lead defendant attended a training course operated by the plaintiff. The court found both assertions meritless as a matter of law because “[t]here is . . . no genuine issue of fact that these uses on [the lead defendant’s] website are descriptive, and not trademark uses” and, additionally, because the changes to the website had actually been made three years after the training course.<sup>1710</sup>

In contrast, a different court rejected an assertion of descriptive fair use on the parties’ cross-motions for summary judgment.<sup>1711</sup> The plaintiff’s complaint targeted the defendant’s registration of the [www.justbulbs.com](http://www.justbulbs.com) domain name, at which the defendant provided advertising for competitors of the plaintiff, the owner of the JUST BULBS mark for the retail sale of lightbulbs. The court concluded from the record that “[i]n this case, Defendant uses Plaintiff’s trademark to attract attention from the public, because unwitting consumers will enter [www.justbulbs.com](http://www.justbulbs.com) into their web browser or search for ‘just bulbs,’ looking for Plaintiff’s website.”<sup>1712</sup> Of perhaps greater relevance to the prerequisites of the defense, it also held,

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<sup>1704</sup> *Caiz*, 224 F. Supp. 3d at 956 (second, third, and fourth alterations in original) (quoting *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002); 15 U.S.C. § 1115(b) (2012)).

<sup>1705</sup> *Luxottica Grp. S.P.A. v. Cash Am. E., Inc.*, 198 F. Supp. 3d 1327, 1331 (M.D. Fla. 2016).

<sup>1706</sup> *See Meth Lab Cleanup, LLC v. Bio Clean, Inc.*, 205 F. Supp. 3d 1243 (W.D. Wash. 2016).

<sup>1707</sup> *Id.* at 1255.

<sup>1708</sup> *Id.*

<sup>1709</sup> *Id.*

<sup>1710</sup> As the court concluded, “[t]his long interval between the training and website changes negates any inference of bad faith.” *Id.*

<sup>1711</sup> *See Bulbs 4 E. Side, Inc. v. Ricks*, 199 F. Supp. 3d 1151 (S.D. Tex. 2016).

<sup>1712</sup> *Id.* at 1166.

“the use of a mark in a web address is not descriptive, but constitutes use as a trademark, making the fair use defense inapplicable.”<sup>1713</sup> The plaintiff, and not the defendant, therefore was entitled to summary judgment on the issue.

Of course, not all opinions addressing the descriptive fair use defense resolved it on the merits, especially in response to motions for summary judgment. For example, one of the more improbable assertions of descriptive fair use in recent memory resulted in a stalemate after the court entertaining it declined to grant the parties’ cross-motions for summary judgment.<sup>1714</sup> The plaintiff owned federal registrations of DON’T TREAD ON ME and DTOM for clothing, while the defendant sold various goods, including at least some T-shirts, bearing the same designations and used to promote the United States soccer team. Holding neither party entitled to judgment as a matter of law, the court identified factual disputes in the record as to the likelihood of confusion between the parties’ marks and the defendant’s intent. The court’s analysis lacked any discussion of how the challenged uses could in any way describe characteristics of the defendant’s goods, however, and the defendant’s showing on the issue was limited to examples of the marks being used “as a famous American rallying cry,”<sup>1715</sup> leaving the denial of the plaintiff’s motion on the issue open to question.

Other courts similarly declined defendants’ invitations to find descriptive fair use,<sup>1716</sup> including a New York federal district court, which did so when denying a motion to dismiss.<sup>1717</sup> The plaintiff had registered the WORLD TRADE CENTERS mark for association services and then had licensed the defendant, the Port Authority of New York and New Jersey, to use the mark in connection with a physical building complex. When the defendant began selling merchandise branded by the mark, the plaintiff filed suit for infringement. Denying the defendant’s motion, the court found it suffered from two deficiencies, the first of which was that, “as an affirmative defense, fair use is a fact intensive inquiry that requires weighing of evidence outside the complaint and cannot generally be resolved on a motion to dismiss.”<sup>1718</sup> The second was that:

[T]o assert a successful fair use defense to a trademark infringement claim, the defendant must prove that the use

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<sup>1713</sup> *Id.* at 1166-67.

<sup>1714</sup> *See* *Bauer Bros. v. Nike, Inc.*, 159 F. Supp. 3d 1202 (S.D. Cal. 2016).

<sup>1715</sup> *Quoted in id.* at 1212.

<sup>1716</sup> *See, e.g., Jones v. Am. Council of Exercise* 245 F. Supp. 3d 853, 859 (S.D. Tex. 2017) (holding, without extensive analysis, that defendant’s claim of descriptive fair use did not preclude entry of preliminary injunction).

<sup>1717</sup> *See* *World Trade Ctrs. Ass’n v. Port Auth. of N.Y. & N.J.*, 121 U.S.P.Q.2d 1273 (S.D.N.Y. 2016).

<sup>1718</sup> *Id.* at 1276.

was made (1) other than as a mark, (2) in a descriptive sense and (3) in good faith. Given the usage of the WORLD TRADE CENTER mark on advertising and merchandise as well as the Port Authority's alleged knowledge of and disregard for [the plaintiffs'] ownership of the mark, the Port Authority's argument for fair use is unavailing at this stage of the litigation.<sup>1719</sup>

Another failed defense motion for summary judgment on the issue of descriptive fair use came in an action brought by the owners of the JEWELRY TV and GEMSTV marks for interactive television retail store services and computerized online retail store services featuring jewelry and gemstones.<sup>1720</sup> The plaintiffs acquired the second of their marks through the bankruptcy of a predecessor, while the defendants purchased most of the other assets associated with the predecessor's use of the mark, including the predecessor's television set, production facilities, and customer list; the defendants also entered into employment contracts with many of the predecessor's former television hosts, production staff, and customer support staff. The plaintiffs' suit accused the defendants of promoting their competing services through numerous references to the plaintiffs' marks, including their claim to have "kept the very best parts of GemsTV," including "the personal touch, the family feeling, the fun, class and style that set GemsTV apart from other shopping channels," as well as its use of the marks in meta tags.<sup>1721</sup> In denying the defendants' motion, the court cited deposition testimony from a defense witness that "two of [the defendant's] main objectives . . . were: (1) to demonstrate that it was the successor to Gems TV or that Gems TV had a strong link to it and (2) to . . . drive traffic to its website and away from its chief competitor, [one of the plaintiffs]." <sup>1722</sup> That testimony, the court concluded, "taken in the light most favorable to the nonmoving party, is sufficient to create a genuine issue of fact regarding whether [the defendants] used the plaintiffs' marks descriptively and in good faith, or with the intent of trading on the goodwill of their competitors' marks."<sup>1723</sup>

#### iv. Nominative Fair Use

"Nominative fair use by a defendant makes it 'clear to consumers that the plaintiff, not the defendant, is the source of the

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<sup>1719</sup> *Id.* (citation omitted).

<sup>1720</sup> *See* Multimedia Commerce Grp. v. Posh TV, 119 U.S.P.Q.2d 1536 (E.D. Tenn. 2016).

<sup>1721</sup> *Quoted in id.* at 1538.

<sup>1722</sup> *Quoted in id.* at 1540.

<sup>1723</sup> *Id.*



trademarked product or service.”<sup>1724</sup> Although the Ninth Circuit has on occasion characterized the nominative fair use doctrine as something a plaintiff must overcome as part of its *prima facie* case,<sup>1725</sup> a California federal district court treated it as an affirmative defense, holding:

To establish this nominative fair use defense, a defendant must meet three elements: (1) the plaintiff's product or service in question must be one not readily identifiable without use of the trademark; (2) only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and (3) the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.<sup>1726</sup>

This restatement took place against the backdrop of the plaintiff's claim that the use of the phrase “compare to the ingredients in shakeology” on the packaging of its meal replacement shakes infringed the plaintiff's SHAKEOLOGY mark for the same goods. Unusually, the court reached a finding of nominative fair use as a matter of law on the defendant's motion to dismiss, holding in the process that the plaintiff's complaint failed to aver facts precluding the defendant from prevailing as to each of the relevant factors.<sup>1727</sup>

In the absence of controlling guidance from the D.C. Circuit, a District of Columbia federal district court also characterized nominative fair use as an affirmative defense, in the process adopting a virtually identical test for its successful invocation.<sup>1728</sup> As a practical matter, though, the court then read the defense out of existence by holding that the plaintiffs' *prima facie* showing of likely confusion precluded the defendant from invoking it. As the court explained, “because the court has already determined that consumer confusion as to the source of the trademarked standards

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<sup>1724</sup> *Am. Soc'y for Testing & Materials v. Public.Resources.Org, Inc.*, 121 U.S.P.Q.2d 1513, 1538 (D.D.C. 2017) (quoting *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 220 (3d Cir. 2005)).

<sup>1725</sup> *See Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1182-83 (9th Cir. 2010).

<sup>1726</sup> *Beachbody LLC v. Universal Nutrients, LLC*, 119 U.S.P.Q.2d 1734, 1736 (C.D. Cal. 2016).

<sup>1727</sup> *Id.* at 1736-37.

<sup>1728</sup> According to the court:

Under this defense, Defendant must demonstrate that its use of Plaintiffs' trademarks was necessary to describe their [goods]; that it only used as much of the marks as was reasonably necessary to identify the [goods]; and that it has not done anything to suggest sponsorship or endorsement by the Plaintiffs or to inaccurately describe the relationship between the parties' products.

*Am. Soc'y for Testing & Materials v. Public.Resources.Org, Inc.*, 121 U.S.P.Q.2d 1513, 1538 (D.D.C. 2017) (quoting *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 220 (3d Cir. 2005)).

is likely, the nominative fair use defense is inapplicable and the court need not assess each of the . . . factors listed above.”<sup>1729</sup>

Some courts reached findings of nominative fair use without expressly referencing the doctrine.<sup>1730</sup> For example, the Supreme Court of Georgia did everything but invoke it by name in rejecting a claim of likely dilution by tarnishment against a law firm operating in that state.<sup>1731</sup> The plaintiff operated nursing homes, which the defendant targeted with the following advertisement:<sup>1732</sup>



The plaintiff secured a permanent injunction under the Georgia dilution statute<sup>1733</sup> from a trial court, but that victory proved short-lived on appeal. According to the state’s court of last resort, “trademark law does not impose a blanket prohibition on

<sup>1729</sup> *Id.* at 1539.

<sup>1730</sup> *See, e.g.*, *LTJ Enters. v. Custom Mktg. Co.*, 168 F. Supp. 3d 1202, 1215 (D. Minn. 2016) (granting defense motion for summary judgment on ground that “[t]he use of [a plaintiff’s] mark at trade shows is permissible comparative advertising unless sufficient consumer confusion is demonstrated”).

<sup>1731</sup> *See* *McHugh Fuller Law Grp. v. PruittHealth, Inc.*, 794 S.E.2d 150 (Ga. 2016).

<sup>1732</sup> *Id.* at 152.

<sup>1733</sup> Ga. Code Ann. § 10-1-451(b) (2003).

referencing a trademarked name in advertising. ‘Indeed, it is often virtually impossible to refer to a particular product for purposes of comparison, criticism, point of reference, or any other purpose without using the mark.’”<sup>1734</sup> Moreover, the appellate court added, “interpreting [the state statute] expansively to prohibit the use of [the plaintiffs] marks to identify its facilities and services in any way, as the company urges, would raise profound First Amendment issues.”<sup>1735</sup>

As always, the case law produced at least one opinion confusing the nominative fair use doctrine with its descriptive fair use counterpart.<sup>1736</sup> This year’s example originated in an action by the manufacturer and an installer of safety devices for electronically operated doors against installers who allegedly used the plaintiff’s marks to represent to customers the plaintiffs had certified the defendants. Addressing a motion to dismiss filed by the lead defendant and certain of its employees, the court’s opinion began in promising fashion with the observation that “[t]he doctrine of ‘nominative fair use’ allows a defendant to use a plaintiff’s trademark to identify the defendant’s goods so long as there is no likelihood of confusion.”<sup>1737</sup> From there, however, the court mistakenly applied the test for descriptive fair use when it held, “[i]n order to assert a successful fair use defense to a trademark infringement claim, the defendant must prove three elements: that the use was made (1) other than as a mark, (2) in a descriptive sense, and (3) in good faith.”<sup>1738</sup> Because it was “far from clear” on the face of the complaint all three of these requirements were satisfied, the court denied the motion.<sup>1739</sup>

## v. Statutes of Limitations

The Lanham Act does not contain a statute of limitations,<sup>1740</sup> but several reported opinions addressed the significance of state statutes on the subject. One of only three readily apparent opinions actually to resolve statute of limitations-based defenses on the

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<sup>1734</sup> *McHugh Fuller Law Grp.*, 794 S.E.2d at 156 (quoting *New Kids on the Block v. News Am. Pub., Inc.*, 971 F.2d 302, 306 (9th Cir. 1992)).

<sup>1735</sup> *Id.*

<sup>1736</sup> *See Gym Door Repairs, Inc. v. Young Equip. Sales, Inc.*, 206 F. Supp. 3d 869 (S.D.N.Y. 2016), *reconsideration denied*, No. 15-CV-4244 (JGK), 2016 WL 6652733 (S.D.N.Y. Nov. 10, 2016).

<sup>1737</sup> *Id.* at 902.

<sup>1738</sup> *Id.* (quoting *Kelly–Brown v. Winfrey*, 717 F.3d 295, 308 (2d Cir. 2013)).

<sup>1739</sup> *Id.*

<sup>1740</sup> *Am. Diabetes Ass’n v. Friskney Family Trust, LLC*, 177 F. Supp. 3d 855, 878 (E.D. Pa. 2016).

merits did so under South Dakota law.<sup>1741</sup> A jury trial in that case yielded a finding of liability for deceptive trade practices, but the defendants argued the plaintiff's cause of action was barred by its over four-year delay in bringing suit after discovering the defendants' conduct. Although instructing the jury to limit the plaintiff's eligibility for monetary relief to the four-year period prior to the complaint's filing, the court declined to hold the plaintiff's claims barred in their entirety. Instead, it noted, "South Dakota recognizes the continuing tort theory,"<sup>1742</sup> pursuant to which "[a] continuing tort occurs when a wrongful act persists over time."<sup>1743</sup> It then held:

"A classic instance of a continuing tort occurs with prolonged or repeated flooding of land." Much like a repeated flooding of land, defendants flooding of the market with its products constitutes a continuing tort. Plaintiff is entitled to reach back in time to the last qualifying date under the statute of limitation . . . .<sup>1744</sup>

The second opinion to tackle a statute of limitations-based defense on the merits, which came from a Texas federal district court, also applied the continuing tort rule.<sup>1745</sup> The dispute producing that opinion arose from the defendant's registration in 2003 of the [www.justbulbs.com](http://www.justbulbs.com) domain name, which the plaintiff believed infringed its federally registered JUST BULBS mark for the retail sale of lightbulbs. Although the defendant for a number of years sold plant bulbs on a website accessible at its domain name, it eventually transitioned the site to a platform on which competitors of the plaintiff could advertise. That transition, coupled with other routine changes to the website, precluded the defendant from invoking the Texas four-year statute of limitations,<sup>1746</sup> which the court applied to the plaintiff's Lanham Act claims:

Each change of the website constitutes a separate, new harm, with its own four-year statute of limitations. This is demonstrated particularly by Defendant's change from advertising only flower bulbs to advertising light bulbs . . . , a substantive change to the website. The statute of limitations does not bar Plaintiff's infringement claim, but

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<sup>1741</sup> See *Sturgis Motorcycle Rally, Inc. v. Rushmore Photo & Gifts, Inc.*, 239 F. Supp. 3d 1128 (D.S.D. 2017), *appeal docketed*, No. 17-2712 (8th Cir. Aug. 8, 2017).

<sup>1742</sup> *Id.* at 1142.

<sup>1743</sup> *Id.* (quoting *Brandt v. Cty. of Pennington*, 827 N.W.2d 871, 875 (S.D. 2013)).

<sup>1744</sup> *Id.* at 1142 (quoting *Holland v. City of Geddes*, 610 N.W.2d 816, 818 (S.D. 2000)).

<sup>1745</sup> See *Bulbs 4 E. Side, Inc. v. Ricks*, 199 F. Supp. 3d 1151 (S.D. Tex. 2016).

<sup>1746</sup> See Tex. Civ. Prac. & Rem. Code § 16.004 (Vernon 2009).

merely limits Plaintiff's damages to those occurring within four years of Plaintiff filing suit . . . .<sup>1747</sup>

In contrast, the third opinion rejected the continuing tort rule while dismissing a right of publicity cause of action under New York law.<sup>1748</sup> That portion of the plaintiff's complaint accused the defendants of having incorporated the plaintiff's name into URLs leading to the defendants' website. The plaintiff's response to the defendants' motion to dismiss pointed to changes to the website occurring within the one-year period defined by the relevant statute of limitations,<sup>1749</sup> but the court rejected the relevance of that showing in light of the plaintiff's inability to identify changes to the URLs underlying his claims. Specifically, because the URLs themselves had not changed, the continuing tort rule did not apply, and the plaintiff's cause of action was time-barred.<sup>1750</sup>

More commonly, courts did not reach final decisions on the merits of statute of limitations-based defenses.<sup>1751</sup> For example, one plaintiff moved the Georgia federal district court assigned to its case to strike an affirmative defense asserting the plaintiff had failed to assert its Lanham Act cause of action within the four-year time period prescribed by the Georgia statute of limitations applicable to actions under the Georgia deceptive trade practices act.<sup>1752</sup> Noting that Eleventh Circuit case law mandated the use of state statutes of limitations as benchmarks for measuring delay in the laches context, the court granted the motion to strike: "As the Lanham Act does not contain a statute of limitations and the Eleventh Circuit applies the period for analogous state law claims 'as the touchstone for laches,' Defendants' statute of limitations defense is invalid as a matter of law . . . ."<sup>1753</sup> The court did, however, allow the defendants to replead their response to the plaintiff's complaint to assert a claim of laches instead.<sup>1754</sup>

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<sup>1747</sup> *Bulbs 4 E. Side*, 199 F. Supp. 3d at 1165-66.

<sup>1748</sup> *See* *Fischer v. Forrest*, 122 U.S.P.Q.2d 1201 (S.D.N.Y. 2017), *report and recommendations accepted*, No. 14CIV1304PAEAJP, 2017 WL 1063464 (S.D.N.Y. Mar. 21, 2017).

<sup>1749</sup> N.Y. C.P.L.R. 215(3).

<sup>1750</sup> *Fischer*, 122 U.S.P.Q.2d at 1208.

<sup>1751</sup> *See, e.g.*, *Thousand Oaks Barrel Co. v. Deep South Barrels LLC*, 241 F. Supp. 3d 708, 722 (E.D. Va. 2017) (denying statute-of-limitations-based motion to dismiss "[b]ecause plaintiff alleges that the infringement is ongoing, [and] plaintiff may maintain a claim for infringement that occurs within the statutory period").

<sup>1752</sup> *See Luxottica Grp. v. Greenbriar Marketplace II, LLC*, 186 F. Supp. 3d 1370 (N.D. Ga. 2016).

<sup>1753</sup> *Id.* at 1380 (quoting *Kason Indus. v. Component Hardware Grp.*, 120 F.3d 1199, 1203 (11th Cir. 1997)).

<sup>1754</sup> *Id.*

In contrast, a second reported opinion<sup>1755</sup> denied a motion to dismiss a counterclaim for violation of the California right of publicity statute.<sup>1756</sup> According to the counterclaim defendant, its allegedly unlawful conduct—the sale of apparel bearing a mark comprising the personal name of the counterclaim plaintiffs’ predecessor—constituted a single publication predating assertion of the counterclaim by more than the two-year period prescribed by the statute.<sup>1757</sup> The court declined to accept this theory, at least at the pleadings stage. For one thing, it pointed out, the plaintiffs’ evidence of its date of first use was extrinsic; for another, that evidence did not “establish [the counterclaim defendant] had sold its products to a sufficiently large audience to trigger application of the single publication rule.”<sup>1758</sup> As a consequence, the court concluded, “[d]etermining whether this rule applies would require factual determinations as to whether the sales involved use of the [disputed] mark, the amount of infringing products sold, and the manner in which any infringing products were sold.”<sup>1759</sup>

The same result held in application of the same statute of limitations to a similar claim under the California right of publicity statute.<sup>1760</sup> The plaintiffs, an individual and a company he had founded, had once distributed their dietary supplements through the defendants. During the pendency of that relationship, the defendants established websites featuring the images of the individual plaintiff, and they also secured a toll-free telephone number that was a mnemonic of the individual plaintiff’s last name. When the defendants continued to use the websites and the number following their termination as distributors of the plaintiffs’ goods, the plaintiffs filed suit and successfully pursued a preliminary injunction motion in the face of the defendants’ argument that their alleged misconduct had begun well before the two-year time period prescribed by the statute of limitations. Because the defendants’ original use of the individual plaintiff’s name and likeness had been with the plaintiffs’ consent, and because a prerequisite of liability was that such a use be nonconsensual, the court held that “[t]he main problem with Defendants’ position is that it would start the statute of limitations clock before all the elements of a claim

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<sup>1755</sup> See *Manifatture 7 Bell S.P.A. v. Happy Trails LLC*, 174 F. Supp. 3d 863 (D. Del. 2016).

<sup>1756</sup> Cal. Civ. Code § 3344.1 (West 2016).

<sup>1757</sup> As the court explained, “[u]nder this rule, the limitations period in a right of publicity case begins immediately when the single publication is initially distributed to the public, and the period resets only if the publication is republished.” *Manifatture 7 Bell S.P.A.*, 174 F. Supp. 3d at 868.

<sup>1758</sup> *Id.* at 868-69.

<sup>1759</sup> *Id.* at 869.

<sup>1760</sup> See *Youngevity Int’l Corp. v. Smith*, 224 F. Supp. 3d 1022 (S.D. Cal. 2016), *modified*, No. 3:16-cv-00704-L-JLB, 2016 WL 7626585 (S.D. Cal. Dec. 29, 2016).

accrue.”<sup>1761</sup> “Indeed,” it held, “Defendants’ position would require a plaintiff to bring a claim before having a legal basis to do so.”<sup>1762</sup> Finally, that argument “also would categorically deny a plaintiff the right to terminate consent to the continued but unchanged use of a plaintiff’s likeness after two years.”<sup>1763</sup> Because the plaintiffs had filed their complaint within a month of their termination of the defendants as distributors, the statute of limitations did not bar their claims.<sup>1764</sup>

Another statute of limitations-based defense survived dismissal in an action in which the defendant’s predecessor had assigned her rights to the BUCK ROGERS mark to the plaintiff’s predecessor in 1942.<sup>1765</sup> In January 2009, the defendant applied to register the mark for various goods and services, and, in December 2015, a representative of the defendant began shopping a pilot script for a Buck Rogers television series or movie project and associated merchandising. In the November 19, 2015, breach of contract action that followed, the defendant invoked Pennsylvania’s four-year statute of limitations<sup>1766</sup> in support of a motion to dismiss. The court denied the motion, concluding that, although the defendant argued the original breach occurred in 2009 upon the filing of the defendant’s trademark application, “it is not apparent from the face of the [complaint] that this action breached the 1942 [agreement], or that if it did, that the breach was the same as the alleged breach associated with pitching the script . . . in 2015.”<sup>1767</sup> Dismissal at the pleadings stage therefore was inappropriate on the ground that “[r]esolving the true nature and timing of the breach will require the development of a more complete evidentiary record.”<sup>1768</sup>

## ***b. Equitable Defenses***

### **i. Unclean Hands**

According to one court, the “[t]he doctrine of unclean hands bars relief to a plaintiff who has violated conscience, good faith or other equitable principles in his prior conduct, as well as to plaintiff who has dirtied his hands in acquiring the right presently asserted.”<sup>1769</sup>

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<sup>1761</sup> *Id.* at 1027.

<sup>1762</sup> *Id.*

<sup>1763</sup> *Id.*

<sup>1764</sup> *Id.*

<sup>1765</sup> See *Dille Family Trust v. Nowlan Family Trust*, 207 F. Supp. 3d 535 (E.D. Pa. 2016).

<sup>1766</sup> Pa. Cons. Stat. § 5525(a)(8) (2006).

<sup>1767</sup> *Dille Family Trust*, 207 F. Supp. 3d at 541.

<sup>1768</sup> *Id.*

<sup>1769</sup> *Bauer Bros. v. Nike, Inc.*, 159 F. Supp. 3d 1202, 1215 (S.D. Cal. 2016) (quoting *Seller Agency Council, Inc. v. Kennedy Ctr. for Real Estate Educ., Inc.*, 621 F.3d 981, 986 (9th Cir. 2010)).

Another explained rather more cryptically that the affirmative defense applies if the acts by the plaintiff “at issue in some measure affect the equitable relations between the parties in respect of something brought before the court for adjudication.”<sup>1770</sup> “Though equitable in nature, the unclean hands doctrine bars claims for money damages as well as those for equitable relief”;<sup>1771</sup> moreover, it can block affirmative defenses as well.

Whatever the precise formulation of the doctrine, invocations of it generally failed. For example, one court rejected the defense in a case in which the counterclaim plaintiffs accused their opponents of having purchased the counterclaim plaintiffs’ trademarks as keywords to trigger the counterclaim defendants’ online advertising.<sup>1772</sup> Although otherwise fending off the counterclaim plaintiffs’ motion for a preliminary injunction, the counterclaim defendants unsuccessfully accused the counterclaim plaintiffs of unclean hands based on the counterclaim plaintiffs’ alleged purchase of keywords referring to a third party’s products to trigger their own advertising. That accusation, the court held, was a “red herring” because it was unaccompanied by proof the counterclaim defendants were themselves harmed by the alleged conduct.<sup>1773</sup>

Likewise, another assertion of unclean hands failed when the plaintiff asserting it could not adduce supporting evidence or testimony other than its showing the defendants had infringed its marks in the first place.<sup>1774</sup> According to the plaintiff, that showing barred the defendants from prevailing on their equitable defenses, but the court disagreed. Crediting the defendants’ proof of myriad third-party users of similar marks and of their belief the salient component of the plaintiff’s mark was generic, the court explained:

[A] defendant’s mere awareness of a plaintiff’s claim to the same mark . . . [does not] establish[ ] the bad intent necessary to preclude the availability of the laches defense. . . . The plaintiff’s burden, therefore, is heavy. To foreclose the laches and acquiescence defenses, the plaintiff must offer something more than mere objective evidence to demonstrate that the defendant employed the allegedly infringing mark with the wrongful intent of capitalizing on its goodwill.<sup>1775</sup>

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<sup>1770</sup> *Ferring Pharma., Inc. v. Braintree Labs.*, 221 F. Supp. 3d 161, 170 (D. Mass. 2016) (quoting *Texaco P.R., Inc. v. Dep’t of Consumer Affairs*, 60 F.3d 867, 880 (1st Cir. 1995)).

<sup>1771</sup> *POM Wonderful LLC v. Coca-Cola Co.*, 166 F. Supp. 3d 1085, 1091 (C.D. Cal. 2016).

<sup>1772</sup> *See USA Nutraceuticals Grp. v. BPI Sports, LLC*, 165 F. Supp. 3d 1256 (S.D. Fla. 2016).

<sup>1773</sup> *Id.* at 1273.

<sup>1774</sup> *See Sturgis Motorcycle Rally, Inc. v. Rushmore Photo & Gifts, Inc.*, 239 F. Supp. 3d 1128 (D.S.D. 2017), *appeal docketed*, No. 17-2712 (8th Cir. Aug. 8, 2017).

<sup>1775</sup> *Id.* at 1161 (alterations in original) (quoting *Conan Props., Inc. v. Conans Pizza, Inc.*, 752 F.2d 145, 150 (5th Cir. 1985)).



Another unclean hands defense similarly failed although based on arguably stronger facts.<sup>1776</sup> The primary basis of the defense was undisputed expert witness testimony at trial that certain specimens submitted to the USPTO by the counterclaim plaintiff were fraudulent. The counterclaim defendants failed to support their showing on that point with another that the counterclaim plaintiff had submitted the specimens knowingly and intentionally. As the court explained, [the counterclaim defendants] did not present any evidence to the Court indicating who was responsible for these images or their intentions in submitting them to the USPTO.”<sup>1777</sup>

Nevertheless, other defense claims of unclean hands achieved varying degree of success. One came in an action between two manufacturers of juice products, in which the primary disputed issue was whether the defendant had falsely advertised the pomegranate juice content of one of its beverages.<sup>1778</sup> In response to the plaintiff's allegations, the defendant argued that: (1) the plaintiff's own “Pomegranate Blueberry 100% Juice” contained ingredients other than pomegranate and blueberry; (2) the plaintiff misleadingly promoted the same product as fresh-squeezed when it in fact came from concentrate; and (3) the plaintiff could not support the claims of health benefits it made for its pomegranate products.<sup>1779</sup> The plaintiff sought to dispose of these theories through a motion for summary judgment, which argued its alleged conduct did not directly relate to the claims it asserted against the defendant. Denying the motion, the court merely required the defendant to demonstrate “that the conduct relates to the subject matter of its claims,” for ‘equity requires that those seeking its protection shall have acted fairly and without fraud or deceit *as to the controversy at issue*.”<sup>1780</sup> Moving on to the merits of the defendant's three theories, the court then held that: (1) the plaintiff had failed to brief its attack on the ingredient-based component of the defendant's defense, which left that component standing;<sup>1781</sup>

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<sup>1776</sup> See *Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V.*, 188 F. Supp. 3d 22 (D.D.C. 2016), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).

<sup>1777</sup> *Id.* at 96.

A second, and ultimately less convincing, basis of the defense was the counterclaim plaintiff's expansion of its use of a mark disputed by the parties despite its knowledge of the counterclaim defendants' objections. The court rejected this alternative basis with little analysis. *Id.*

<sup>1778</sup> See *POM Wonderful LLC v. Coca-Cola Co.*, 166 F. Supp. 3d 1085 (C.D. Cal. 2016).

<sup>1779</sup> *Id.* at 1090.

<sup>1780</sup> *Id.* at 1095 (quoting *Fuddrucker's, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 847 (9th Cir. 1987)).

In any case, though, the court found the defendant's allegations were indeed directly related to the plaintiff's claims against the defendant. *Id.* at 1095-96.

<sup>1781</sup> *Id.* at 1102.

(2) the defendant had failed to brief its “from concentrate” claim, which led to the dismissal of that claim;<sup>1782</sup> and (3) a determination by the Federal Trade Commission that the plaintiff’s health-related claims were false and misleading created a factual dispute as to whether those inaccurate claims constituted unclean hands.<sup>1783</sup> Two of the three bases of the defendant’s assertion of unclean hands therefore survived until trial.

A different claim of unclean hands also withstood a motion for summary judgment by the plaintiff against which the defense was asserted.<sup>1784</sup> At an earlier stage of the case, the court held the defendant had identified sufficient evidence and testimony to support an inference that the plaintiff had defrauded the USPTO by submitting deliberately inaccurate averments of the use of its mark. The same evidence and testimony, the court concluded, created a factual dispute as to whether the plaintiff’s hands were unclean enough to bar its claims.<sup>1785</sup>

## ii. Laches

“[L]aches is a defense developed by courts of equity; its principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation.”<sup>1786</sup> Courts generally agreed that laches applied “when a plaintiff’s inexcusable delay in bringing a cause of action has prejudiced the defendant,”<sup>1787</sup> but they differed on the precise requirements for the defense. Some applied a three-part test requiring the defendant to prove: (1) the plaintiff delayed in asserting its rights; (2) the delay was inexcusable; and (3) the defendant suffered prejudice as a result.<sup>1788</sup> Others, however, adopted a two-part test examining whether: (1) the plaintiff’s delay in asserting its rights was unreasonable; and (2) the defendant would suffer prejudice arising from the delay.<sup>1789</sup> Although laches is an equitable doctrine, it often

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<sup>1782</sup> *Id.*

<sup>1783</sup> *Id.* at 1097-1011 (citing *POM Wonderful, LLC v. FTC*, 777 F.3d 478 (D.C. Cir. 2015)).

<sup>1784</sup> *See Bauer Bros. v. Nike, Inc.*, 159 F. Supp. 3d 1202 (S.D. Cal. 2016).

<sup>1785</sup> *Id.* at 1215-16.

<sup>1786</sup> *Sturgis Motorcycle Rally, Inc. v. Rushmore Photo & Gifts, Inc.*, 239 F. Supp. 3d 1128, 1148 (D.S.D. 2017) (alteration in original) (quoting *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1973 (2014)), *appeal docketed*, No. 17-2712 (8th Cir. Aug. 8, 2017).

<sup>1787</sup> *Retractable Techs., Inc. v. Becton Dickinson & Co.*, 842 F.3d 883, 899-900 (5th Cir. 2016), *cert. denied*, 137 S. Ct. 1349 (2017).

<sup>1788</sup> *Id.* at 900; *see also Sturgis Motorcycle Rally*, 239 F. Supp. 3d at 1149; *Bulbs 4 E. Side, Inc. v. Ricks*, 199 F. Supp. 3d 1151, 1164 (S.D. Tex. 2016); *RGB Plastic, LLC v. First Pack, LLC*, 184 F. Supp. 3d 649, 671 (N.D. Ill. 2016).

<sup>1789</sup> *Bauer Bros. v. Nike, Inc.*, 159 F. Supp. 3d 1202, 1216 (S.D. Cal. 2016); *see also Bikla v. Vibram USA Inc.*, 218 F. Supp. 3d 1206, 1211 (W.D. Wash. 2016); *Am. Diabetes Ass’n v. Friskney Family Trust, LLC*, 177 F. Supp. 3d 855, 878 (E.D. Pa. 2016); *Obesity Research Inst., LLC v. Fiber Research Int’l, LLC*, 165 F. Supp. 3d 937, 954 (S.D. Cal. 2016).

requires fact-intensive inquiries that do not lend themselves to resolution on motions to dismiss<sup>1790</sup> or for summary judgment. Moreover, “[t]he general rule is that a finding of laches bars a plaintiff’s ability to recover for past wrongs, but not a plaintiff’s ability to obtain relief for continuing violations.”<sup>1791</sup>

As always, state statutes of limitations informed many courts’ inquiries into the reasonableness of plaintiffs’ delays. One court explained the conventional rule in the following manner:

“Because the Lanham Act does not have its own statute of limitations, we borrow the most analogous statute of limitations from state law in order to determine whether a plaintiff’s delay in filing suit was reasonable.” If a Lanham Act claim is filed within the analogous state statute of limitations period, the strong presumption is that laches is inapplicable; if the claim is filed after the analogous limitations period has expired, the presumption is that laches is a bar to suit.<sup>1792</sup>

Statutes of limitations invoked in this context set the presumption of inexcusable delay at four years under California law,<sup>1793</sup> three years under Washington law,<sup>1794</sup> and three years under Illinois law;<sup>1795</sup> somewhat anomalously, a Pennsylvania federal district court adopted two separate benchmarks, namely, six years for claims under the Lanham Act<sup>1796</sup> but only two years where Pennsylvania common-law causes of action were concerned.<sup>1797</sup>

Assertions of laches failed for the most part over the past year. For example, the Fifth Circuit confirmed that the absence of prejudice can sink an otherwise potentially meritorious claim of laches.<sup>1798</sup> It did so in a case in which an earlier false advertising suit between the parties resulted in a settlement agreement. Following the settlement, the defendant placed into commerce advertising consistent with that which had led to the first suit. In the resulting second suit, the defendant asserted the plaintiff’s

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<sup>1790</sup> See, e.g., *Obesity Research Inst.*, 165 F. Supp. 3d at 954.

<sup>1791</sup> *Sturgis Motorcycle Rally*, 239 F. Supp. 3d at 1162 (quoting *Minn. Mining & Mfg. Co. v. Beutone Specialties, Co.*, 82 F. Supp. 2d 997, 1005 (D. Minn. 2000)).

<sup>1792</sup> *Bauer Bros. v. Nike, Inc.*, 159 F. Supp. 3d 1202, 1216 (S.D. Cal. 2016) (quoting *Automotive Gold Inc. v. Volkswagen of Am., Inc.*, 603 F.3d 1133 1139-40 (9th Cir. 2010)).

<sup>1793</sup> See *Bauer Bros.*, 159 F. Supp. 3d at 1216 (dismissing laches defense on summary judgment after finding presumption of inexcusable delay not triggered).

<sup>1794</sup> *Bikla v. Vibram USA Inc.*, 218 F. Supp. 3d 1206, 1213 (W.D. Wash. 2016).

<sup>1795</sup> See *RGB Plastic, LLC v. First Pack, LLC*, 184 F. Supp. 3d 649, 672 (N.D. Ill. 2016) (holding presumption of inexcusable delay not triggered by delay of thirty months).

<sup>1796</sup> See *Am. Diabetes Ass’n v. Friskney Family Trust, LLC*, 177 F. Supp. 3d 855, 879 (E.D. Pa. 2016) (presumption of delay not triggered by delay of four years and eight months).

<sup>1797</sup> *Id.* at 882 (presumption of delay triggered and not rebutted).

<sup>1798</sup> See *Retractable Techs., Inc. v. Becton Dickinson & Co.*, 842 F.3d 883 (5th Cir. 2016), *cert. denied*, 137 S. Ct. 1349 (2017).

delay in challenging the resumed advertising constituted laches, but that assertion failed before the district court and the appellate court alike. According to the latter, the defendant's knowledge of the plaintiff's objections to the advertising prior to the second suit precluded it from claiming prejudice, and the district court's rejection of the defense therefore had not been an abuse of discretion.<sup>1799</sup>

An affirmative rejection of a laches defense as a matter of law also came at the hands of an Illinois federal district court.<sup>1800</sup> The plaintiff owned a federal registration of its JUST BULBS mark for the retail sale of lightbulbs, on the basis of which it initiated a 2003 UDRP proceeding against the defendant, who had secured a registration of the [www.justbulbs.com](http://www.justbulbs.com) domain name. The defendant successfully fought off that proceeding by averring his intent only to use the address to sell plant bulbs, but he eventually began advertising lightbulbs for third parties in direct competition with the plaintiff. According to the defendant, the laches clock had started in 2003, when the plaintiff had become aware of his registration, but the court identified three reasons for its rejection of that position, the first of which was that "Defendant's actions after the 2003 WIPO decision were 'at his own risk,' because he was aware of Plaintiff's objections to his website."<sup>1801</sup> The second was that, rather than delaying, the plaintiff had immediately filed a second UDRP action after discovering the defendant's revised use.<sup>1802</sup> And the third was the defendant's failure to support his claim of evidentiary prejudice with details of the documents or witnesses upon which it might have relied had the plaintiff acted with greater speed.<sup>1803</sup>

A different Illinois federal district court reached much the same conclusion while denying a defense motion for summary judgment.<sup>1804</sup> The summary judgment record demonstrated the plaintiff had failed to challenge the defendant's alleged infringement for a maximum of thirty months, after which the discovery process had proven acrimonious. The court held those considerations did not in and of themselves mandate a finding of prejudice as a matter of law. Rather, "[t]o be sure, discovery in this case did not go smoothly, but viewing the evidence in [the plaintiff's] favor, a jury need not find that the problems were due to the delay

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<sup>1799</sup> *Id.* at 900.

<sup>1800</sup> *See* *Bulbs 4 E. Side, Inc. v. Ricks*, 199 F. Supp. 3d 1151 (S.D. Tex. 2016).

<sup>1801</sup> *Id.* at 1164 (quoting *Elvis Presley Enters. v. Capece*, 141 F.3d 188, 205 (5th Cir. 1998)).

<sup>1802</sup> *Id.*

<sup>1803</sup> *Id.*

<sup>1804</sup> *See* *RGB Plastic, LLC v. First Pack, LLC*, 184 F. Supp. 3d 649 (N.D. Ill. 2016).

in filing suit . . . . The laches affirmative defense does not justify summary judgment.”<sup>1805</sup>

Finally, one court rejected a claim of laches resting on circa-1944 and circa-1963 demand letters sent by the plaintiff to an alleged predecessor of the defendant.<sup>1806</sup> The defendant asserted the plaintiff's failure to follow the letter with an enforcement action constituted laches, but it could document the alleged privity between the recipient and itself only with inadmissible hearsay testimony. Having declined to accept the testimony, the court rejected the affirmative defense as a matter of law. As it explained, “the Court cannot find that the 1963 letter can serve as the basis for finding any unreasonable or inexcusable delay on Deere’s part . . . .”<sup>1807</sup>

In contrast, one group of defendants successfully asserted a laches defense in response to claims for monetary, but not injunctive, relief asserted against them.<sup>1808</sup> The record established during a jury trial that the plaintiff’s predecessor had sent a demand letter to the defendants but only filed suit four years and ten months later. Although not identifying which temporal benchmark it considered appropriate, the court found the plaintiff had impermissibly delayed in bringing its claims and that the defendants’ expansion of their operations during the period of delay established they would be prejudiced if the plaintiff received the entire panoply of relief it sought. The defendants therefore deserved to prevail on the plaintiff’s claims for monetary relief, although the defense did not bar the entry of injunctive relief.<sup>1809</sup>

A second successful invocation of laches came after the plaintiffs dragged their feet for at least four years after first discussing the possibility of bringing suit.<sup>1810</sup> Applying Washington law, the court held this inaction created a presumption of unreasonable delay, which the plaintiffs failed to rebut by pleading limited resources and a lack of knowledge of the scope of the defendants’ alleged infringement.<sup>1811</sup> The court also accepted the defendants’ two-fold showing of prejudice: (1) with respect to evidentiary prejudice, the plaintiffs acknowledged they had lost or destroyed relevant evidence, and key defense witnesses either were no longer available or no longer had detailed recollections; and (2) with respect to economic prejudice, the defendants had invested in the disputed

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<sup>1805</sup> *Id.* at 672.

<sup>1806</sup> *See Deere & Co. v. FIMCO Inc.*, 239 F. Supp. 3d 964 (W.D. Ky. 2017).

<sup>1807</sup> *Id.* at 1005.

<sup>1808</sup> *See Sturgis Motorcycle Rally, Inc. v. Rushmore Photo & Gifts, Inc.*, 239 F. Supp. 3d 1128 (D.S.D. 2017), *appeal docketed*, No. 17-2712 (8th Cir. Aug. 8, 2017).

<sup>1809</sup> *Id.* at 1162.

<sup>1810</sup> *See Bikla v. Vibram USA Inc.*, 218 F. Supp. 3d 1206 (W.D. Wash. 2016).

<sup>1811</sup> *Id.* at 1213.

mark during the plaintiffs' inaction.<sup>1812</sup> Although the plaintiffs argued the defendants' alleged bad faith left them with unclean hands disqualifying them from invoking an equitable defense, the court found the defendants had reasonably relied on the advice of the outside attorney who had cleared the mark for adoption.<sup>1813</sup>

### iii. Acquiescence

One court observed that:

[B]oth laches and acquiescence require proof that the party seeking to enforce its trademark rights has unreasonably delayed pursuing litigation and, as a result, materially prejudiced the alleged infringer, acquiescence requires more." Specifically, "acquiescence is intentional. Acquiescence requires 'a finding of conduct on the plaintiff's part that amounted to an assurance to the defendant, express or implied, that plaintiff would not assert his trademark rights against the defendant.'"<sup>1814</sup>

A different court defined the prerequisites for the defense in the following manner:

The elements of estoppel applicable to an acquiescence defense . . . are:

- (1) knowledge by [the plaintiff] or its predecessors-in-interest of the [defendants'] use of a mark;
- (2) [the plaintiff's] or its predecessors-in-interest's implied or express consent to the use of the mark by the [defendants]; and
- (3) A change in position by the [defendants] in reliance on the conduct of [the plaintiff] or its predecessors-in-interest.<sup>1815</sup>

The requirement of an affirmative gesture of consent proved the downfall of one claim of acquiescence.<sup>1816</sup> The defendant unsuccessfully raising it had managed properties of the plaintiffs before their attempt to remove the defendant led him to claim ownership of the mark under which the properties operated through his putative operation of a side business under the same mark. In the resulting lawsuit, the plaintiffs responded to the defendant's

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<sup>1812</sup> *Id.* at 1213-14.

<sup>1813</sup> *Id.* at 1211-12.

<sup>1814</sup> *Deere & Co. v. FIMCO Inc.*, 239 F. Supp. 3d 964, 1005 (W.D. Ky. 2017) (quoting *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 569 (6th Cir. 2000); *Presley Enters. v. Elvisly Yours, Inc.*, 936 F.2d 889, 894 (6th Cir. 1991)); *accord* *Covertech Fabricating, Inc. v. TVM Bldg. Prods., Inc.*, 855 F.3d 163, 175 (3d Cir. 2017).

<sup>1815</sup> *Sturgis Motorcycle Rally, Inc. v. Rushmore Photo & Gifts, Inc.*, 239 F. Supp. 3d 1128, 1149 (D.S.D. 2017), *appeal docketed*, No. 17-2712 (8th Cir. Aug. 8, 2017).

<sup>1816</sup> *See* *Yah Kai World Enters. v. Napper*, 195 F. Supp. 3d 287 (D.D.C. 2016).

assertion of laches by pointing to a demand letter sent to the defendant “immediately” upon the plaintiffs’ discovery of the defendant’s assertion of dominion over the disputed mark.<sup>1817</sup> Rather than the plaintiffs ever consenting to the defendant’s use of the mark, “the opposite was true.”<sup>1818</sup> In addition, to the extent the plaintiffs had acquiesced in the defendant’s use, that action amounted to only a license to use the disputed mark, which the demand letter had revoked.<sup>1819</sup>

One opinion adopted a more forgiving approach to a claim of acquiescence in a case in which the defendant could not point to an affirmative assurance of consent to the defendant’s alleged infringement.<sup>1820</sup> Instead, the defendant argued that the parties had promoted their goods at the same trade shows and that “company representatives ‘were always walking around’ at the shows looking at other companies’ booths.”<sup>1821</sup> Moreover, it claimed, its sales personnel often took product brochures and information on its goods when visiting the plaintiff’s dealerships. Although the plaintiff denied any of its employees with responsibility for trademark enforcement had knowledge of the defendant’s conduct, the court declined to accept that testimony at face value for purposes of the plaintiff’s motion for summary judgment on the issue. Rather, it concluded:

Drawing all inferences in favor of [the defendant] as the nonmoving party, the Court is persuaded that a reasonable fact finder could find that [the plaintiff] was aware of [the defendant’s] use . . . prior to 2011 [when the plaintiff first objected to that use] such that its failure to assert its rights amounted to an implied assertion that it would not assert those rights, or “intentional misleading silence.”<sup>1822</sup>

A more convincing gesture of consent underlay an actual holding of acquiescence on the merits.<sup>1823</sup> During a jury trial, the defendants presented evidence and testimony the plaintiff had for over ten years purchased goods allegedly bearing the infringing marks and resold them in its own gift shop. That action and the plaintiff’s subsequent failure to file suit for four years and ten months after sending a demand letter constituted both implied consent and the requisite delay, leaving only the question of whether the defendants

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<sup>1817</sup> *Id.* at 313.

<sup>1818</sup> *Id.*

<sup>1819</sup> *Id.*

<sup>1820</sup> *See Deere & Co. v. FIMCO Inc.*, 239 F. Supp. 3d 964 (W.D. Ky. 2017).

<sup>1821</sup> *Id.* at 1005.

<sup>1822</sup> *Id.* at 1006 (citation omitted) (quoting *Nartron Corp. v. STMicroelectronics, Inc.*, 305 F.3d 397, 412 (6th Cir. 2002)).

<sup>1823</sup> *See Sturgis Motorcycle Rally, Inc. v. Rushmore Photo & Gifts, Inc.*, 239 F. Supp. 3d 1128 (D.S.D. 2017), *appeal docketed*, No. 17-2712 (8th Cir. Aug. 8, 2017).

had relied on the plaintiff's inaction to their detriment. The court found they had, concluding:

[The lead defendant] expanded its employee workforce from only family members to 20 employees by the time of the complaint] and invested heavily in its [branded] products. The evidence shows it was more probable than not had [the plaintiff and its predecessor] asserted their rights back in 1999 [when the plaintiff's purchases began] or shortly thereafter, the growth and expansion by the . . . defendants would not have occurred to the extent it did. The . . . defendants have shown significant prejudice.<sup>1824</sup>

Significantly, however, the plaintiff's acquiescence barred only its recovery of monetary, and not injunctive, relief.<sup>1825</sup>

#### iv. Estoppel

"[E]stoppel 'requires more than a showing of mere silence on the part of a plaintiff; defendant must show that it had been misled by plaintiff through actual misrepresentations, affirmative acts of misconduct, [or] intentional misleading silence.'"<sup>1826</sup> The strict requirements for an assertion of estoppel came into play after a leader of a religious organization and a company owned by that organization filed suit against a breakaway member who had managed certain properties operating under the plaintiffs' mark and who claimed to own the mark as a result of his unauthorized use of it in connection with a side business he ran from his garage.<sup>1827</sup> Upon learning of that use, the plaintiffs had "immediately" objected to it in writing,<sup>1828</sup> and that action foreclosed the defendant from successfully claiming estoppel, especially "given that the 'gravamen' of estoppel is an 'intentionally misleading representation[]' regarding [the] plaintiff's abstention from suit upon which the defendant relies to his detriment . . . ."<sup>1829</sup>

Another reported opinion to apply the affirmative defense of waiver came in a trade dress dispute between competitors in the artificial hip industry.<sup>1830</sup> The counterclaim plaintiff averred protectable rights in the pink color, but the summary judgment record established that pink was the natural appearance of chromium oxide, a component that increased the hardness of the

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<sup>1824</sup> *Id.* at 1155 (citations omitted).

<sup>1825</sup> *Id.* at 1162.

<sup>1826</sup> *Deere & Co. v. FIMCO Inc.*, 239 F. Supp. 3d 964, 1005 (W.D. Ky. 2017) (quoting *Nartron Corp. v. STMicroelectronics, Inc.*, 305 F.3d 397, 412 (6th Cir. 2002)).

<sup>1827</sup> *See Yah Kai World Enters. v. Napper*, 195 F. Supp. 3d 287 (D.D.C. 2016).

<sup>1828</sup> *Id.* at 313.

<sup>1829</sup> *Id.* (quoting *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014)).

<sup>1830</sup> *See C5 Med. Werks, LLC v. CeramTec GmbH*, 249 F. Supp. 3d 1210 (D. Colo. 2017).



counterclaim plaintiff's hip implants. Although the resulting finding of utilitarian functionality as a matter of law could have disposed of the plaintiff's claims without additional analysis, the court went further and held those claims barred by estoppel as well. As it explained, the counterclaim plaintiff not only had secured two utility patents by touting the merits of chromium oxide, it had made similar representations to the Food and Drug Administration, to customers and potential customers, and in scientific papers.<sup>1831</sup> This "decades-long paper trail," the court held, estopped the counterclaim plaintiff's latter-day claim of nonfunctionality.<sup>1832</sup>

A final reported opinion applying the doctrine of estoppel, although apparently treating it as equivalent to waiver, came from the Seventh Circuit.<sup>1833</sup> The disputed issue was whether the defendant had continuously used its mark after 2012, but the dispute arose only after trial, when the plaintiff raised it for the first time. The belatedness of the plaintiff's argument that the defendant had discontinued the use of its mark did not trouble the district court, which found in the plaintiff's favor, but the defendant's appeal produced a different result. In reversing, the Seventh Circuit noted the plaintiff repeatedly had failed to contest the defendant's continuity of use, whether in the plaintiff's interrogatory responses, in its response to the defendant's summary judgment motion, in its pretrial submissions, or during the trial itself. "This," the appellate court concluded, "will not do."<sup>1834</sup> Instead, "[w]hether we use the theory of waiver or estoppel, the result is the same: [The plaintiff] raised its argument about post-2012 continuity too late."<sup>1835</sup> Ultimately, however, the court apparently held estoppel the more appropriate rubric.<sup>1836</sup>

### v. Implied License

Although the existence of an implied license is an affirmative defense to allegations of infringement and unfair competition, the test for it is an objective one.<sup>1837</sup> That proposition proved the downfall of a defendant whose assertion of the defense rested on its allegation that the plaintiff had long attended the same trade shows as the defendant and had failed to object to the defendant's allegedly infringing trade dress. The defendant claimed the parties had a mutual understanding concerning the unobjectionable nature of the

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<sup>1831</sup> *Id.* at 1222.

<sup>1832</sup> *Id.*

<sup>1833</sup> *See* S.C. Johnson & Son, Inc. v. Nutraceutical Corp., 835 F.3d 660 (7th Cir. 2016).

<sup>1834</sup> *Id.* at 667.

<sup>1835</sup> *Id.* at 668.

<sup>1836</sup> *Id.* ("Our holding that [the plaintiff] is estopped from relying on the argument that prevailed in the district court is sufficient to sustain our disposition of this case.").

<sup>1837</sup> *Deere & Co. v. FIMCO Inc.*, 239 F. Supp. 3d 964, 1006 (W.D. Ky. 2017).

defendant's trade dress, but, as the court pointed out, the defendant failed to support that assertion with citations to the record.<sup>1838</sup> The court therefore granted the plaintiff's motion to dismiss the defense.<sup>1839</sup>

### vi. Failure to Mitigate Damages

If a plaintiff elects to pursue statutory damages against a defendant alleged to have contributed to the trafficking of goods bearing counterfeit imitations of registered marks, must it have mitigated its actual damages earlier in the parties' dispute? A Georgia federal district court addressed this question in the context of a motion to dismiss an affirmative defense grounded in just such an alleged failure to mitigate.<sup>1840</sup> Concluding it enjoyed the "broad discretion" to consider the plaintiff's actual damages when setting the quantum of statutory damages, the court declined to strike the defense.<sup>1841</sup>

Another procedural stalemate concerning an alleged failure to mitigate damages transpired in a different case.<sup>1842</sup> The plaintiff responded to the defendant's assertion of the defense by arguing in a motion for summary judgment that, because it sought damages in the form of a reasonable royalty and based on the defendant's advertising expenditures, the quantum of that remedy depended on the defendant's conduct, rather than its own. Whatever the merits of those arguments might be at trial, the court held it could not decide them on summary judgment. In particular, it concluded, "[b]ecause damages cannot be determined at this stage of the proceedings, whether [the plaintiff] should have mitigated its damages is an issue that cannot be resolved at the summary judgment stage."<sup>1843</sup>

## 3. Remedies

### a. Injunctive Relief

In *eBay Inc. v. MercExchange, LLC*,<sup>1844</sup> the Supreme Court identified four showings a plaintiff must make to qualify for permanent injunctive relief:

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<sup>1838</sup> *Id.*

<sup>1839</sup> *Id.* at 1007.

<sup>1840</sup> *See Luxottica Grp. v. Greenbriar Marketplace II, LLC* 186 F. Supp. 3d 1370 (N.D. Ga. 2016).

<sup>1841</sup> *Id.* at 1378.

<sup>1842</sup> *See Bauer Bros. v. Nike, Inc.*, 159 F. Supp. 3d 1202 (S.D. Cal. 2016).

<sup>1843</sup> *Id.* at 1215.

<sup>1844</sup> 547 U.S. 388 (2006).

(1) that it has suffered an irreparable injury; (2) that remedies available at law such as monetary damages are inadequate to compensate for that injury; (3) that, considering the balance of the hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.<sup>1845</sup>

In *eBay*'s wake, the Court subsequently held in *Winter v. Natural Resources Defense Council, Inc.*<sup>1846</sup> that the same factors applied in the preliminary injunction context.<sup>1847</sup> Courts hearing trademark and unfair competition cases addressed each of these prerequisites—but especially the first—over the past year.

## i. Prerequisites for Injunctive Relief

### (A) Irreparable Injury

As they increasingly have, courts took myriad and at times inconsistent approaches to the prerequisite for injunctive relief that the moving party will suffer irreparable harm in its absence. For example, some courts applied the traditional rule that a plaintiff's showing of success on the merits of its trademark, unfair competition, or false advertising claims meant it had demonstrated irreparable harm at the same time.<sup>1848</sup> One was the Eighth Circuit, which affirmed the entry of a permanent injunction by holding “a finding that likelihood of confusion exists results in a presumption that irreparable harm exists.”<sup>1849</sup> Another was a New York federal district court, which invoked pre-*eBay* and pre-*Winter* authority from the Second Circuit to observe that “[i]n cases of trademark

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<sup>1845</sup> *Id.* at 391.

<sup>1846</sup> 555 U.S. 7 (2008).

<sup>1847</sup> *Id.* at 18.

<sup>1848</sup> See, e.g., *Halo Optical Prods., Inc. v. Liberty Sport, Inc.*, 122 U.S.P.Q.2d 1311 (S.D.N.Y. 2017) (“In cases of trademark infringement, a showing of likelihood of confusion establishes the element of irreparable harm.” (quoting *Cartier v. Aaron Faber, Inc.*, 512 F. Supp. 2d 165, 171 (S.D.N.Y. 2007)); *Chanel, Inc. v. besumart.com*, 240 F. Supp. 3d 1283, 1290 (S.D. Fla. 2016) (“[I]n trademark cases, ‘a sufficiently strong showing of likelihood of confusion [caused by trademark infringement] may by itself constitute a showing of . . . a substantial threat of irreparable harm.’” (second and third alterations in original) (quoting *E. Remy Martin & Co., S.A. v. Shaw–Ross Int’l Imps., Inc.*, 756 F.2d 1525, 1530 (11th Cir. 1985)); *MetroPCS v. Devor*, 215 F. Supp. 3d 626, 639 (N.D. Ill. 2016) (“[I]t is well-established in the Seventh Circuit that irreparable harm and inadequate remedy at law are presumed in trademark and trade dress infringement cases.” (alteration in original) (quoting *7–Eleven, Inc. v. Spear*, No. 10–CV–6697, 2011 WL 830069, at \*6 (N.D. Ill. Mar. 3, 2011)); *Chanel, Inc. v. Sea Hero*, 234 F. Supp. 3d 1255, 1262 (S.D. Fla. 2016) (“[I]n trademark cases, ‘a sufficiently strong showing of likelihood of confusion . . . may by itself constitute a showing of a substantial threat of irreparable harm.’” (second alteration in original) (quoting *McDonald’s Corp. v. Robertson*, 147 F.3d 1301, 1306 (11th Cir. 1998)).

<sup>1849</sup> *Warner Bros. Entm’t, Inc. v. X One X Prods.*, 840 F.3d 971, 982 (8th Cir. 2016).

infringement, ‘proof of a likelihood of confusion establishes both likelihood of success on the merits and irreparable harm.’”<sup>1850</sup>

Other courts, however, concluded a demonstration of irreparable harm required something more, usually by invoking *eBay*, *Winter*, or both. In some cases, this did not preclude the entry of preliminary injunctive relief because the plaintiffs seeking it successfully established irreparable harm as a factual proposition. That result held in a dispute between two law schools in which the plaintiff successfully demonstrated confusion was likely between the names of the parties’ respective institutions.<sup>1851</sup> Without relying on a presumption of irreparable harm, the court found several reasons why preliminary injunctive relief was appropriate. First, the court found, the plaintiff’s “lack of control over the quality of Defendant’s conduct—conduct that prospective law students will likely attribute to [Plaintiff] by mistake—constitutes an irreparable injury.”<sup>1852</sup> Second, the defendant had unfairly exploited the “time, effort, and expense” the plaintiff had invested in its brand, which the court found monetary damages could not compensate.<sup>1853</sup> Finally, the defendant claimed it had changed its mark to the one successfully challenged by the plaintiff to avoid the negative effect of confusion between its old mark and that of a third party: “It must be with a great sense of irony that Defendant now attempts to downplay the effects of the same type of affiliation confusion that prompted Defendant to spend hundreds of thousands of dollars to rebrand itself.”<sup>1854</sup>

Some courts focused on the possible damage to plaintiffs’ reputations in the absence of injunctive relief.<sup>1855</sup> For example, one

<sup>1850</sup> *Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137, 167 (E.D.N.Y. 2016) (quoting *Brennan’s, Inc. v. Brennan’s Rest., L.L.C.*, 360 F.3d 125, 129 (2d Cir. 2004)).

<sup>1851</sup> *See Bd. of Regents of the Univ. of Houston Sys. on Behalf of the Univ. of Houston Sys. & its Member Insts. v. Houston Coll. of Law, Inc.*, 214 F. Supp. 3d 573 (S.D. Tex. 2016).

<sup>1852</sup> *Id.* at 603.

<sup>1853</sup> *Id.* (quoting *T-Mobile US, Inc. v. AIO Wireless LLC*, 991 F. Supp. 2d 888, 929 (S.D. Tex. 2014)).

<sup>1854</sup> *Id.* at 604.

<sup>1855</sup> *See, e.g., Jones v. Am. Council on Exercise*, 245 F. Supp. 3d 853, 869 (S.D. Tex. 2017) (“Even if the court did not apply a presumption [of irreparable harm], the declarations and affidavits Jones provides relating to concerns about the impact of [the defendant] offering . . . certification [services] using the exact same name, including reputation damage, are sufficient evidence of irreparable harm without any evidence of current reduced revenue.”); *Express Franchise Servs., L.P. v. Impact Outsourcing Sols., Inc.*, 244 F. Supp. 3d 1368, 1384 (N.D. Ga. 2017) (“Irreparable harm has previously been found to exist based on a substantial threat of customer confusion and the resulting harm to the plaintiff’s reputation and goodwill. Even in the absence of a showing that [the defendant’s] use of the [plaintiff’s] is causing [the plaintiff] to lose business, [the plaintiff] is suffering irreparable harm in the form of loss of control of its reputation and goodwill.”); *Paletaria La Michoacana, Inc. v. Productos Lacteos Tocombo S.A. De C.V.*, 188 F. Supp. 3d 22, 117 (D.D.C. 2016) (“[T]he injury here is not primarily monetary; it is reputational, and given [the plaintiff’s] natural growth, as evidenced by it expanding its

court held the plaintiff before it entitled to a permanent injunction against further infringement because:

[T]he lack of control over one's mark "creates the potential for damage to . . . reputation[, which] constitutes irreparable injury for the purpose of granting a preliminary injunction in a trademark case." The "most corrosive and irreparable harm attributable to trademark infringement is the inability of the victim to control the nature and quality of the defendants' goods," even if "the infringer's products are of high quality."<sup>1856</sup>

A detailed application of this methodology came in an action in which the plaintiffs convinced the court the defendant had infringed the trade dress of their premium hair-care products.<sup>1857</sup> Although holding that "[e]vidence of threatened loss of prospective customers or goodwill certainly supports a finding of the possibility of irreparable harm,"<sup>1858</sup> the court also credited the plaintiffs' argument that the defendant's infringement had interfered with the plaintiffs' ability to maintain the image of their brand as a premium one. The court did so based in part on advertisements by the defendant reading, "[c]ompare to [the plaintiffs' line] and Save"<sup>1859</sup> and "[i]f you like [the plaintiffs'] products, you'll LOVE our new . . . line."<sup>1860</sup> An additional basis of its holding was a declaration from "an independent consultant in the professional beauty industry," who testified the plaintiffs would find it difficult, if not impossible, to recover their premium position if the court did not preliminarily enjoin the defendant.<sup>1861</sup>

Another court found irreparable harm based on a different factual showing by the plaintiffs.<sup>1862</sup> One of the two plaintiffs before

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range from just one state in 1991 to now over 30 states, will only grow accordingly over time absent an injunction."), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017); *Pub. Impact, LLC v. Boston Consulting Grp.*, 169 F. Supp. 3d 278, 295-96 (D. Mass. 2016) (finding irreparable harm based on plaintiffs' introduction of "social media evidence that the risk of harm to its business, mark, and reputation is growing quickly"), *appeal dismissed*, No. 16-1400 (1st Cir. Oct. 18, 2016); *Electrology Lab., Inc. v. Kunze*, 169 F. Supp. 3d 1119, 1164 (D. Colo. 2016) (citing the "irreparable harm to the [plaintiffs'] goodwill and reputation" while entering permanent injunction).

<sup>1856</sup> *CrossFit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295, 1316 (N.D. Ga. 2017) (alterations in original) (quoting *Ferrellgas Partners, L.P. v. Barrow*, 143 F. App'x 180, 190 (11th Cir. 2005)).

<sup>1857</sup> *See Moroccanoil, Inc. v. Zotos Int'l, Inc.*, 230 F. Supp. 3d 1161 (C.D. Cal. 2017).

<sup>1858</sup> *Id.* at 1177 (quoting *Stuhlbarg Int'l Sales Co., Inc. v. John D. Brush & Co.*, 240 F.3d 832, 841 (9th Cir. 2001)).

<sup>1859</sup> *Quoted in id.* at 1177.

<sup>1860</sup> *Quoted in id.*

<sup>1861</sup> *Id.* at 1177-78.

<sup>1862</sup> *See Youngevity Int'l Corp. v. Smith*, 224 F. Supp. 3d 1022 (S.D. Cal. 2016), *modified*, No. 3:16-cv-00704-L-JLB, 2016 WL 7626585 (S.D. Cal. Dec. 29, 2016).

that court was an individual, while the second plaintiff was a company he had founded to produce nutritional supplements. A distribution agreement between the parties had once allowed the defendants to use the individual plaintiff's name and likeness on websites and also to use a toll-free telephone number that was a mnemonic of the individual plaintiff's last name. Following the defendants' termination as distributors of the plaintiffs' goods, the defendants declined to change the content of the websites or the telephone number, and that led to a finding of irreparable harm within the context of the individual plaintiff's right of publicity cause of action. The court credited the plaintiffs' showing that the defendants' websites were among the first results returned by search engines in response to queries by consumers searching for the plaintiffs, a phenomenon that allowed the defendants to "obtain the names, mailing addresses, email addresses, phone numbers, and credit card numbers of customer's [sic] intent on purchasing [the plaintiffs'] products."<sup>1863</sup> The court noted of that circumstance that "[a] competitor's access to a company's confidential customer information can clearly cause very serious damage to a company's market share and goodwill that is impossible to measure and compensate for via money damages."<sup>1864</sup>

In contrast, other courts took far more skeptical views of claims of reputation-based irreparable harm.<sup>1865</sup> For example, when two competitors found themselves selling personal planners under the LIVEWELL PLANNER and LIVING WELL PLANNER marks, the owner of the former mark moved the court for a temporary restraining order and then for a preliminary injunction.<sup>1866</sup> In denying the second of the plaintiff's motions, the court found probative a set of proposed settlement terms advanced by the plaintiff before seeking interlocutory relief, which, *inter alia*, would have allowed the defendant to exhaust its then-current inventory of branded goods. That proposal, the court concluded, doomed the plaintiff's claim of irreparable harm because "[w]hile attempts to resolve legal disputes without court intervention are highly encouraged, the specific terms of Plaintiff's settlement offer are

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<sup>1863</sup> *Id.* at 1028.

<sup>1864</sup> *Id.*

<sup>1865</sup> *See, e.g.*, *TPW Mgmt., LLC v. Yelp Inc.*, 121 U.S.P.Q.2d 1602, 1613 (N.D. Cal. 2016) ("Accepting [the plaintiff's] averments regarding [the plaintiff's] potential loss of control over the [plaintiff's mark] and its reputation would necessarily collapse the likelihood of confusion and the irreparable harm analyses, in direct contravention to the law in the Ninth Circuit.").

<sup>1866</sup> *See Kotori Designs, LLC v. Living Well Spending Less, Inc.*, 120 U.S.P.Q.2d 1319 (M.D. Fla.), *preliminary injunction denied*, 120 U.S.P.Q.2d 1800 (M.D. Fla. 2016).

wholly inconsistent with—and therefore fatal to—a claim of imminent irreparable harm, absent an injunction.”<sup>1867</sup>

Another unsuccessful claim of reputational damage came from an unsuccessful movant for a preliminary injunction that owned various federally registered marks consisting in whole or in part of THANKYOU, which it used in connection with customer loyalty programs, including those associated with credit cards.<sup>1868</sup> Prior to the outbreak of hostilities between them, the parties offered co-branded credit cards. Things fell apart, though, when the defendant introduced a loyalty program for customers of its telecommunications services under the AT&T THANKS mark. Although the plaintiff averred irreparable harm based on a loss of control over its reputation, that theory failed to impress the court. One reason was the plaintiff’s failure to identify any instances of actual confusion caused by the defendant’s new mark. Another was that, although the plaintiff assembled a number of complaints about the defendant, those generally did not bear on the defendant’s loyalty program.<sup>1869</sup> Without fully explaining the significance of the finding, the court additionally determined from the parties’ past co-branding that “[i]t is demonstrably the case that there exists some agreement, financial or otherwise, by which each party has agreed to be at least somewhat associated with the other.”<sup>1870</sup> Finally, the court found a three-month delay in seeking preliminary relief by the plaintiff weighed against the entry of preliminary relief, even if that factor did not deserve dispositive weight.<sup>1871</sup>

As that outcome suggests, some courts declined to find irreparable harm in light of plaintiffs’ delays in seeking injunctive relief.<sup>1872</sup> The Eleventh Circuit did so in affirming the denial of a preliminary injunction motion based on an unexplained five-month

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<sup>1867</sup> Kotori Designs, LLC v. Living Well Spending Less, Inc., 120 U.S.P.Q.2d 1800, 1803 (M.D. Fla. 2016).

<sup>1868</sup> See Citigroup, Inc. v. AT&T Servs., Inc., 120 U.S.P.Q.2d 1888 (S.D.N.Y. 2016).

<sup>1869</sup> Specifically, the court noted of the complaints that:

[M]ost relate to aspects of [the defendant’s] core telecommunications services, such as phone purchase options and data plan prices, rather than the loyalty program itself. Where these online comments do discuss the loyalty program, they compare it to loyalty programs offered by other telecommunications companies. Both types of comments tend to demonstrate that consumers associate the AT&T THANKS program with the phone and data services [the defendant] sells directly, and thus that there is minimal risk that consumers will tend to reevaluate their goodwill toward [the plaintiff’s] THANKYOU program.

*Id.* at 1892-93 (citations omitted).

<sup>1870</sup> *Id.* at 1893.

<sup>1871</sup> *Id.*

<sup>1872</sup> See, e.g., Checker Car Club of Am., Inc. v. Fay, 262 F. Supp. 3d 621, 629 (N.D. Ill. 2017) (finding absence of irreparable harm in part because “plaintiff has been aware of defendant[’s] alleged infringing conduct for more than a year”).

gap between the filing dates of the plaintiff's complaint and of its motion.<sup>1873</sup> As the court explained of this outcome:

A delay in seeking a preliminary injunction of even only a few months—though not necessarily fatal—militates against a finding of irreparable harm. A preliminary injunction requires showing “imminent” irreparable harm. Indeed, the very idea of a preliminary injunction is premised on the need for speedy and urgent action to protect a plaintiff's rights before a case can be resolved on its merits. For this reason, our sister circuits and district courts within this Circuit and elsewhere have found that a party's failure to act with speed or urgency in moving for a preliminary injunction necessarily undermines a finding of irreparable harm.<sup>1874</sup>

Without referring to that holding by its reviewing court, a Florida federal district court concluded that an approximately six-month delay in pursuing an *ex parte* temporary restraining order also precluded a showing of irreparable harm.<sup>1875</sup> Among the claims pursued by the plaintiff seeking that remedy was the allegation the defendants had engaged in passing off by inaccurately representing that their shrimp had the same genetic makeup as, or were descended from, those of the plaintiff. The court concluded from the plaintiff's foot-dragging that “the genie is likely already out of the bottle”<sup>1876</sup> and that the case therefore was not a “true emergency” warranting the extraordinary relief sought by the plaintiff.<sup>1877</sup> In the absence of the required irreparable injury, the plaintiff's motion fell short.

Not surprisingly, an even longer delay also precluded the entry of a preliminary injunction by a Texas federal district court.<sup>1878</sup> The plaintiff before that tribunal discovered the defendant's alleged trade dress infringement in June 2015 and, by the following month, internal correspondence between its personnel characterized the defendant's conduct as “blatant.”<sup>1879</sup> Nevertheless, and despite the parties' ongoing discussions of other issues, the plaintiff failed to file suit until April 27, 2016, or “nearly eleven months” after its awareness of the defendant's conduct,<sup>1880</sup> at which point it requested

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<sup>1873</sup> See *Wreal, LLC v. Amazon.com, Inc.*, 840 F.3d 1244 (11th Cir. 2016).

<sup>1874</sup> *Id.* at 1248 (citations omitted).

<sup>1875</sup> See *Prime Broodstock, Inc. v. Am. Mariculture, Inc.*, 121 U.S.P.Q.2d 1338 (M.D. Fla. 2017).

<sup>1876</sup> *Id.* at 1340.

<sup>1877</sup> *Id.*

<sup>1878</sup> See *AMID, Inc. v. Medic Alert Found. United States, Inc.*, 241 F. Supp. 3d 788 (S.D. Tex. 2017).

<sup>1879</sup> *Quoted in id.* at 822.

<sup>1880</sup> *Id.* at 800.



a hearing on its motion “no sooner than mid-August [2016].”<sup>1881</sup> Noting that “[c]ourts are hesitant to ‘manufacture a sense of urgency that is not supported by plaintiff’s own conduct,’”<sup>1882</sup> the court held that “[the plaintiff’s] delay does not preclude relief, but it does weigh against finding a substantial threat that [the plaintiff] would be irreparably harmed, a necessary element for the injunctive relief it seeks.”<sup>1883</sup>

So too did a delay no shorter than twelve months and possibly as long as eighteen months help dispose of a claim of irreparable harm by another plaintiff seeking interlocutory relief.<sup>1884</sup> The preliminary injunction record demonstrated that, in January 2015, the defendant had called the plaintiff’s attention to the defendant’s mark in the most conspicuous manner possible: It had petitioned the Trademark Trial and Appeal Board to cancel the plaintiff’s registration of the same mark. Despite that provocation, the plaintiff waited until June 28, 2016, before seeking a temporary restraining order, and then a preliminary injunction, against the defendant’s use. The plaintiff sought to explain its delay by averring the existence of settlement negotiations until January 2016, but that still left nearly a six-month period of inaction. Even the shorter period of the two, coupled with the plaintiff’s inability to demonstrate reputational damage, was enough to sink the plaintiff’s motion.<sup>1885</sup>

Nevertheless, one plaintiff escaped the possible consequences of an eleven-month delay pursuing preliminary injunctive relief against the use of an allegedly infringing mark.<sup>1886</sup> Following his discovery of the defendant’s use, the plaintiff took two months to file a lawsuit, which the court found reasonable, “particularly since [the plaintiff] operates a small business and does not have an attorney on retainer.”<sup>1887</sup> A further delay of “several months” before the plaintiff served his complaint on the defendant also did not trouble the court in light of settlement negotiations taking place during that time.<sup>1888</sup> Likewise, the plaintiff’s pursuit of discovery from the defendant before finally seeking the court’s intervention was of no

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<sup>1881</sup> *Quoted in id.* at 822.

<sup>1882</sup> *Id.* at 823 (quoting *Krueger Int’l, Inc. v. Nightingale Inc.*, 915 F. Supp. 595, 613 (S.D. N.Y. 1996) (Sotomayor, J.)).

<sup>1883</sup> *Id.*

<sup>1884</sup> *See Fashion Week, Inc. v. Council of Fashion Designers of Am., Inc.*, 121 U.S.P.Q.2d 1041 (S.D.N.Y. 2016).

<sup>1885</sup> *Id.* at 1045-46.

<sup>1886</sup> *See Jones v. Am. Council on Exercise*, 245 F. Supp. 3d 853 (S.D. Tex. 2017).

<sup>1887</sup> *Id.* at 868.

<sup>1888</sup> *Id.*

consequence, because that pursuit was accompanied by efforts by the parties for a hearing on the plaintiff's motion.<sup>1889</sup>

### **(B) Inadequacy of Legal Remedies**

Substantive discussions of the adequacy or inadequacy of legal remedies were the exceptions to the rule in reported opinions over the past year.<sup>1890</sup> Nevertheless, an express finding of inadequate legal remedies appeared in an opinion entering a default judgment against a group of defendants whose unlawful conduct continued beyond their default.<sup>1891</sup> For one thing, the court found, “[n]o adequate remedy at law exists because absent permanent injunctive relief, [the plaintiff] would be forced to repeatedly file suit any time Defendants, who have shown complete disregard for their legal obligations and the jurisdiction of this Court, infringe Plaintiff's trademark rights in the future.”<sup>1892</sup> And, for another, damages occasioned by trademark infringement were inherently not susceptible to adequate measurement.<sup>1893</sup>

### **(C) Balance of Hardships**

Without exception, prevailing plaintiffs had little difficulty convincing courts that the balance of hardships weighed in favor of the entry of injunctive relief.<sup>1894</sup> One example of this phenomenon

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<sup>1889</sup> *Id.*

<sup>1890</sup> For examples of opinion addressing the issue in cursory fashion, see *Halo Optical Prods., Inc. v. Liberty Sport, Inc.*, 122 U.S.P.Q.2d 1311, 1323 (S.D.N.Y. 2017) (“Courts have held that the loss of reputation and goodwill is not precisely quantifiable, and that remedies at law cannot adequately compensate a plaintiff for injuries as a result of an infringement.”); *CrossFit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295, 1316-17 (N.D. Ga. 2017) (“It is also generally recognized in trademark infringement cases that ‘there is not adequate remedy at law to redress infringement.’” (quoting *Tally-Ho, Inc. v. Coast Cmty. Coll. Dist.*, 889 F.2d 1018, 1029 (11th Cir. 1989)); *Chanel, Inc. v. Sea Hero*, 234 F. Supp. 3d 1255, 1262 (S.D. Fla. 2016) (“Plaintiff has no adequate remedy at law so long as Defendants continue [their counterfeiting] because Plaintiff cannot control the quality of what appears to be its products in the marketplace. An award of monetary damages alone will not cure the injury to Plaintiff's reputation and goodwill that will result if Defendants' infringing and counterfeiting actions are allowed to continue.”).

<sup>1891</sup> See *MetroPCS v. Devor*, 215 F. Supp. 3d 626 (N.D. Ill. 2016).

<sup>1892</sup> *Id.* at 639.

<sup>1893</sup> *Id.*

<sup>1894</sup> See, e.g., *CrossFit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295, 1317 (N.D. Ga. 2017) (“Defendants have no right to use the [plaintiff's] mark, and ‘therefore could suffer no legitimate hardship by being forced to stop that which [they have] no right to do.’ On the other hand, [the plaintiff] will continue to suffer damages, such as the dilution of its mark, if Defendants are not enjoined as requested.” (second alteration in original) (quoting *Tiramisu Int'l LLC v. Clever Imps. LLC*, 741 F. Supp. 2d 1279, 1288 (S.D. Fla. 2010)); *MoroccanOil, Inc. v. Zotos Int'l, Inc.*, 230 F. Supp. 3d 1161, 1178 (C.D. Cal. 2017) (“[T]he Court is aware of the impact an injunction will have on a segment of [the defendant's] business. . . . [H]owever, [the defendant's] line of products has been on the market for a relatively short time, whereas [the plaintiff] will likely suffer irreparable reputational injury for which it cannot be adequately compensated with money damages.”).

came in an action in which the defaulting defendants had diverted genuine goods bearing the plaintiff's marks before altering them and introducing them into the stream of commerce.<sup>1895</sup> The court found the plaintiff had suffered numerous injuries arising from the defendants' conduct, including an inability to satisfy the demand for its goods from legitimate customers and the harm arising from the facts that the defendants' diverted goods "are no longer in their original condition and often will not function because they are affiliated with fraud, theft or other loss."<sup>1896</sup> In contrast, the court concluded, "Defendants have no legitimate interest in illicitly trafficking in [goods] acquired through overt acts of fraud or theft."<sup>1897</sup>

A similar analysis bolstered the claim to preliminary injunctive relief of the University of Houston, which, on behalf of itself and its law school, successfully established that a local rival's use of the newly adopted HOUSTON COLLEGE OF LAW mark was likely to produce confusion with the University's own UNIVERSITY OF HOUSTON and UNIVERSITY OF HOUSTON LAW CENTER marks.<sup>1898</sup> The court credited testimony of the defendant's dean that the defendant would incur substantial costs if required to revert to its previous name, but it nevertheless proved unsympathetic to the defendant's plight. In particular, the court gave the defendant's showing reduced weight because it had adopted the disputed mark with the knowledge that a lawsuit would inevitably follow and, additionally, because most of the defendant's investment had taken place after its receipt of the plaintiff's objections.<sup>1899</sup> "In other words," the court concluded, "Defendant opted to double down, yet cites to the high stakes of the game as a reason to call off the bet."<sup>1900</sup>

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Accordingly, the balance of hardships tips sharply in favor of [the plaintiff.]; Louis Vuitton Malletier S.A. v. 2016bagslouisvuitton.com, 121 U.S.P.Q.2d 1029, 1033 (S.D. Fla. 2016) ("The balance of potential harm to the Defendants in restraining their trade in counterfeit and infringing branded goods if a preliminary injunction is issued is far outweighed by the potential harm to the Plaintiff, its reputation, and goodwill as a manufacturer and distributor of quality products if such relief is not issued."); Chanel, Inc. v. Sea Hero, 234 F. Supp. 3d 1255, 1262 (S.D. Fla. 2016) ("Plaintiff faces hardship from loss of sales and its inability to control its reputation in the marketplace. By contrast, Defendants face no hardship if they are prohibited from the infringement of Plaintiff's trademarks, which is an illegal act."); Pub. Impact, LLC v. Boston Consulting Grp., 169 F. Supp. 3d 278, 296 (D. Mass. 2016) (holding that balance of hardships favored movant for preliminary injunction with little discussion of record), *appeal dismissed*, No. 16-1400 (1st Cir. Oct. 18, 2016).

<sup>1895</sup> See *MetroPCS v. Devor*, 215 F. Supp. 3d 626 (N.D. Ill. 2016).

<sup>1896</sup> *Id.* at 640.

<sup>1897</sup> *Id.*

<sup>1898</sup> See Bd. of Regents of the Univ. of Houston Sys. on Behalf of the Univ. of Houston Sys. & its Member Insts. v. Houston Coll. of Law, Inc., 214 F. Supp. 3d 573 (S.D. Tex. 2016).

<sup>1899</sup> *Id.* at 604.

<sup>1900</sup> *Id.* at 604-05.

Another court also brushed aside defense claims of injury while entering a preliminary injunction.<sup>1901</sup> In better days, the defendants had served as distributors for the plaintiffs' nutritional supplements, and the agreement governing that relationship apparently allowed the defendants to sell off their inventory of goods produced by the plaintiffs upon the agreement's termination. Nevertheless, that authorization did not allow the defendants to continue featuring the name and likeness of one of the plaintiffs or their websites or to maintain a toll-free telephone number that was a mnemonic of that plaintiff's last name. Weighing the parties' respective interests, the court concluded that "Plaintiffs[]" right to safeguard [their] reputation and goodwill through control of their likenesses simply trumps Defendants' desire to use the search engine optimal websites and 1-800 number to quickly move any residual product."<sup>1902</sup>

A final reported opinion of note focused on the bet-the-farm nature of the litigation for the plaintiffs bringing it.<sup>1903</sup> The defendant, the court noted, had conducted its business for years before adopting its infringing mark. In contrast, the plaintiff had used its marks on all of their products and made them "a central part" of their identities.<sup>1904</sup> Not surprisingly, a finding that a balancing of the hardships favored the entry of permanent injunction followed.<sup>1905</sup>

### (D) Public Interest

As always, judicial examinations of the public's interest in the issuance or denial of injunctive relief generally favored plaintiffs.<sup>1906</sup>

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<sup>1901</sup> See *Youngevity Int'l Corp. v. Smith*, 224 F. Supp. 3d 1022 (S.D. Cal. 2016), *modified*, No. 3:16-cv-00704-L-JLB, 2016 WL 7626585 (S.D. Cal. Dec. 29, 2016).

<sup>1902</sup> *Id.* at 1028.

<sup>1903</sup> See *Paleteria La Michoacana, Inc. v. Productos Lacteos Tocombo S.A. De C.V.*, 188 F. Supp. 3d 22 (D.D.C. 2016), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).

<sup>1904</sup> *Id.* at 117.

<sup>1905</sup> *Id.*

<sup>1906</sup> See, e.g., *Halo Optical Prods., Inc. v. Liberty Sport, Inc.*, 122 U.S.P.Q.2d 1311, 1323 (S.D.N.Y. 2017) ("Because of the likelihood of consumer confusion in this case, the public interest would be served by the issuance of an injunction, and this factor weighs in Plaintiff's favor." (quoting *U.S. Polo Ass'n Inc. v. PRL USA Holdings, Inc.*, 800 F. Supp. 2d 515, 540 (S.D.N.Y. 2011)); *Express Franchise Servs., L.P. v. Impact Outsourcing Sols., Inc.*, 244 F. Supp. 3d 1368, 1384 (N.D. Ga. 2017) ("[A]s is often the case in cases involving Lanham Act violations, the public interest weighs in favor of enforcing [the plaintiffs'] intellectual property rights and preventing consumer confusion."); *Crossfit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295, 1317 (N.D. Ga. 2017) (holding, in connection with entry of permanent injunction against defendants' infringement, that "the public interest would not be disserved because "the public deserves not to be led astray by the use of inevitably confusing marks" (quoting *Angel Flight of Ga., Inc. v. Angel Flight Am., Inc.*, 522 F.3d 1200, 1208 (11th Cir. 2008)); *Chanel, Inc. v. Sea Hero*, 234 F. Supp. 3d 1255, 1262 (S.D. Fla. 2016) ("[T]he public interest supports the issuance of a permanent

For example, having entered a finding of infringement, an Illinois federal district court observed that “[a] permanent injunction in this case is appropriate because the public interest lies in favor of upholding property interests in trademarks and preventing customer confusion.”<sup>1907</sup> Likewise, a different court entered a preliminary injunction with the observation that “[t]he public interest is always served by requiring compliance with Congressional statutes such as the Lanham Act and by enjoining the use of infringing marks.”<sup>1908</sup> And another held that “[i]n trademark cases, the public interest almost always favors the granting of otherwise ‘appropriate injunctions.’”<sup>1909</sup>

## ii. Terms of Injunctive Relief

Trial courts enjoy great latitude in crafting the terms of injunctive relief, and that was apparent in the outcome of an appeal to the Second Circuit.<sup>1910</sup> Having found the defendant liable for intentionally falsely advertising an important feature of its home pregnancy tests, the district court required the defendant to

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injunction against Defendants to prevent consumers from being misled by [the counterfeit marks on Defendants’ products.”]; *Moroccanoil, Inc. v. Zotos Int’l, Inc.*, 230 F. Supp. 3d 1161, 1178 (C.D. Cal. 2017) (In this case, because the Court has “serious questions” as to whether consumers will likely be confused between the products, the public interest factor weighs in favor of issuing an injunction.”); *Youngevity Int’l Corp.*, 224 F. Supp. 3d at 1028 (finding, with no discussion of the record, that “the . . . public interest also favor[s] injunctive relief”), *modified*, No. 3:16-cv-00704-L-JLB, 2016 WL 7626585 (S.D. Cal. Dec. 29, 2016); *Louis Vuitton Malletier S.A. v. 2016bagslouisvuitton.com*, 121 U.S.P.Q.2d 1029, 1033-34 (S.D. Fla. 2016) (“The public interest favors issuance of the preliminary injunction in order to protect the Plaintiff’s trademark interests and protect the public from being defrauded by the palming off of counterfeit goods as the Plaintiff’s genuine goods.”); *Paletaria La Michoacana*, 188 F. Supp. 3d at 117 (“As McCarthy has aptly explained, ‘[i]f a court were to permit the infringer to continue its infringing activities, the result would be a judicially imposed compulsory license given to an infringer. This would permit the likelihood of confusion to continue and deprive the consuming public of a truthful marketplace.’” (alteration in original) (quoting J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 30:1 (2010 ed.))); *Electrology Lab., Inc. v. Kunze*, 169 F. Supp. 3d 1119, 1165 (D. Colo. 2016) (“[T]he issuance of the injunction would not adversely affect the public interest. Instead, the injunction would promote the public interest as they would otherwise be misled by [the lead defendant’s] unauthorized use of [the plaintiff’s] marks. In addition, the public has an interest in protecting valid trade secrets and preventing unfair competition.”).

<sup>1907</sup> *MetroPCS v. Devor*, 215 F. Supp. 3d 626, 640 (N.D. Ill. 2016).

<sup>1908</sup> *Bd. of Regents of the Univ. of Houston Sys. on Behalf of the Univ. of Houston Sys. & its Member Insts. v. Houston Coll. of Law, Inc.*, 214 F. Supp. 3d 573, 605 (S.D. Tex. 2016) (quoting *Quantum Fitness Corp. v. Quantum LifeStyle Ctr., LLC*, 83 F. Supp. 2d 810, 832 (S.D. Tex. 1999)).

<sup>1909</sup> *Pub. Impact, LLC v. Boston Consulting Grp.*, 169 F. Supp. 3d 278, 296 (D. Mass. 2016) (quoting *Fritz v. Arthur D. Little, Inc.*, 944 F. Supp. 95, 97 (D. Mass. 1996)), *appeal dismissed*, No. 16-1400 (1st Cir. Oct. 18, 2016).

<sup>1910</sup> *See Church & Dwight Co. v. SPD Swiss Precision Diagnostics, GmbH*, 843 F.3d 48 (2d Cir. 2016).

distribute corrective notices expressly acknowledging the district court's finding of falsity. The defendant argued on appeal the terms of the injunction were excessively harsh, but the Second Circuit disagreed: "Especially in view of the district court's findings that Defendant was intentionally deceptive in its advertising, we cannot say that the relief ordered by the district court went beyond curing the effects of the harm caused by Defendant's falsity."<sup>1911</sup> The injunction therefore did not constitute an abuse of discretion.<sup>1912</sup>

In a disposition not producing an appellate opinion, a Massachusetts federal district court issued a nationwide preliminary injunction at the invitation of a federal registrant whose mark was found infringed by the defendant's use of a Twitter handle and a hashtag.<sup>1913</sup> Citing its global operations, the defendant objected to the breadth of the plaintiff's proposed relief, but the court accepted the plaintiff's argument that "[i]n determining the protectable area of plaintiff's mark . . . , the focus is properly on the plaintiff and its mark rather than the defendant."<sup>1914</sup> As a consequence, it held in entering the requested injunction, "[r]egardless of [defendant's] international nature, the fact remains that plaintiff has a mark that is protected by federal law in the United States. Enforcement of plaintiff's mark here cannot be avoided simply because it would disrupt [defendant's] activities in other countries."<sup>1915</sup>

The prevailing plaintiff in a different case also received the full relief it requested, which included an expansion of a previous permanent injunction during the pendency of the defendant's appeal.<sup>1916</sup> The original injunction barred the defendant from using particular marks, but it did not expressly address the defendant's use of a corporate name confusingly similar to the plaintiff's marks. Based on evidence the defendant continued to use that corporate name, the plaintiff returned to the court to request a modified injunction prohibiting the defendant from using the name, as well as using any other imitations of the plaintiff's marks in telephone and business directories or in domain names; moreover, the plaintiff's motion also sought to bar the defendant from describing itself as the successor to the plaintiff and to require the defendant to incorporate into its website both a disclaimer of affiliation and a hyperlink to the plaintiff's site. Crediting the plaintiff's showing

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<sup>1911</sup> *Id.* at 72.

<sup>1912</sup> *Id.* at 73.

<sup>1913</sup> *See Pub. Impact, LLC v. Boston Consulting Grp.*, 169 F. Supp. 3d 278 (D. Mass. 2016), *appeal dismissed*, No. 16-1400 (1st Cir. Oct. 18, 2016).

<sup>1914</sup> *Id.* at 296.

<sup>1915</sup> *Id.*

<sup>1916</sup> *See Nat'l Grange of the Order of Patrons of Husbandry v. Cal. State Grange*, 182 F. Supp. 3d 1065 (E.D. Cal. 2016).

that the defendant had failed to comply with the spirit, if not the letter, of the original injunction, the court held that “[t]he court may modify or broaden the scope of its injunction under its continuing duty to supervise the relief granted if it is informed of new facts that require additional supervisory action.”<sup>1917</sup> Having been so informed, it granted the plaintiff the requested modified injunction.<sup>1918</sup>

Still another action in which the prevailing plaintiff both asked for, and received, expansive preliminary injunctive relief under the ACPA targeting a large number of domain names websites used to sell merchandise bearing counterfeit imitations of the plaintiff’s marks.<sup>1919</sup> One portion of the injunction required the transfer of the domain names to a holding account maintained by a registrar of the plaintiff’s choosing for the duration of the proceeding.<sup>1920</sup> Another tackled a particular *bête noire* of trademark owners, namely, the use by cybersquatters of privacy services:

Upon the Plaintiff’s request, the privacy protection service for any of the Subject Domain Names for which the Registrant uses such privacy protection service to conceal the Registrant’s identity and contact information is ordered, to the extent not already done, to disclose to Plaintiff the true identities and contact information of those Registrants . . . .<sup>1921</sup>

If the injunction’s terms fell short of the plaintiff’s expectations, that circumstance was not apparent in the opinion.

In contrast, a different federal district court declined to enter the entirety of a permanent injunction requested by a group of prevailing plaintiffs.<sup>1922</sup> Having demonstrated the defendant’s liability for infringement, the plaintiffs requested injunctive relief against non-party licensees of the defendant, but they did so unsuccessfully. As the court held in rejecting the request, “[i]t is elementary that one is not bound by a judgment in personam resulting from litigation in which he is not designated as a party or to which he has not been made a party by service of process.”<sup>1923</sup> It did, however, allow for the possibility of the licensees being found in

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<sup>1917</sup> *Id.* at 1073.

<sup>1918</sup> *Id.* at 1075-83.

<sup>1919</sup> *See* Louis Vuitton Malletier S.A. v. 2016bagslouisvuitton.com, 121 U.S.P.Q.2d 1029 (S.D. Fla. 2016).

<sup>1920</sup> *Id.* at 1034.

<sup>1921</sup> *Id.*

<sup>1922</sup> *See* Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V., 188 F. Supp. 3d 22 (D.D.C. 2016), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).

<sup>1923</sup> *Id.* at 120 (quoting Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100, 110 (1969)).

contempt of its order, provided they violated the order in active concert with the defendant.<sup>1924</sup>

### iii. Security

Under ordinary circumstances, Rule 65 of the Federal Rules of Civil Procedure requires the successful movant for interlocutory relief to post a bond “in an amount that the court considers proper to pay the costs and damages sustained by any party found to have been wrongfully enjoined or restrained”;<sup>1925</sup> assuming a defendant is wrongfully enjoined, 28 U.S.C. § 1352 allows it to pursue an action to recover monetary relief in the amount of the bond. Although these propositions are straightforward, their lack of practical guidance to courts attempting to determine the appropriate amount of security led to a battle over that issue in a case in which the plaintiffs successfully demonstrated their entitlement to a preliminary injunction against the defendant’s continued sale of hair-care products with a trade dress infringing that of the plaintiffs.<sup>1926</sup> Claiming it would need to recall “a substantial number of cases of products from more than 3,000 retail stores and warehouses nationwide,”<sup>1927</sup> and citing “costs associated with recalling the products, redesigning the packing, destroying unsellable units, storing the remaining units, and other costs if . . . unable to sell warehoused inventory,”<sup>1928</sup> the defendant sought a bond of \$2.5 million. In response, the plaintiffs proposed one of only \$25,000, supported by expert witness testimony of the commonplace practice in the industry of reselling returned products in new packaging. Based on those conflicting showings, the court rejected each side’s proposed number by a factor of ten, ultimately concluding that “a bond in the amount of \$250,000 is reasonable . . . .”<sup>1929</sup>

### iv. Contempt

Without setting forth the standard it purported to apply, a California federal district court reached a finding of contempt at the request of a prevailing plaintiff that previously had secured a preliminary injunction against a former affiliate’s authorized use of the plaintiff’s marks following the end of the parties’ affiliation.<sup>1930</sup>

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<sup>1924</sup> *Id.* at 119-20.

<sup>1925</sup> Fed. R. Civ. P. 65(c).

<sup>1926</sup> *See* *Moroccanoil, Inc. v. Zotos Int’l, Inc.*, 230 F. Supp. 3d 1161 (C.D. Cal. 2017).

<sup>1927</sup> *Id.* at 1179.

<sup>1928</sup> *Id.*

<sup>1929</sup> *Id.*

<sup>1930</sup> *See* *Nat’l Grange of the Order of Patrons of Husbandry v. Cal. State Grange*, 182 F. Supp. 3d 1065 (E.D. Cal. 2016).



The basis of the plaintiff's contempt motion was the defendant's continued use of the marks in its corporate name, billing statements, business profiles, and website text; beyond that conduct, the plaintiff also demonstrated to the court's satisfaction that the defendant's representatives had violated the injunction by affirmatively representing the defendant remained affiliated with the plaintiff. A grant of the plaintiff's motion followed, along with an order requiring the defendant to reimburse the plaintiff's attorneys' fees.<sup>1931</sup>

### ***b. Monetary Relief***

#### **i. Damages**

#### **(A) Actual Damages**

##### **(1) Eligibility of Prevailing Plaintiffs for Awards of Actual Damages**

A plaintiff conceding in discovery that it has no evidence of harm, lost sales, or lost profits might appear to be in a weak position to pursue an award of actual damages, but one plaintiff in that position escaped a defense motion for summary judgment.<sup>1932</sup> It did so by invoking its potential eligibility for a reasonable royalty from the defendant. Although the defendant argued such a remedy was inappropriate in the absence of a past licensing relationship, the court declined to accept that theory. Instead, it held, the issue properly turned on whether the record contained a sufficiently reliable basis for calculating such a royalty. Because the plaintiff's showing rested on more than mere speculation, its claim survived until trial.<sup>1933</sup>

An identical result held in another case.<sup>1934</sup> The parties operated in different states, and that circumstance apparently prevented the plaintiffs from claiming actual damages in the form of lost profits. Pointing to that failure, the defendant moved the court for summary judgment, but it did so unsuccessfully. As the court noted, "Plaintiffs' expert opines that Plaintiffs have lost good will. In addition, Plaintiffs argue that they are entitled to [a] reasonable royalty."<sup>1935</sup> The defendant contested the weight of the plaintiff's showing, but it failed to convince the court of the absence of a jury question on the issue.<sup>1936</sup>

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<sup>1931</sup> *Id.* at 1085.

<sup>1932</sup> *See* *Bauer Bros. v. Nike, Inc.*, 159 F. Supp. 3d 1202 (S.D. Cal. 2016).

<sup>1933</sup> *Id.* at 1213-14.

<sup>1934</sup> *See* *DermFx, Inc. v. Obagi Med. Prods., Inc.*, 122 U.S.P.Q.2d 1356 (C.D. Cal. 2017).

<sup>1935</sup> *Id.* at 1368 (citation omitted).

<sup>1936</sup> *Id.*

In a third case producing an unsuccessful defense motion for summary judgment, the defendant argued the plaintiff had failed to establish its entitlement to anything more than speculative damages.<sup>1937</sup> The court disagreed, noting that “[a]lthough plaintiff does not present evidence that [it] lost any particular sale due to [defendant’s] alleged infringement, there is sufficient evidence from which a reasonable jury could conclude that [plaintiff] suffered injury.”<sup>1938</sup> The referenced evidence included the plaintiff’s showing that the defendant had disseminated “nearly 700,000 sales catalogues nationwide” featuring jewelry pieces averred to infringe the plaintiff’s trade dress; moreover, the defendant’s sale of “over 9,000 bracelets and earrings” comprising the accused designs allegedly coincided with a decline in sales of the plaintiff’s own models.<sup>1939</sup> Finally, the plaintiff’s claim of actual damages also rested on expert testimony estimating the quantum of the plaintiff’s losses, all of which led the court to hold that “[t]he foregoing evidence provides a sufficiently reasonable basis for determining the amount of actual damages such that the Court cannot, at this time, conclude that [the plaintiff’s] claim to actual damages does not present a material issue of disputed fact.”<sup>1940</sup>

Two other summary judgment opinions applied the rule extant among New York federal district courts that a plaintiff seeking actual damages “is required either to proffer evidence of actual consumer confusion, or to proffer evidence of deceptive intent, which results in a presumption of consumer confusion.”<sup>1941</sup> In the first case, the record contained no such proffer, which meant the counterclaim plaintiff’s prayer for actual damages failed as a matter of law: “[The counterclaim plaintiff] has failed to set forth any evidence on this score, and thus has failed to raise a genuine issue of material fact to survive summary judgment . . . .”<sup>1942</sup>

In the second case, the plaintiffs similarly failed to introduce any evidence or testimony of actual confusion and therefore relied instead on the defendants’ alleged deceptive intent when responding to the defendants’ motion for summary judgment on the question of the plaintiffs’ entitlement to actual damages.<sup>1943</sup> The defendants’ showing of the absence of such an intent rested on advice they allegedly had received from their counsel, but they did not identify

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<sup>1937</sup> See *Brighton Collectibles, LLC v. Believe Prods., Inc.*, 121 U.S.P.Q.2d 1556 (C.D. Cal. 2017).

<sup>1938</sup> *Id.* at 1568.

<sup>1939</sup> *Id.*

<sup>1940</sup> *Id.*

<sup>1941</sup> *TufAmerica, Inc. v.Codigo Music LLC*, 162 F. Supp. 3d 295, 333 (S.D.N.Y. 2016) (citation omitted) (quoting *E-Z Bowz, L.L.C. v. Prof'l Prod. Research Co.*, No. 00 Civ. 8670 (LTS), 2005 WL 535065, at \*12 (S.D.N.Y. Mar. 8, 2005)).

<sup>1942</sup> *Id.*

<sup>1943</sup> See *Halo Optical Prods., Inc. v. Liberty Sport, Inc.*, 122 U.S.P.Q.2d 1311 (N.D.N.Y. 2017).

that counsel as a potential witness, make him or her available for a deposition, or submit his or her testimony in support of their motion; beyond that, defense counsel instructed the lead defendant's president not to answer questions on the subject of that advice during his deposition. Under these circumstances, the defendants were not entitled to invoke an advice-of-counsel defense to the plaintiffs' allegations of intentional misconduct.<sup>1944</sup> At the same time, however, ambiguities in several contractual agreements between the parties precluded a grant of the plaintiffs' motion for summary judgment on the same issue.<sup>1945</sup>

## (2) Calculation of Actual Damages

Two appellate opinions demonstrated the difficulty plaintiffs face in proving actual damages. In the first, testimony from an expert retained by the plaintiff pointed to a drop in the plaintiff's revenues during the defendant's false advertising, but the district court excluded the expert's report, and the Fourth Circuit affirmed.<sup>1946</sup> According to the appellate court, the expert erred by assuming that every sale lost by the plaintiff resulted from the defendants' conduct.<sup>1947</sup> As a consequence, she based her conclusions on a temporal connection, rather than the required causation.<sup>1948</sup> The court was no more receptive to a second theory of actual damages advanced by the plaintiff, namely, that the defendants' false advertising had lessened the goodwill associated with the plaintiff's services: That theory, the court held, was unsupported by anything other than the plaintiff's subjective belief.<sup>1949</sup>

The Fifth Circuit took an equally skeptical view of another expert's testimony in the second case.<sup>1950</sup> Following a trial, a jury awarded the plaintiff \$230,000 in lost royalties. In overturning that award, the court observed that although Section 35 of the Lanham Act<sup>1951</sup> does not expressly recognize awards of actual damages based on lost royalties, "we have permitted trademark infringement damages on the basis of the royalty rate normally charged for licensing the unauthorized use of the mark, on the logic that the plaintiff sustained damages equal to the profit they could have made

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<sup>1944</sup> *Id.* at 1325.

<sup>1945</sup> *Id.*

<sup>1946</sup> *See* Verisign, Inc. v. XYZ.COM LLC, 848 F.3d 292 (5th Cir. 2017).

<sup>1947</sup> *Id.* at 301-02.

<sup>1948</sup> *Id.* at 302.

<sup>1949</sup> *Id.* at 298.

<sup>1950</sup> *See* Streamline Prod. Sys., Inc. v. Streamline Mfg., Inc., 851 F.3d 440 (5th Cir. 2017).

<sup>1951</sup> 15 U.S.C. § 1117 (2012).

from such a license.”<sup>1952</sup> The absence from the trial record of evidence that the parties had ever discussed a licensing relationship (whether with each other or third parties) meant the jury’s award rested entirely on testimony from the plaintiff’s expert. The problem, the appellate court held in an apparent conflation of the legal remedy of the plaintiff’s actual damages with the equitable remedy of an accounting of the defendant’s profits, was that “the expert did not discuss the portion of [the defendant’s] profits that were attributable to its infringing use, let alone suggest that all of [the defendant’s] profits were attributable to its infringement.”<sup>1953</sup> Beyond that, “the expert also did not discuss the scope of [the defendant’s] infringing use relative to the rights it would have received via a license.”<sup>1954</sup> Specifically, [the defendant’s] infringing use was likely not as extensive as the rights that a license would have bestowed because . . . [the defendant] did not use a mark identical to [the plaintiff’s].”<sup>1955</sup> In the final analysis, “the royalty award does not bear a rational relationship to [the defendant’s] infringing use, and thus we conclude that there is insufficient evidence to support the royalty award.”<sup>1956</sup>

The court then took aim at another award by the jury in the same amount, that one for the defendant’s alleged unjust enrichment. Applying Texas law, the court held as an initial matter that “[u]njust enrichment occurs when a person has wrongfully secured a benefit or has passively received one which it would be unconscionable to retain.”<sup>1957</sup> From there, the court concluded from the trial record that “[the defendant] was independently successful and the majority of its customers came from its principals’ preexisting relationships. [The plaintiff] cites no support for the proposition that merely by showing the benefits of eased market entry and referral business, without showing any lost profits, a plaintiff is entitled to an unjust enrichment award.”<sup>1958</sup> This was especially true in light of the plaintiff’s failure to prove the defendant had benefitted from fraud, duress, or unfair advantage.<sup>1959</sup>

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<sup>1952</sup> *Id.* at 459.

<sup>1953</sup> *Id.* at 461.

<sup>1954</sup> *Id.*

<sup>1955</sup> *Id.*

<sup>1956</sup> *Id.*

<sup>1957</sup> *Id.* at 462 (quoting *Eun Bok Lee v. Ho Chang Lee*, 411 S.W.3d 95, 111 (Tex. Ct. App. 2013)).

<sup>1958</sup> *Id.* at 463.

<sup>1959</sup> *Id.*

Having thus disposed of the plaintiff’s claim for actual damages under both federal and state law, the court threw out a final award by the jury, namely, \$230,000 in exemplary damages under Texas law. Because the existence of actual damages was a prerequisite for such an award, it also could not stand. *Id.* at 463.

The prevailing plaintiffs in other cases fared better.<sup>1960</sup> For example, a telecommunications company secured a material award of damages after the defendants it accused of unlawfully trafficking in its branded headsets defaulted in response to its complaint.<sup>1961</sup> In support of its request for an award of actual damages, the plaintiff submitted uncontroverted testimony that its expected net revenue from each headset averaged \$679.00. With 228 headsets at issue, the plaintiff was entitled to an award of \$154,812.<sup>1962</sup>

A different plaintiff securing an award of actual damages did so in a case in which the court found the defendants liable for having trafficked in energy drinks bearing counterfeit imitations of the plaintiff's marks.<sup>1963</sup> Citing the plaintiff's dominance of the market, the court accepted the plaintiff's theory that each sale by the defendants represented a lost sale by the plaintiff.<sup>1964</sup> Based on that theory, the plaintiff submitted expert witness testimony calculating the plaintiff's profit per bottle by taking the revenue per bottle, "minus the costs incurred to make and distribute each bottle."<sup>1965</sup> The defendants faulted the expert for failing to take into account "advertising expenses as an incremental cost necessary to generate sales,"<sup>1966</sup> but they did so unsuccessfully in light of evidence or testimony in the summary judgment record that the plaintiff would have had to invest in the promotion of its mark to generate the sales lost to the defendants.<sup>1967</sup> Ultimately, however, the same record prevented a final award of damages because of factual disputes over the proper apportionment of those damages among the defendants.<sup>1968</sup>

### ***(B) Statutory Damages***

If a defendant is found liable for counterfeiting, the prevailing plaintiff has the opportunity to elect, in lieu of an award of its actual damages or an accounting of the defendant's profits, the statutory damages provided for under Section 35(c) of the Act: Such an award can be "not less than \$1,000 or more than \$200,000 per counterfeit mark per type of goods or services sold, offered for sale, or

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<sup>1960</sup> See, e.g., *Electrology Lab., Inc. v. Kunze*, 169 F. Supp. 3d 1119, 1159 (D. Colo. 2016) (finding prevailing plaintiff entitled to unspecified "damages in the form of harm to its goodwill and reputation").

<sup>1961</sup> See *MetroPCS v. Devor*, 215 F. Supp. 3d 626 (N.D. Ill. 2016).

<sup>1962</sup> *Id.* at 638.

<sup>1963</sup> See *Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137 (E.D.N.Y. 2016).

<sup>1964</sup> *Id.* at 162.

<sup>1965</sup> *Id.* at 160.

<sup>1966</sup> *Id.* at 161.

<sup>1967</sup> *Id.* at 160.

<sup>1968</sup> *Id.* at 163.

distributed, as the court considers just,” or, alternatively, “if the court finds that the use of the counterfeit mark was willful, not more than \$2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.”<sup>1969</sup> Likewise, under Section 35(d),<sup>1970</sup> a prevailing plaintiff in a cybersquatting action can elect to receive “an award of statutory damages in the amount of not less than \$1,000 and not more than \$100,000 per domain name, as the court considers just.”<sup>1971</sup>

Having found a number of defendants liable for counterfeiting, a New York federal district court confronted the threshold question of whether the prevailing plaintiffs could pursue awards of statutory damages against some defendants, but not others.<sup>1972</sup> The court held the plaintiffs could indeed request that mixed relief:

Although it is true that statutory damages may not be awarded against a defendant where actual damages have been awarded for the same violation (and vice-versa), it does not follow that a plaintiff in a multi-defendant infringement case must recover the same type of damages against all defendants. Indeed, defendants cite no controlling authority for this proposition. Nor does the text of the Lanham Act contain any such restriction.<sup>1973</sup>

In disputes not turning on that issue, the wide ranges of statutory damages authorized by Section 35 necessarily produced varying awards. For example, having prevailed on its allegations of counterfeiting after its opponents defaulted, a plaintiff seeking to vindicate its rights to a number of registered marks proposed the following calculation of statutory damages: (1) \$3,000 as a baseline award; (2) trebled in light of the defendants’ willfulness; (3) doubled for purposes of deterrence; (4) multiplied by the number of goods sold by the defendants (eight); and (5) multiplied again by the number of the registered marks misappropriated by the defendants (nine).<sup>1974</sup> Accepting that methodology, the court found that “Plaintiff is entitled to \$1,296,000.00 in statutory damages for which Defendants are jointly and severally liable. . . . The award should be sufficient to deter Defendants and others from continuing to counterfeit or otherwise infringe Plaintiff’s trademarks, compensate Plaintiff, and punish Defendants, all stated goals of [Section 35(c)].”<sup>1975</sup>

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<sup>1969</sup> 15 U.S.C. § 1117(c) (2012).

<sup>1970</sup> *Id.* § 1117(d).

<sup>1971</sup> *Id.*

<sup>1972</sup> *See* Innovation Ventures, LLC v. Ultimate One Distrib. Corp., 176 F. Supp. 3d 137 (E.D.N.Y. 2016).

<sup>1973</sup> *Id.* at 159.

<sup>1974</sup> *See* Chanel, Inc. v. besumart.com, 240 F. Supp. 3d 1283 (S.D. Fla. 2016).

<sup>1975</sup> *Id.* at 1293.

Another prevailing plaintiff similarly received what it asked for as part of a default judgment, but it did so in part by not overreaching.<sup>1976</sup> Addressing the plaintiff's well-pleaded complaint, the court noted it contained allegations, "which are taken as true, clearly establish Defendants intentionally copied [Plaintiff's] Marks for the purpose of deriving the benefit of Plaintiff's world-famous reputation."<sup>1977</sup> Under those circumstances, the Lanham Act permits the Court to award up to \$2,000,000.00 per infringing mark on each type of good as statutory damages to ensure that Defendants do not continue their intentional and willful counterfeiting activities."<sup>1978</sup> Nevertheless, at the plaintiff's invitation, the court entered an award of only \$100,000 against each defendant, which the court considered "sufficient to deter Defendants and others from continuing to counterfeit or otherwise infringe Plaintiff's trademarks, compensate Plaintiff, and punish Defendants, all stated goals of [Section 35(c)]."<sup>1979</sup>

More commonly, prevailing plaintiffs did not receive all they requested.<sup>1980</sup> That result held in a case in which the court earlier had found the defendant liable for counterfeiting as a matter of law, the plaintiff requested a maximum award of \$200,000 in statutory damages.<sup>1981</sup> Because Section 35(c) does not identify considerations properly governing the statutory damage inquiry, the court turned to the following extrastatutory factors:

- (1) the expenses saved and profits reaped by the defendant;
- (2) the revenues lost by the plaintiff;
- (3) the value of the [trademark];
- (4) the deterrent effect on infringers other than 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 deterring the defendant.<sup>1982</sup>

Based on its review of these factors, the court noted that "[i]t appears that [the plaintiff] should be awarded statutory damages in an amount significantly less than \$200,000";<sup>1983</sup> indeed, the final

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<sup>1976</sup> See *Chanel, Inc. v. Sea Hero*, 234 F. Supp. 3d 1255 (S.D. Fla. 2016).

<sup>1977</sup> *Id.* at 1263.

<sup>1978</sup> *Id.*

<sup>1979</sup> *Id.* at 1263-64.

<sup>1980</sup> See, e.g., *Excelled Sheepskin & Leather Coat Corp. v. Or. Brewing Co.*, 120 U.S.P.Q.2d 1871, 1876 (S.D.N.Y. 2016) (awarding \$1,000 in statutory damages in light of plaintiff's failure to prove willful misconduct on defendant's part), *appeal docketed*, No. 16-3602 (2d Cir. Oct 24, 2016).

<sup>1981</sup> See *CrossFit, Inc. v. Mustapha*, 162 F. Supp. 3d 46 (D. Mass. 2016).

<sup>1982</sup> *Id.* at 52 (alteration in original) (quoting *Tiffany (NJ) LLC v. Dong*, No. 11 Civ. 2183(GBD)(FM), 2013 WL 4046380, at \*5 (S.D.N.Y. Aug. 9, 2013)).

<sup>1983</sup> *Id.* at 53.

figure was only \$10,000. The lack of financial benefit to the defendant and absence of actual damage to the plaintiff factored into that conclusion, as did the court's concomitant award of the plaintiff's attorney's fees, which the court noted would constitute "a substantial financial consequence of the infringement."<sup>1984</sup> Moreover, this result held even though "it appears to be something other than wholly innocent—particularly that portion of the infringement that occurred after [the defendant's receipt of the plaintiff's objections]."<sup>1985</sup>

The same seven factors also governed a second court's calculation of statutory damages.<sup>1986</sup> Having been found liable as a matter of law for trafficking in energy drinks to which counterfeit copies of the plaintiffs' marks were attached, one set of defendants fared poorly under an application of those factors. For one thing, the court found, "[t]he . . . Defendants ultimately filled and delivered more than four million counterfeit bottles of [the drinks]. The sheer size and scope of their infringement warrants an award of maximum statutory damages under the Lanham Act."<sup>1987</sup> For another, "[t]he value of plaintiffs' trademarks is another consideration in setting statutory damage awards" and "[these] Defendants infringed what plaintiffs' [sic] have established are 'incredibly valuable' trademarks."<sup>1988</sup> Finally, the court found:

A maximum statutory damages award is further justified by [one of these defendant's] reckless disregard for public health and safety. He bottled counterfeit liquid using large plastic drums in an unsanitary, unregulated industrial warehouse. Even though, to date, no adverse effects are known to have been reported from consumption of the counterfeit product, a maximum award is nonetheless warranted to punish and deter such dangerous activity.<sup>1989</sup>

Based on "uncontradicted evidence" of willfulness, the court also imposed the maximum award of statutory damages against certain additional defendants in the case.<sup>1990</sup>

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<sup>1984</sup> *Id.*

<sup>1985</sup> *Id.*

<sup>1986</sup> See *Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137, 165 (E.D.N.Y. 2016).

<sup>1987</sup> *Id.* at 169.

<sup>1988</sup> *Id.*

<sup>1989</sup> *Id.* at 170.

<sup>1990</sup> *Id.* at 170-75.



### ***(C) Punitive Damages***

Except in cases of wrongful seizures,<sup>1991</sup> punitive damages are not available under the Lanham Act, and courts rarely award them in cases presenting state law causes of action corresponding to those provided for by federal law.<sup>1992</sup> One example of this phenomenon came in an action brought by the manufacturers and distributors of an energy drink against a number of defendants the court found as a matter of law had trafficked in drinks of dubious provenance bearing counterfeit imitations of the plaintiffs' marks.<sup>1993</sup> The court noted that "[u]nder New York law, a plaintiff may recover punitive damages for unfair competition where the 'defendant's conduct has constituted gross, wanton, or willful fraud or other morally culpable conduct to an extreme degree.'"<sup>1994</sup> Despite concluding at least one defendant had acted with a "reckless disregard for public health and safety,"<sup>1995</sup> the court found an award of punitive damages inappropriate. As it explained, "enhanced statutory damage awards [which the court previously had imposed] already allow for a punitive component. Awarding punitive damages for unfair competition in addition to enhanced statutory damages for trademark infringement – when the same acts form the basis of both claims – would be cumulative."<sup>1996</sup>

## **ii. Accountings of Profits**

### ***(A) Eligibility of Prevailing Plaintiffs for Accountings of Profits***

Courts continued to differ on the issue of whether a prevailing plaintiff seeking an accounting of a defendant's profits under Section 35 must demonstrate the defendant acted in bad faith. Although some courts applied the traditional rule that bad faith is a prerequisite for accounting,<sup>1997</sup> the Fifth Circuit treated bad faith

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<sup>1991</sup> See 15 U.S.C. § 1116(d)(11) (2012).

<sup>1992</sup> See, e.g., *Streamline Prod. Sys., Inc. v. Streamline Mfg., Inc.*, 851 F.3d 440, 463 (5th Cir. 2017) (reversing award of exemplary damages in light of earlier reversal of award of actual damages); *Halo Optical Prods., Inc. v. Liberty Sport, Inc.*, 122 U.S.P.Q.2d 1311, 1329-30 (S.D.N.Y. 2017) (granting defense motion for summary judgment on issue in light of plaintiffs' failure to make responsive factual showing or arguments).

<sup>1993</sup> See *Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137 (E.D.N.Y. 2016).

<sup>1994</sup> *Id.* at 165 (quoting *Smith v. Lightning Bolt Prods., Inc.*, 861 F.2d 363, 371 (2d Cir. 1988))

<sup>1995</sup> *Id.* at 170.

<sup>1996</sup> *Id.* at 165 (citation omitted).

<sup>1997</sup> See, e.g., *DermFx, Inc. v. Obagi Med. Prods., Inc.*, 122 U.S.P.Q.2d 1356, 1368 (C.D. Cal. 2017) ("[A] showing of intent to 'exploit the advantage of an established mark' and 'gain the value of an established name of another' is also necessary for disgorgement of profits." (quoting *Adray v. Adry-Mart, Inc.*, 76 F.3d 984, 988 (9th Cir. 1995)); cf.

not as a standalone gatekeeping factor in the accounting-eligibility inquiry but instead one of many.<sup>1998</sup> It held:

A court considers six non-exclusive factors in determining whether an award of profits is appropriate: “(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.”<sup>1999</sup>

A Georgia federal district court applied Eleventh Circuit case law to similar effect to dismiss bad faith as a prerequisite for an accounting:

[T]he law in this Circuit is well settled that a plaintiff need not demonstrate actual damage to obtain an award reflecting an infringer’s profits under § 35 of the Lanham Act.” A plaintiff shall be entitled to a defendant’s profits if any of these three circumstances exist: “(1) the defendant’s conduct was willful and deliberate, (2) the defendant was unjustly enriched, or (3) it is necessary to deter future conduct.”<sup>2000</sup>

Describing the defendants’ conduct as “elusive,” the court deemed an accounting appropriate for the purpose of deterrence.<sup>2001</sup>

### ***(B) The Accounting Process***

Section 35(a) provides, “[i]n assessing profits the plaintiff shall be required to prove defendant’s sales only; [the] defendant must prove all elements of cost or deduction claimed”<sup>2002</sup> Nevertheless, the Fifth Circuit departed from this methodology and from the statute’s express text in an appeal from a jury finding of liability for false advertising.<sup>2003</sup> It held that “[e]ven if disgorgement is appropriate, . . . a plaintiff ‘is only entitled to those profits

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Streamline Prod. Sys., Inc. v. Streamline Mfg., Inc., 851 F.3d 440, 461-63 (5th Cir. 2017) (holding bad faith a prerequisite for recovery for unjust enrichment under Texas law).

<sup>1998</sup> See *Retractable Techs., Inc. v. Becton Dickinson & Co.*, 842 F.3d 883 (5th Cir. 2016), *cert. denied*, 137 S. Ct. 1349 (2017).

<sup>1999</sup> *Id.* at 900-01 (quoting *Quick Techs., Inc. v. Sage Grp.*, 313 F.3d 338, 349 (5th Cir. 2002)).

<sup>2000</sup> *CrossFit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295, 1311 (N.D. Ga. 2017) (alteration in original) (quoting *Burger King Corp. v. Mason*, 855 F.2d 779, 781 (11th Cir. 1988); *Optimum Techs., Inc. v. Home Depot U.S.A., Inc.*, 217 F. App’x 899, 902 (11th Cir. 2007)).

<sup>2001</sup> *Id.* The court offered the following summary of the defendants’ alleged behavior: “When [Plaintiff] first became aware of the infringement of its mark, it sent several cease-and-desist letters to Defendants, but Defendants did not stop using their infringing mark. Defendants instead moved the business to a different location while continuing to conduct business with the infringing mark.” *Id.* (citations omitted).

<sup>2002</sup> 15 U.S.C. § 1117(a) (2012).

<sup>2003</sup> See *Retractable Techs., Inc. v. Becton Dickinson & Co.*, 842 F.3d 883 (5th Cir. 2016), *cert. denied*, 137 S. Ct. 1349 (2017).

attributable' to the false advertising. Accordingly, if a plaintiff fails to present evidence that the defendant benefitted from the false advertising, the plaintiff may not recover any of the defendant's profits."<sup>2004</sup> Ultimately, however, because an expert retained by the defendant had conceded at least some of the defendant's profits properly were apportioned to the defendant's false advertising, the trial record contained the basis for an accounting.<sup>2005</sup>

In an opinion confusing the *equitable* remedy of an accounting of profits with the *legal* remedy of an award of actual damages, the Third Circuit similarly took liberties with the language of Section 35(a) by appearing to place the burden of apportioning revenues between infringing and noninfringing sources on plaintiffs.<sup>2006</sup> In the appeal before it, the plaintiff demonstrated the infringing defendant's "industry-wide sales," rather than, apparently, sales under the infringing mark. In the absence of a responsive showing by the defendant, the district court used the industry-wide sales as its benchmark, "spontaneously reduc[ing] this figure by 30% to avoid an excessive award."<sup>2007</sup> Reviewing this award of "damages," the Third Circuit held the district court had erred:

[W]here a district court endeavors to calculate damages [sic] under the Lanham Act on the basis of the defendant's actual profits . . . , it must ground its estimate in the record—e.g., business records, credible witness testimony, expert testimony, or industry data—in order to pass muster as a reasonable estimate and an appropriate exercise of discretion. Conversely, where the court lacks a sound basis for extrapolating actual profits, it abuses its discretion by resorting to guesswork.<sup>2008</sup>

Other tribunals demonstrated better understandings of the statute, including an Illinois federal district court, which had granted summary judgment of infringement against a defendant in the financial services industry.<sup>2009</sup> That court properly held with respect to the parties' respective burdens that "[w]hen considering disgorgement of profits for trademark infringement, the burden is on the infringer to prove 'that his infringement had no cash value in sales made by him.' The infringer therefore must provide evidence that it did not earn its profits by infringing the owner's marks."<sup>2010</sup>

<sup>2004</sup> *Id.* at 901 (quoting *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998)).

<sup>2005</sup> *Id.*

<sup>2006</sup> *See Coverttech Fabricating, Inc. v. TVM Bldg. Prods., Inc.*, 855 F.3d 163 (3d Cir. 2017).

<sup>2007</sup> *Id.* at 176.

<sup>2008</sup> *Id.* at 177.

<sup>2009</sup> *See Ariel Invs., LLC v. Ariel Capital Advisors LLC*, 238 F. Supp. 3d 1009 (N.D. Ill. 2017), *rev'd on other grounds*, No. 17-1516, 2018 WL 632553 (7th Cir. Jan. 31, 2018).

<sup>2010</sup> *Id.* at 1030 (quoting *WMS Gaming Inc. v. WPC Prods. Ltd.*, 542 F.3d 601, 608 (7th Cir. 2008)).

Nevertheless, it found the defendant had satisfied this burden through testimony the defendant's customers had followed the defendant's principal when he left a third-party business:

[The defendant's principal] testified that at least sixty of [the defendant's] sixty-five clients came over with him from [the third party]. Without any rebuttal evidence from [the plaintiff], this is sufficient to show that [the defendant's] clients selected the company "because of [the principal's] recommendation or his reputation" and not because of his use of [the plaintiff's] mark.<sup>2011</sup>

Another court similarly did not require the prevailing plaintiff before it to demonstrate the infringing revenues enjoyed by the plaintiff's opponents, and, indeed, it allowed the plaintiff considerable leeway in proving the defendants' overall sales.<sup>2012</sup> Specifically, it credited the plaintiff's theory that, because 103 individuals had "liked" the Facebook page for the defendants' gym, "[t]he only reasonable inference . . . is that at least 103 people visited Defendants' gym."<sup>2013</sup> From that starting point, the court found that each of the 103 visitors had purchased a monthly contract in the amount of \$135, a figure recited in the defendants' Groupon advertising; moreover, the plaintiff also established to the court's satisfaction that "one person bought a membership under the discounted rate of \$79 for a three-month membership."<sup>2014</sup> The court therefore concluded that "the cost for one-month membership (\$135) multiplied by 103 people equals \$13,905. . . . Defendants' total sales amount to at least \$13,905 plus the one Groupon sale of \$79, for a total of \$13,984 in profits as compensatory damages [sic]."<sup>2015</sup>

### iii. Adjustments of Awards of Damages and Accountings of Profits

Section 35 contains several provisions authorizing adjustments to an award of a plaintiff's actual damages or an accounting of defendant's profits. To begin with, Section 35(a) provides, "[i]n assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount";<sup>2016</sup> the same provision also recites, "[i]f the court shall find that the amount of the recovery based on profits is either inadequate or excessive the

<sup>2011</sup> *Id.* at 1030-31 (quoting *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 206 (1942)).

<sup>2012</sup> *See CrossFit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295 (N.D. Ga. 2017).

<sup>2013</sup> *Id.* at 1312.

<sup>2014</sup> *Id.*

<sup>2015</sup> *Id.*

<sup>2016</sup> 15 U.S.C. § 1117(a) (2012).

court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case.”<sup>2017</sup> Likewise, Section 35(b) provides for enhancements in cases in which a defendant has been found liable for having trafficked in goods or services associated with counterfeit marks:

In assessing damages . . . in a case involving use of a counterfeit mark . . . , the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater, together with a reasonable attorney’s fee, if the violation consists of

(1) intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark . . . , in connection with the sale, offering for sale, or distribution of goods or services; or

(2) providing goods or services necessary to the commission of a violation specified in paragraph (1), with the intent that the recipient of the goods or services would put the goods or services to use in committing the violation.”<sup>2018</sup>

An equitable enhancement of an award of actual damages under Section 35(a) took place at the hands of a Colorado federal district court.<sup>2019</sup> The prevailing plaintiff’s showing at trial convinced the court that the lead defendant’s misuse of the plaintiff’s mark had caused consumers to enroll in courses offered by the lead defendant while under the impression the courses were those of the plaintiff. The court’s explanation of its decision to treble the plaintiff’s damages covered myriad grounds: “[The plaintiff] lost class revenues and commissions, the extent of its damages are difficult to ascertain, [the lead defendant] benefitted from [the plaintiff’s] goodwill and reputation, and [the lead defendant’s] actions were willful, *i.e.*, [the lead defendant] intended to benefit from the goodwill and reputation of [the plaintiff’s] mark].”<sup>2020</sup>

That court was not alone in entering enhanced monetary relief. Another treatment of a request for that remedy came in a case lodged before an Illinois federal district court.<sup>2021</sup> Despite Section 35(a)’s admonition that any sum actually entered by the court should constitute “compensation and not a penalty,”<sup>2022</sup> the willfulness of the defendants’ infringement played a role in the court’s decision to treble the damages to which the prevailing

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<sup>2017</sup> *Id.*

<sup>2018</sup> *Id.* § 1117(b).

<sup>2019</sup> See *Electrology Lab., Inc. v. Kunze*, 169 F. Supp. 3d 1119 (D. Colo. 2016).

<sup>2020</sup> *Id.* at 1159.

<sup>2021</sup> See *MetroPCS v. Devor*, 215 F. Supp. 3d 626 (N.D. Ill. 2016).

<sup>2022</sup> 15 U.S.C. § 1117(a) (2012).

plaintiff was entitled, but the primary basis of that resolution was the defendants' failure to participate in discovery. That failure, the court held, made it impossible for the plaintiff to quantify its true damages and justified an enlargement of the amount it had proven.<sup>2023</sup>

Willful false advertising also helped lead a Virginia federal district court to enhance an award of actual damages under six factors identified by the Fourth Circuit to guide the process, namely:

- (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.<sup>2024</sup>

Although the jury hearing the case concluded the defendants had not acted willfully, the court rejected that finding in favor of one that "the defendants, at a minimum, acted with indifference to whether their affirmative representations . . . were false or misleading, with the result that the first of the relevant factors favored an enhancement."<sup>2025</sup> Addressing the second factor, the court determined from the trial record that enough diverted sales had occurred that "the amount of damages awarded by the jury does not provide adequate compensation for the adverse effects of the defendants' unlawful actions."<sup>2026</sup> Moving on to address the adequacy of other remedies, the court concluded that the plaintiff had not slept on its rights,<sup>2027</sup> and, additionally, that "an injunction or other nonmonetary relief would not adequately compensate [the plaintiff] for the lost sales and other market harm that it experienced as a result of the defendants' false advertising."<sup>2028</sup> Finally, it noted with respect to the fifth factor that:

This factor addresses the balance that a court should strike between a plaintiff's "right to be compensated" for the defendant's unlawful actions, and "the statutory right of the defendant to not be assessed a penalty." After carefully considering the facts and circumstances in this case, the court is of the opinion that awarding enhanced damages to [the plaintiff] will not disturb this delicate balance.<sup>2029</sup>

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<sup>2023</sup> *MetroPCS*, 215 F. Supp. 3d at 638.

<sup>2024</sup> *Concordia Pharm., Inc. v. Method Pharm., LLC*, 240 F. Supp. 3d 449, 456 (W.D. Va. 2017) (quoting *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 174-175 (4th Cir. 2006)).

<sup>2025</sup> *Id.*

<sup>2026</sup> *Id.* at 457.

<sup>2027</sup> *Id.*

<sup>2028</sup> *Id.*

<sup>2029</sup> *Id.* (quoting *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 176 (4th Cir. 2006)).

A trebling of the jury's actual damages award followed.<sup>2030</sup>

Nevertheless, another court proved less receptive to a request for enhanced monetary relief.<sup>2031</sup> It did so while entertaining a motion for entry of a default judgment against a group of defendants found liable for infringement after they opened a gym under a mark nearly identical to the plaintiff's registered mark for fitness-related services. The plaintiff proffered three reasons why the court should treble an accounting of the defendants' profits while operating under the infringing mark: (1) the defendants' infringing conduct continued even after receiving the plaintiff's demand letter; (2) the accounting had yielded a conservative number; and (3) the trebling would deter the defendants from further misconduct. The court declined to grant the requested augmentation, holding instead that "[Plaintiff] has not shown actual harm from the infringement. Defendants have a small operation, they have largely stopped using the infringing store name, and the degree of harm is minimal. The Court finds that an award of treble damages would be punitive and beyond the amount necessary to compensate [Plaintiff]."<sup>2032</sup>

Finally, one court held that factual disputes precluded it from resolving the issue of enhanced monetary relief on a defense motion for summary judgment.<sup>2033</sup> According to the defendants' moving papers, the ability of the plaintiff to calculate its actual damages from records produced in discovery necessarily rendered any award of actual damages impermissibly punitive in nature. Contrary to the defendants' argument, the court determined from the summary judgment record that the defendants had irretrievably lost at least some of the purchase orders for goods bearing the accused mark. Although the defendants maintained the court could rely on their own internal documentation, the court declined to enter summary judgment in the defendants' favor on that basis, explaining that "[a]ny doubts regarding the amount of damages must be resolved against the infringer."<sup>2034</sup>

#### iv. Pre-Judgment and Post-Judgment Interest

On its face, section 35 of the Lanham Act expressly authorizes prejudgment interest only in cases in which a defendant has willfully engaged in counterfeiting.<sup>2035</sup> Nevertheless, one court exercised its "sound discretion" to award that remedy after applying a two-part test that took into account: "(1) whether an award of

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<sup>2030</sup> *Id.* at 458.

<sup>2031</sup> *See* CrossFit, Inc. v. Quinnie, 232 F. Supp. 3d 1295 (N.D. Ga. 2017).

<sup>2032</sup> *Id.* at 1312-13 (footnote omitted).

<sup>2033</sup> *See* Halo Optical Prods., Inc. v. Liberty Sport, Inc., 122 U.S.P.Q.2d 1311 (S.D.N.Y. 2017).

<sup>2034</sup> *Id.* at 1327 (alteration in original) (quoting Victoria Cruises, Inc. v. Changjiang Cruise Overseas Travel Co., 630 F. Supp. 2d 255, 262 (E.D.N.Y. 2008)).

<sup>2035</sup> 15 U.S.C. § 1117(b) (2012).

prejudgment interest would serve to compensate the plaintiff; and (2) whether equity precludes an award.”<sup>2036</sup> Noting that “[i]n the federal context, there is ‘a preference, if not presumption, for prejudgment interest,’”<sup>2037</sup> the court concluded that the lead defendant’s misconduct merited prejudgment interest “at the rate of 0.68% per annum.”<sup>2038</sup>

A second court similarly exercised its discretion to deny a prevailing plaintiff’s request for prejudgment interest.<sup>2039</sup> “The primary factor to consider in deciding whether to award prejudgment interest,” it observed, “is whether such an award is ‘necessary to compensate the plaintiff fully for [its] injuries.’”<sup>2040</sup> Having already trebled a jury award of actual damages to the plaintiff, the court found sufficient compensation in the absence of prejudgment interest: “The court believes that an award of treble damages will fairly and adequately compensate [the plaintiff] for the harm that resulted from the defendants’ misconduct, and that the imposition of prejudgment interest on that amount could be viewed as punitive in nature, rather than compensatory.”<sup>2041</sup>

### v. Attorneys’ Fees

Trial courts enjoy the discretion to award attorneys’ fees to prevailing parties<sup>2042</sup> in trademark and unfair competition litigation under a number of mechanisms. 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 several bases for fee petitions. For example, and of perhaps greatest familiarity to trademark practitioners, Section 35(a) authorizes the imposition of fees upon the losing party in “exceptional cases,”<sup>2043</sup> while Section 35(b) makes

<sup>2036</sup> *Electrology Lab. v. Kunze*, 169 F. Supp. 3d 1119, 1160 (D. Colo. 2016).

<sup>2037</sup> *Id.* (quoting *United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219, 1232 (10th Cir. 2000)).

<sup>2038</sup> *Id.* at 1161.

<sup>2039</sup> *See Concordia Pharm., Inc. v. Method Pharm., LLC*, 240 F. Supp. 3d 449 (W.D. Va. 2017).

<sup>2040</sup> *Id.* at 459 (alterations in original) (quoting *Mary Helen Coal Corp. v. Hudson*, 235 F.3d 207, 210 (4th Cir. 2000)).

<sup>2041</sup> *Id.* at 458.

<sup>2042</sup> “A party is a prevailing party for purposes of an attorneys’ fees motion if it achieved a material alteration in the legal relationship of the parties that is judicially sanctioned.” *Nat’l Grange of the Order of Patrons of Husbandry v. Cal. State Grange*, 182 F. Supp. 3d 1065, 1083 (E.D. Cal. 2016) (quoting *Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1078 (9th Cir. 2015)). A party that has not prevailed on the merits of its claims is obviously in a uniquely poor position to seek reimbursement of its attorneys’ fees. For an opinion concluding that neither party before the court could be considered a prevailing one under Section 35 in light of the failure of their respective claims and counterclaims, see *E. Iowa Plastics, Inc. v. PI, Inc.*, 832 F.3d 899, 907-08 (8th Cir. 2016).

<sup>2043</sup> 15 U.S.C. § 1117(a) (2012).



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.<sup>2044</sup> The Federal Rules of Appellate Procedure authorize awards of fees to reimburse the expenses of frivolous appeals,<sup>2045</sup> and federal district courts also may award fees if a litigant has “unreasonably and vexatiously” multiplied the proceedings in a case.<sup>2046</sup> Federal courts likewise have the inherent power to award fees if bad-faith litigation practices by the parties or other considerations justify them<sup>2047</sup> and also may impose awards of fees in the form of sanctions under Rule 11 of the Federal Rules of Civil Procedure,<sup>2048</sup> or, in the case of discovery violations, under Rule 37.<sup>2049</sup> Finally, Section 21(b)(3) of the Act<sup>2050</sup> provides for an automatic award of the USPTO’s “expenses,” including attorneys’ and paralegals’ fees, if an unsuccessful ex parte appeal from a Trademark Trial and Appeal Board decision is taken to the U.S. District Court for the Eastern District of Virginia.<sup>2051</sup>

### **(A) Eligibility of Prevailing Parties for Awards of Attorneys’ Fees**

#### **(1) Fee Requests by Prevailing Plaintiffs**

The Supreme Court’s interpretations of the test for awards of attorneys’ fees under Section 285 of the Patent Act<sup>2052</sup> in *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*,<sup>2053</sup> continued to play a significant role in interpretations of Section 35(a), which, like Section 285, codifies an “exceptional case” standard. The leading example of this phenomenon over the past year came courtesy of the en banc Ninth Circuit, which reexamined its historical rule that a defendant engage in malicious, fraudulent, deceptive, or willful infringement before a fee award under Section 35(a) was appropriate.<sup>2054</sup> Noting the identity of the operative language in

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<sup>2044</sup> *Id.* § 1117(b).

<sup>2045</sup> Fed. R. App. P. 38.

<sup>2046</sup> 28 U.S.C. § 1927 (2012).

<sup>2047</sup> *See, e.g.*, *Coen Co. v. Pan Int’l, Ltd.*, 307 F.R.D. 498, 508 (N.D. Cal. 2015) (granting motion to vacate default judgment but requiring defendants to reimburse fees incurred by plaintiff in pursuing default judgment and in opposing motion).

<sup>2048</sup> Fed. R. Civ. P. 11.

<sup>2049</sup> Fed. R. Civ. P. 37.

<sup>2050</sup> 15 U.S.C. § 1071(b)(3) (2012).

<sup>2051</sup> *See Shammas v. Focarino*, 990 F. Supp. 2d 587, 590-92 (E.D. Va. 2014), *aff’d*, 784 F.3d 219 (4th Cir. 2015).

<sup>2052</sup> 35 U.S.C. § 285 (2012).

<sup>2053</sup> 134 S. Ct. 1749 (2014).

<sup>2054</sup> *See SunEarth, Inc. v. Sun Earth Solar Power Co.*, 839 F.3d 1179 (9th Cir. 2016) (en banc) (per curiam).

Section 35(a) and Section 285, the court held “we rely on an interpretation of the fee-shifting provision in one Act to guide our interpretation of the parallel provision in the other.”<sup>2055</sup> Application of that principle of statutory construction led the court to reach three conclusions, the first of which, based on *Octane Fitness*, was that “an ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.”<sup>2056</sup> The second, also based on *Octane Fitness*, was that “the applicable burden of proof for fee entitlement [is] the preponderance of the evidence standard and not proof by ‘clear and convincing evidence.’”<sup>2057</sup> Finally, invoking *Highmark Inc. v. Allcare Health Management Systems, Inc.*,<sup>2058</sup> the court held that “our review of [a] district court’s decision on fees awarded under the Lanham Act is for abuse of discretion.”<sup>2059</sup> The court did not itself attempt to decide the significance of the new *Octane Fitness* standard to the fee request of the plaintiff before it, though, choosing instead to remand the action for the district court to address that question.

In opinions resolving prevailing plaintiffs’ entitlement to fees, defendants failing to respond to the allegations against them were generally in a poor position to dispute their opponents’ fee petitions.<sup>2060</sup> Faced with just such a group of defaulting defendants, and without guidance from the Eleventh Circuit, a Georgia federal district court hedged its bets on the applicability of *Octane Fitness*.<sup>2061</sup> On the one hand, it found an award of fees appropriate under the Supreme Court opinion because “the substantive strength of [the plaintiff’s] litigating position stands out from others.”<sup>2062</sup> On the other hand, a fee award was equally merited under prior Eleventh Circuit authority because “[Plaintiff] sent several cease-and-desist letters, but Defendants failed to cooperate,”<sup>2063</sup> because “Defendants . . . attempted to conceal [the lead defendant’s] identity, which forced [Plaintiff] to incur unnecessary investigative

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<sup>2055</sup> *Id.* at 1180.

<sup>2056</sup> *Id.* (quoting *Octane Fitness*, 134 S. Ct. at 1756).

<sup>2057</sup> *Id.* at 1181.

<sup>2058</sup> 134 S. Ct. 1744 (2014).

<sup>2059</sup> *SunEarth*, 839 F.3d at 1181.

<sup>2060</sup> *See, e.g., MetroPCS v. Devor*, 215 F. Supp. 3d 626, 639 (N.D. Ill. 2016) (awarding fees because “Defendants, through their default, have . . . admitted[] that their fraudulent conduct in using the [plaintiff’s marks] was undertaken ‘willfully and deliberately’”).

<sup>2061</sup> *See CrossFit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295 (N.D. Ga. 2017).

<sup>2062</sup> *Id.* at 1315. Specifically, the court found, “Defendants intended to create customer confusion through use of the [infringing] mark, and when confronted by [Plaintiff], Defendants failed to completely cease their infringing actions.” *Id.* at 1314.

<sup>2063</sup> *Id.*

expense,”<sup>2064</sup> and because “Defendants, instead of stopping the infringing activities,” merely relocated them.<sup>2065</sup>

Courts awarded fees in contexts other than default judgments over the past year. For example, having secured permanent injunctive relief against a former affiliate, one prevailing plaintiff returned to court with “significant evidence of representations made by defendant on its website, in its newsletters, and in public media strongly suggesting it was still affiliated with plaintiff”;<sup>2066</sup> the same misconduct extended to its corporate filings, billing statements, business profiles, and statements made to the plaintiff’s current affiliates.<sup>2067</sup> Citing to the plaintiff’s showing “at least fifty instances” of actual confusion, the court observed that “[a]mple evidence of actual confusion is the most important support for a finding of willfulness.”<sup>2068</sup> With that evidence a matter of record, the case was an exceptional one and the plaintiff entitled to reimbursement of its fees.<sup>2069</sup>

The same disposition held in a case brought by the manufacturers and producers of an energy drink against several groups of defendants that had sold their own beverages under counterfeit imitations of the plaintiffs’ marks.<sup>2070</sup> Citing the *Octane Fitness* standard approvingly, the court also referred to the following factors from the context of fee requests in actions under the federal Copyright Act: “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.”<sup>2071</sup> Nevertheless, whatever the test might be, the defendants’ conduct, which the court found threatened the public’s health, satisfied it.<sup>2072</sup>

A litany of misconduct by the lead defendant in a different case also led to a successful fee petition.<sup>2073</sup> That defendant offered classes to potential laser technicians before selling his business to the plaintiff. Following that transaction, he violated a covenant not to compete with the plaintiff and did so by using the plaintiff’s marks. Noting without reference to *Octane Fitness* that “[a]n

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<sup>2064</sup> *Id.*

<sup>2065</sup> *Id.*

<sup>2066</sup> *Nat’l Grange of the Order of Patrons of Husbandry v. Cal. State Grange*, 182 F. Supp. 3d 1065, 1084 (E.D. Cal. 2016).

<sup>2067</sup> *Id.* at 1085.

<sup>2068</sup> *Id.*

<sup>2069</sup> *Id.*

<sup>2070</sup> *See Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137 (E.D.N.Y. 2016).

<sup>2071</sup> *Id.* at 167 (quoting *Octane Fitness*, 134 S. Ct. at 1756 n.6).

<sup>2072</sup> *Id.*

<sup>2073</sup> *See Electrology Lab. v. Kunze*, 169 F. Supp. 3d 1119 (D. Colo. 2016).

‘exceptional case’ is one in which the trademark infringement is ‘malicious, fraudulent, deliberate, or willful,’”<sup>2074</sup> the court had little difficulty finding the case an exceptional one:

Here, [the lead defendant] intentionally used [the plaintiff’s] marks for his own benefit when he taught students using [the plaintiff’s mark], and he continued to use the marks even after the [parties’ relationship] was terminated and [the plaintiff] requested [the lead defendant] to stop doing so. [The lead defendant] offered no credible explanation as to why he was entitled to do so.<sup>2075</sup>

Nevertheless, not all fee petitions by prevailing plaintiffs succeeded. Indeed, an apparent application of *Octane Fitness* by the Fifth Circuit produced a holding that not even the fraudulent procurement of a registration will necessarily trigger an award of fees to a party successfully challenging that registration.<sup>2076</sup> According to the court, “[a]s with most statutes authorizing attorneys’ fees, the Lanham Act’s fee-shifting provision vests significant discretion in the district courts to grant or deny attorneys’ fees on a case-by-case basis depending on each[] case’s particular facts.”<sup>2077</sup> As a consequence, “[i]t would . . . be inappropriate to single out a broad swath of trademark cases in which attorneys’ fees *must* be awarded.”<sup>2078</sup>

Likewise, after finding the false advertising of the defendants before it sufficiently egregious to warrant an equitable trebling of the prevailing plaintiff’s actual damages, a Virginia federal district court applied *Octane Fitness* to reject the same plaintiff’s request for reimbursement of its fees.<sup>2079</sup> The court articulated three reasons for doing so, the first of which was that:

[W]hile [the plaintiff] ultimately prevailed at trial, the court denied its dispositive motions on the issue of liability, both at the summary judgment stage and at the close of the defendants’ evidence. Accordingly, the court cannot say that the defendants’ arguments in defense of the false advertising claim were so frivolous or objectively baseless as to justify an award of attorneys’ fees.<sup>2080</sup>

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<sup>2074</sup> *Id.* at 1160 (quoting *W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005)).

<sup>2075</sup> *Id.*

<sup>2076</sup> *See Vetter v. McAtee*, 850 F.3d 178 (5th Cir. 2017).

<sup>2077</sup> *Id.* at 187.

<sup>2078</sup> *Id.*

<sup>2079</sup> *See Concordia Pharm., Inc. v. Method Pharm., LLC*, 240 F. Supp. 3d 449 (W.D. Va. 2017).

<sup>2080</sup> *Id.* at 459.

The second and third reasons were that the defendants had not conducted their defense in an unreasonable manner<sup>2081</sup> and that the trebled damages award would sufficiently deter the defendants from further misconduct.<sup>2082</sup>

## (2) Fee Requests by Prevailing Defendants

Unusually, there were no readily apparent reported opinions bearing on the entitlement of prevailing defendants for reimbursement of their fees.

### (B) *Calculation of Attorneys' Fees*

As always, the “lodestar” method of calculating fees played a role in some reported opinions. That method entails as a threshold calculation the multiplication of a reasonable hourly rate by a reasonable number of hours invested by counsel for the prevailing party:

“[T]he starting point for determining the amount of a reasonable fee is the number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate. The product of these two figures is the lodestar and there is a strong presumption that the lodestar is the reasonable sum the attorneys deserve.” The court may adjust the lodestar amount based upon the results obtained.<sup>2083</sup>

The first step in the calculation of attorneys’ fees is the determination of appropriate hourly rates charged by counsel for the prevailing party. Some courts accepted proffered hourly rates without questioning them, including a Georgia federal district court, which concluded that rates comprising \$350 per hour for partners, \$325 per hour for a senior counsel, \$295 per hour for an associate, and \$150 per hour for paralegals were reasonable.<sup>2084</sup> According to the court, “the rates charged by the attorneys and paralegals fall within the ranges of the prevailing market rates [in the Atlanta area] for persons with similar experience, skill, and reputation, and concludes the rates billed to be reasonable.”<sup>2085</sup>

The second step of the lodestar methodology is to determine the reasonableness of the hours billed by the prevailing party’s legal team. Although some courts did not question those hours, it was far more common for the hours not to pass muster. For example, even while granting an unopposed motion for a default judgment, one

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<sup>2081</sup> *Id.*

<sup>2082</sup> *Id.*

<sup>2083</sup> *CrossFit, Inc. v. Quinnie*, 232 F. Supp. 3d 1295, 1314–15 (N.D. Ga. 2017) (quoting *Bivins v. Wrap It Up, Inc.*, 548 F.3d 1348, 1350 (11th Cir. 2008)).

<sup>2084</sup> *Id.* at 1315 (N.D. Ga. 2017).

<sup>2085</sup> *Id.*

court objected to a 0.20 hour time entry by counsel for a prevailing plaintiff reading “[r]eview of clerk’s entry and orders accepting pro hac admissions”<sup>2086</sup> because “other entries related to pro hac admissions were not billed.”<sup>2087</sup> It similarly disallowed time billed to researching statutory damages on the ground that the plaintiff had not pursued that category of monetary relief: As the court explained, “[b]illing an adversary for unproductive time spent researching or preparing issues that were not asserted is not warranted.”<sup>2088</sup> Finally, the court declined to order the defaulting defendants to reimburse the plaintiff for “entries for ‘Draft weekly status update’ and other clerical services,” because, as the court saw things, “[w]hile providing weekly reports may be good business manner and evidence of diligence, there are weeks where nothing happened in this case except for drafting weekly status updates. Reimbursement of these hours is not warranted.”<sup>2089</sup>

The figure yielded by the first two steps of the lodestar methodology might be presumptively reasonable to some courts, but others reduced it for various reasons. One court taking that step did so while granting a motion for a default judgment because the bills of counsel for the prevailing plaintiff compared unfavorably to those of another team acting on behalf of the same plaintiff in a different case.<sup>2090</sup> Specifically, the court noted, the attorneys in the case before it had invested \$53,301 in preparing their motion, while those in the other case had successfully secured a similar default judgment at a cost of only \$17,608.50.<sup>2091</sup> Based on the discrepancy, the court reduced the recoverable fees associated with the default judgment it entered by 50%.<sup>2092</sup>

A final notable opinion bearing on the proper calculation of attorneys’ fees addressed the ability of a prevailing plaintiff to recover its investigative expenses under Section 35.<sup>2093</sup> The plaintiff originally claimed those expenses as a component of its actual damages, but, as the defendants pointed out, the plaintiff successfully had resisted discovery on the subject of the third-party investigators’ reports by arguing the reports constituted protected work product. That success was short-lived, however, for the court ultimately concluded that “reasonable . . . investigative fees are not

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<sup>2086</sup> *Quoted in id.*

<sup>2087</sup> *Id.*

<sup>2088</sup> *Id.*

<sup>2089</sup> *Id.*

<sup>2090</sup> *See id.*

<sup>2091</sup> *Id.* at 1316 (citing *CrossFit, Inc. v. 2XR Fit Sys., LLC*, No. CIV. 2:13–1108 KM, 2014 WL 972158, at \*13 (D.N.J. Mar. 11, 2014)).

<sup>2092</sup> *Id.*

<sup>2093</sup> *See Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137 (E.D.N.Y. 2016).

recoverable as actual damages but may be awarded as an element of attorneys' fees."<sup>2094</sup>

## vi. Taxation of Costs

Section 35(a) of the Act and the Federal Rules of Civil Procedure<sup>2095</sup> provide for the taxation of costs incurred by the prevailing party.<sup>2096</sup> Although federal statutory law defines taxable costs,<sup>2097</sup> that definition does not address whether non-resident counsel for the prevailing party can recover the filing fees associated with applications for pro hac admission in the forum. In the absence of any guidance from the Eleventh Circuit, a Georgia federal district court took on that issue as part of a motion for entry of a default judgment.<sup>2098</sup> It rejected the plaintiff's attempt to recover the fees, explaining that "[o]ther courts in our Circuit have looked at the issue and 'reasoned that pro hac vice fees are not recoverable because they are an expense of counsel, not the client.'"<sup>2099</sup> It then also disallowed the inclusion of PACER fees on the plaintiff's bill of costs, albeit without explanation.<sup>2100</sup>

### *B. The Relationship Between Courts and the United States Patent and Trademark Office*

#### **1. Judicial Review of, and Deference to, United States Patent and Trademark Office Determinations**

Litigants most commonly invite courts to defer to actions by the USPTO in three scenarios. The first occurs if the Trademark Trial and Appeal Board previously has produced findings and holdings bearing on one or more marks at issue. A court also may have an opportunity to defer to the USPTO if the parties are engaged in ongoing litigation before the Board, and one moves the court to stay its proceedings in favor of allowing the Board to take the first bite at the apple. Finally, litigants often encourage courts to defer to actions taken by examining attorneys in processing applications filed by one of the parties, or, less commonly, by a third party.

A somewhat rare substantive reported opinion after a bench trial from the United States District Court for the District of

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<sup>2094</sup> *Id.* at 164.

<sup>2095</sup> *See* Fed. R. Civ. P. 54(d).

<sup>2096</sup> *But see* TWTB, Inc. v. Rampick, 152 F. Supp. 3d 549, 580 (E.D. La. 2016) (apparently applying Section 35(a)'s "exceptional case" standard for awards of attorneys' fees to deny prevailing claimant's request for costs).

<sup>2097</sup> *See* 28 U.S.C. § 1920 (2012).

<sup>2098</sup> *See* CrossFit, Inc. v. Quinnie, 232 F. Supp. 3d 1295 (N.D. Ga. 2017).

<sup>2099</sup> *Id.* at 1313 (quoting Buccellati Holding Italia SPA v. Laura Buccellati LLC, No. 13-21297-CIV, 2015 WL 11202358, at \*7 (S.D. Fla. Mar. 10, 2015)).

<sup>2100</sup> *Id.*

Columbia arose in the first context.<sup>2101</sup> The dispute had its origin in a proceeding between the parties before the Board, which resulted in a district court appeal under Section 21(b)<sup>2102</sup> coupled with various additional causes of action for infringement and unfair causes of action. Addressing the deference properly due the Board's opinion, the court invoked the Supreme Court's opinion in *Kappos v. Hyatt*<sup>2103</sup> to hold that, [a]s permitted by *Kappos*, the Court has reviewed the entirety of the TTAB record in this case and, in its discretion, takes into account both the new evidence submitted over the course of the lengthy bench trial and the TTAB record."<sup>2104</sup> "But," it concluded, "because the TTAB, in many respects, considered a different set of facts than has been presented here, the Court finds itself largely unable to meaningfully defer to the TTAB's factual findings, despite the TTAB's expertise on trademark issues."<sup>2105</sup> The court therefore considered the parties' respective claims and counterclaims on a de novo basis.<sup>2106</sup>

The Ninth, Second, and Sixth Circuits adopted contrasting holdings in the third context. The first of those courts confronted a scenario in which the defendants had launched their mark despite the USPTO's initial refusal to register it based on the plaintiff's prior-registered mark.<sup>2107</sup> Although the defendants successfully had pursued a motion for summary judgment before the district court, the appellate court vacated that disposition of the case, in part because of the examiner's determination the parties' marks were "highly similar."<sup>2108</sup> The defendants sought to diminish the significance of that administrative determination by emphasizing its initial nature, but the Ninth Circuit noted that "[r]egardless of whether the statement was the result of a preliminary assessment, it suggests that others found the marks similar."<sup>2109</sup>

In stark contrast, the Sixth Circuit rejected a plaintiff's claim that an examiner's finding of likely confusion between the parties' marks created a justiciable question of fact on the same issue in later infringement litigation.<sup>2110</sup> In an appeal from the grant of a

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<sup>2101</sup> See *Paleteria La Michoacana, Inc. v. Productos Lacteos Tocombo S.A. De C.V.*, 188 F. Supp. 3d 22 (D.D.C. 2016), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).

<sup>2102</sup> 15 U.S.C. § 1071 (2012).

<sup>2103</sup> 566 U.S. 431 (2012).

<sup>2104</sup> *Paleteria La Michoacana*, 188 F. Supp. 3d at 37.

<sup>2105</sup> *Id.*

<sup>2106</sup> *Id.* at 37-38.

<sup>2107</sup> See *JL Beverage Co. v. Jim Beam Brands Co.*, 828 F.3d 1098, 1106 (9th Cir. 2016).

<sup>2108</sup> *Quoted in id.* at 1109.

<sup>2109</sup> *Id.* at 1110.

<sup>2110</sup> See *Progressive Distrib. Servs., Inc. v. United Parcel Serv., Inc.*, 856 F.3d 416 (6th Cir.), *cert. denied*, 138 S. Ct. 91 (2017).



defense motion for summary judgment, the court held that “a trademark examining attorney’s opinion is not entitled to a procedural presumption or a reasonable inference drawn in its favor in circumstances when the USPTO fails to consider the same evidence that is subsequently placed in front of the district court.”<sup>2111</sup> Citing the defendant’s failure to contest the refusal of its application, the court further observed that “[the defendant] presented no evidence to the examiner regarding the manner in which the two marks are actually used in the marketplace. In a trademark infringement action, such a showing is integral to any evaluation of the likelihood of confusion.”<sup>2112</sup> As a consequence:

Regardless of whether the evidence presented to the examiner was the best evidence or the only available evidence, what is clear is that the examining attorney did not weigh *all* the relevant evidence normally considered by a court in a trademark infringement action. Therefore, the examiner’s analysis was incomplete. Furthermore, the decision of the examiner was a preliminary one. It did not even bind the examiner, let alone speak with the full weight of the Trademark Trial and Appeal Board. In the absence of any case law presented by [the plaintiff] to the contrary, we see no reason why such a low-level determination should be entitled to any weight before a federal court. That is not to say, of course, that a district court cannot look to the USPTO opinion to inform its conclusions on trademark analysis; rather, we believe no obligation exists to do so.<sup>2113</sup>

Finally, the Second Circuit addressed the evidentiary significance of an examiner’s approval of applications to register marks similar to the one in which protection is claimed.<sup>2114</sup> The counterclaim plaintiff in the appeal before that court owned registrations of the COLLECTIVE NETWORK and COLLECTIVE MEDIA marks for operating an online advertising network, but it also sought to protect the unregistered COLLECTIVE mark for the same service. The parties disputed whether the unregistered mark was inherently distinctive, and the court looked to the file-wrapper histories of the counterclaim plaintiff’s two registrations for guidance:

Before deciding whether to grant an application, the agency determines the inherent distinctiveness of the mark at issue—and, in many instances, its constituent parts. Because the agency has developed expertise in trademarks,

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<sup>2111</sup> *Id.* at 426.

<sup>2112</sup> *Id.* at 427.

<sup>2113</sup> *Id.*

<sup>2114</sup> *See* Cross Commerce Media, Inc. v. Collective, Inc., 841 F.3d 155 (2d Cir. 2016).

courts accord great weight to its conclusions. Thus, if the PTO has previously classified the particular mark before the court as either descriptive or suggestive, the court will generally follow suit absent compelling grounds for disagreement.<sup>2115</sup>

Because the USPTO had registered the other two “collective” marks without requiring supporting showings of acquired distinctiveness, the court reversed the district court’s finding on summary judgment that the COLLECTIVE mark standing alone was descriptive, concluding instead it was suggestive as a matter of law.<sup>2116</sup>

Federal district courts similarly differed in their approaches to prior findings by USPTO personnel. For example, and consistent with the Second Circuit’s treatment of the issue, a Virginia federal district court relied heavily on prior findings of inherent distinctiveness by the USPTO in reaching a similar finding.<sup>2117</sup> The disputed mark was SELECT AUTO IMPORTS for an automobile dealership, which the Office had registered without requiring a disclaimer of “select.”<sup>2118</sup> Not only did that decision merit deference, the record contained a number of federal registrations covering SELECT standing alone and used in connection with “goods and services related to automobiles.”<sup>2119</sup> “These registrations,” the court observed, “demonstrate that the USPTO views the term ‘Select’ as suggestive in those contexts.”<sup>2120</sup>

In contrast, an examiner’s finding that a claimed mark was not inherently distinctive carried weight in another reported opinion.<sup>2121</sup> The claimed mark at issue was a metal plate affixed to the toes of sneakers, which the court found as a matter of law was part of a product configuration and therefore ineligible for protection under the theory it was inherently distinctive. To support this conclusion, the court cited the USPTO’s prior refusal to register the claimed mark in the absence of a showing of acquired distinctiveness: As the court explained, “[a]lthough the PTO’s

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<sup>2115</sup> *Id.* at 165 (citation omitted) (internal quotation marks omitted).

<sup>2116</sup> *Id.* at 165-66.

<sup>2117</sup> *See* *Select Auto Imps. Inc. v. Yates Select Auto Sales, LLC*, 195 F. Supp. 3d 818 (E.D. Va. 2016).

<sup>2118</sup> Addressing the significance of this action, the court observed that “[b]ecause the USPTO requested that [the plaintiff] disclaim the phrase ‘Auto Imports’ and not ‘Select,’ the portion of the mark that the USPTO concluded is suggestive and not merely descriptive must be ‘Select.’” *Id.* at 832.

<sup>2119</sup> *Id.*

<sup>2120</sup> *Id.*

<sup>2121</sup> *See* *LVL XIII Brands, Inc. v. Louis Vuitton Malletier S.A.*, 209 F. Supp. 3d 612 (S.D.N.Y. 2016), *aff’d*, No. 16-3488-cv, 2017 WL 6506353 (2d Cir. Dec. 20, 2017).

determination is not dispositive, the Court is to ‘accord weight’ to it.”<sup>2122</sup>

A third district court opinion deferring to the Office addressed the significance of the USPTO’s acceptance of a declaration of continued use under Section 8 of the Act<sup>2123</sup> supported by specimens comprising versions of the registered product-configuration mark differing from that shown in the registration.<sup>2124</sup> According to the counterclaim defendants faced with the registration, the variance between the product configurations actually used by the counterclaim plaintiff and the registration’s drawing meant the counterclaim plaintiff could not avail itself of the evidence of mark validity attaching to the registration. The New York federal district court disagreed, noting first that “[c]ourts in this Circuit give great deference to the PTO’s decision to register a particular mark.”<sup>2125</sup> From that observation, the court relied on the Office’s acceptance of the specimens to hold that “[t]he . . . registration can be reasonably construed to cover the product lines submitted to the PTO because the PTO accepted the various specimens submitted by the [registrant] . . . .”<sup>2126</sup>

In contrast, the USPTO’s treatment of a specimen submitted by a different litigant received far less deference.<sup>2127</sup> The specimen in question was a business card, which the plaintiff had unsuccessfully proffered to the Office in support of an application to register its claimed mark for retail and marketing services and for the provision of a website featuring searchable information in the cutlery, tableware, and flatware industry. The examining attorney assigned to the plaintiff’s application rejected the specimen after concluding it contained “no reference to retail or promotional services or services consisting of a searchable website,”<sup>2128</sup> and the defendant urged the court to do the same. The court declined the defendant’s invitation for two reasons, the first of which was its holding that the examiner’s office action constituted inadmissible hearsay.<sup>2129</sup> The

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<sup>2122</sup> *Id.* at 652-53 (quoting *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 148 n.11 (2d Cir. 1997)).

<sup>2123</sup> 15 U.S.C. § 1058 (2012).

<sup>2124</sup> *See Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F. Supp. 3d 245 (S.D.N.Y. 2016), *aff’d*, 699 F. App’x 93 (2d Cir. 2017).

<sup>2125</sup> *Id.* at 258-59.

<sup>2126</sup> *Id.* at 259.

<sup>2127</sup> *See RGB Plastic, LLC v. First Pack, LLC*, 184 F. Supp. 3d 649 (N.D. Ill. 2016).

<sup>2128</sup> *Quoted in id.* at 655.

<sup>2129</sup> According to the court:

[The defendant] offers the statement for the truth of the matter asserted, namely, that the business card does not show a use of [the plaintiff’s claimed mark] in connection with any of the applied-for services. It is true that perhaps the examiner’s statement, which was contained in a PTO Office Action letter, could qualify for a hearsay exception. One possibility is the public-report exception set

court described the second reason as a “foundation-type concern over the basis of the rejection,”<sup>2130</sup> which it explained in the following manner:

[W]hat exactly did the PTO examiner consider in arriving at the conclusion? If the examiner considered evidence that is not presented to the factfinder during the trial, or the examiner did *not* consider evidence that the factfinder will consider, then the probative value of the examiner is questionable. So the PTO examiner’s rejection of the business card does not undermine [the plaintiff’s] reliance on the card to show use-in-commerce for retail services.<sup>2131</sup>

## 2. Judicial Authority Over Federal Registrations and Applications

Section 37 of the Act provides “[i]n any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore cancelled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.”<sup>2132</sup> As usual, numerous litigants invoked Section 37 in support of allegations that applications or registrations were prosecuted or maintained through fraudulent filings, but, equally as usual, those allegations generally failed.<sup>2133</sup> One such unsuccessful allegation rested on the theory that the plaintiff had successfully prosecuted a use-based registration by fraudulently claiming a date of first use for its mark earlier than the actual one.<sup>2134</sup> Granting the plaintiff’s motion for summary judgment, the court found conflicting evidence and testimony in the record concerning the date on which the plaintiff had introduced the mark, but ultimately held the defendant had

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forth in Federal Rule of Evidence 803(8). But [the defendant] did not argue the exception, and just assumed the statement’s admissibility.

*Id.* at 663-64.

<sup>2130</sup> *Id.* at 664.

<sup>2131</sup> *Id.* (footnote omitted) (citation omitted).

<sup>2132</sup> 15 U.S.C. § 1119 (2012).

<sup>2133</sup> See, e.g., *A.V.E.L.A., Inc. v. Estate of Marilyn Monroe, LLC*, 241 F. Supp. 3d 461, 480-81 (S.D.N.Y. 2017) (granting motion to dismiss counterclaim alleging fraudulent procurement based on defendants’ failure to comply with heightened pleading requirements of Rule 9 of Federal Rules of Civil Procedure); *E. Iowa Plastics, Inc. v. PI, Inc.*, 832 F.3d 899, 903-06 (8th Cir. 2016) (holding that would-be challenger lacked standing to pursue cancellation of allegedly fraudulently procured registration); *Meth Lab Cleanup, LLC v. Bio Clean, Inc.*, 205 F. Supp. 3d 1243, 1246-47 (W.D. Wash. 2016) (referring to prior grant of registrant’s motion for summary judgment).

<sup>2134</sup> See *Ariel Invs., LLC v. Ariel Capital Advisers LLC*, 230 F. Supp. 3d 849 (N.D. Ill. 2017), *rev’d on other grounds*, No. 17-1516, 2018 WL 632553 (7th Cir. Jan. 31, 2018).

failed to demonstrate by the required clear and convincing evidence the plaintiff had deliberately attempted to mislead the Office.<sup>2135</sup>

A closely similar argument failed in a different reported opinion but for a different reason.<sup>2136</sup> The summary judgment record before the court issuing that opinion arguably reflected inconsistent evidence on the issue of the accuracy of the date of first use recited in the plaintiff's application. What it did not establish, however, was the possibility that the actual date of first use—whatever it may have been—post-dated the filing date of the plaintiff's use-based application. As the court properly held, that circumstance prevented any inaccuracy from being material to the USPTO's approval of the application. It therefore granted the plaintiff's motion for summary judgment and denied that of the defendant.<sup>2137</sup>

A third opinion to grant a plaintiff's motion for summary judgment came in a trade dress action in which the plaintiff sought to protect the appearance of a line of luggage featuring parallel ribs on its exterior surface.<sup>2138</sup> While processing the plaintiff's applications to register two configurations of its luggage, the USPTO inquired about the existence of any utility or design patents bearing on the designs, in response to which the plaintiff did not identify a utility patent owned by its licensor, which recited that plates with a rib-shaped profile could have a stiffening function. The court agreed with the defendant that the failure to identify the patent was "damning" evidence,<sup>2139</sup> but that evidence did not itself establish the plaintiff had fraudulently procured its registrations in light of the high standard of proof applicable to claims of fraud: As the court explained, "the . . . patent is not directed to ridges and grooves, but the construction of a suitcase whatever its exterior appearance,"<sup>2140</sup> and "while the . . . patent suggests the functionality of ribbing in metal plates, the asserted marks are not limited to a specific material or method of manufacture."<sup>2141</sup> In the final analysis, "[b]ecause the court does not find that the . . . patent clearly and convincingly establishes the functionality of the asserted marks, the fraudulent procurement claim fails as a matter of law."<sup>2142</sup>

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<sup>2135</sup> *Id.* at 859.

<sup>2136</sup> *See* ZW USA, Inc. v. PWD Sys., LLC, 208 F. Supp. 3d 1025 (E.D. Mo. 2016).

<sup>2137</sup> *Id.* at 1044 ("The USPTO has long interpreted errors in the alleged date of first use on trademark applications to be immaterial to validity of a trademark's registration.").

<sup>2138</sup> *See* Rimowa Distrib., Inc. v. Travelers Club Luggage, Inc., 217 F. Supp. 3d 400 (D. Mass. 2016).

<sup>2139</sup> *Id.* at 413.

<sup>2140</sup> *Id.* at 414.

<sup>2141</sup> *Id.* at 414-15.

<sup>2142</sup> *Id.* at 415.

In a different dispute, one not resolved on summary judgment, a jury rejected a claim of fraudulent procurement, and that finding withstood a post-trial attack by the defendants.<sup>2143</sup> The USPTO had initially refused registration to the plaintiff's geographically descriptive mark, leading the plaintiff to claim acquired distinctiveness under Section 2(f) through the required averment the plaintiff enjoyed substantially exclusive use of the mark. Citing allegedly contemporaneous third-party uses of the same mark, the defendants argued the plaintiff's averment had been fraudulent, but the court held the jury was within its rights to reject that contention:

Whether the PTO submission by the [plaintiff] was false, with the intent to mislead the PTO, must be established by the defendants by "clear and convincing" evidence. The court instructed the jury as to this heightened burden of proof. Whether defendants' evidence at trial met this burden of proof was for the jury to resolve.<sup>2144</sup>

One court's skepticism toward a claim of fraudulent procurement took the form of the rejection of a defense motion for summary judgment.<sup>2145</sup> The defendant before that court grounded a counterclaim of fraudulent procurement in the plaintiff's submission of an averment that a substitute specimen had been in use as of the February 26, 2013, filing date of its use-based application. Although the plaintiff conceded the averment's falsity, it successfully defeated the defendant's motion for summary judgment by arguing the defendant had failed to demonstrate the plaintiff's fraudulent intent beyond material dispute. Record evidence and testimony weighing in the plaintiff's favor on this issue included the plaintiff's showing it had acted on the advice of its prosecution counsel and, additionally, that the specimen in question "conspicuously" bore a "Fall/Winter 2014" date.<sup>2146</sup> Denying the defendant's motion, the court observed the defendant had failed to carry its "heavy burden" as a matter of law: "Although 'mere assertion that one acted on 'advice of counsel' [does not] make out a good defense to a charge of fraud,' it is enough here—when combined with the obvious nature of the 2014 versus 2013 problem—for [the plaintiff] to survive summary judgment on the fraud basis for the counterclaim."<sup>2147</sup> Nevertheless, the inherently

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<sup>2143</sup> See *Sturgis Motorcycle Rally, Inc. v. Rushmore Photo & Gifts, Inc.*, 239 F. Supp. 3d 1128 (D.S.D. 2017), *appeal docketed*, No. 17-2712 (8th Cir. Aug. 8, 2017).

<sup>2144</sup> *Id.* at 1147 (citation omitted) (quoting *Orient Express Trading Co. v. Federated Dept. Stores, Inc.*, 842 F.2d 650, 653 (2d Cir. 1988)).

<sup>2145</sup> See *RGB Plastic, LLC v. First Pack, LLC*, 184 F. Supp. 3d 649 (N.D. Ill. 2016).

<sup>2146</sup> *Id.* at 669.

<sup>2147</sup> *Id.* (first alteration in original) (quoting *M.C.I. Foods, Inc. v. Bunte*, 96 U.S.P.Q.2d 1544, 1550 (T.T.A.B. 2010)).

factual nature of the fraudulent procurement inquiry also precluded a grant of the plaintiff's own motion for summary judgment.<sup>2148</sup>

As the second of these holdings suggests, not all claims of fraud received hostile receptions. For example, the Third Circuit affirmed a finding of fraud coming after a full trial on the merits.<sup>2149</sup> The defendant had once been the exclusive distributor of the plaintiff, which manufactured goods bearing the disputed mark in Canada. Concluding the plaintiff, rather, than the defendant, owned the mark, the court affirmed a finding below that the defendant had defrauded the USPTO by representing it had the exclusive right to use the mark. As the court explained, there were two reasons why the signatory on the defendant's application "must have known" of the plaintiff's right to use the mark: (1) the signatory knew the plaintiff had registered the mark in Canada; and (2) the signatory also knew the plaintiff was marketing goods bearing the mark in the United States.<sup>2150</sup> Left unaddressed was the rule, applied most frequently by the Trademark Trial and Appeal Board, that a signatory must know another party has a *superior* right to use the same or a confusingly similar mark before the required averment of an exclusive right to use the applied-for mark becomes false.<sup>2151</sup>

Similarly, one court concluded the plaintiff before it was likely to prevail on a claim of fraudulent procurement asserted in support of a preliminary injunction motion.<sup>2152</sup> The defendant was a former president of the plaintiff's automobile club, which operated under the CHECKER CAR CLUB and CHECKER CAR CLUB OF AMERICA marks. After the plaintiff dismissed him from its club, the defendant started a competing club under the CHECKER CAB CLUB mark, which he successfully registered with the USPTO after reciting the oath required by Section 1(a)(3)(D) to the effect that he enjoyed the exclusive right to use its mark.<sup>2153</sup> In granting the plaintiff's motion, the court found the plaintiff had asserted a *prima facie* case of fraud based on the inaccuracy of the defendant's

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<sup>2148</sup> *Id.*

<sup>2149</sup> See *Coverttech Fabricating, Inc. v. TVM Bldg. Prods., Inc.*, 855 F.3d 163 (3d Cir. 2017).

<sup>2150</sup> *Id.* at 175.

<sup>2151</sup> See generally *Daniel J. Quirk, Inc. v. Village Car Co.*, 120 U.S.P.Q.2d 1146, 1149 (T.T.A.B. 2016).

<sup>2152</sup> See *Checker Car Club of Am., Inc. v. Fay*, 262 F. Supp. 3d 621 (N.D. Ill. 2017).

<sup>2153</sup> If it neither seeks a concurrent-use registration nor bases its claims on a filing in another national trademark office, an applicant seeking to register its mark in the USPTO must include in its application a verified statement that:

[T]o the best of the verifier's knowledge and belief, no other person has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when used on or in connection with the goods of such other person, to cause confusion, or to cause mistake, or to deceive . . .

15 U.S.C. §§ 1051(a)(3)(D), 1051(b)(3)(D) (2012).

avermment.<sup>2154</sup> It also reached the same conclusion based on the defendant's misstatement of the date of first use of his mark, albeit without any consideration of the materiality of that misstatement.<sup>2155</sup>

A different court declined to dismiss a counterclaim for fraudulent procurement, employing a rather novel methodology to reach that result.<sup>2156</sup> According to the defendants, the plaintiff had defrauded the Office when registering its AMERICAN EAGLE mark for cruise ship services by averring the plaintiff enjoyed the exclusive right to use its mark. Based on the plaintiff's rights to that mark and several others beginning with the word "American,"<sup>2157</sup> the plaintiff's complaint targeted the defendants' directly competitive use of the AMERICAN EMPRESS mark, but that document did not challenge the defendants' use of the AMERICAN QUEEN mark, as to which the defendants enjoyed priority. Based on those circumstances, the court concluded the defendants had sufficiently averred the plaintiff knew of their AMERICAN QUEEN mark and considered it confusingly similar to the AMERICAN EAGLE mark when the plaintiff applied to register the latter.<sup>2158</sup> In reaching this conclusion, the court rejected the plaintiff's argument the USPTO examining attorney assigned to the plaintiff's application to register the AMERICAN EAGLE mark necessarily was aware of the defendants' prior registration of the AMERICAN QUEEN; instead, the court improbably invoked patent law's inequitable conduct doctrine to hold that "[t]here are millions of trademarks and I do not think it can be reasonably presumed as a matter of fact that the PTO appreciates the significance of them all."<sup>2159</sup>

Similarly, a motion for summary judgment by a registrant failed in the face of record evidence and testimony that the registrant, a former licensee of the plaintiffs, knew the plaintiffs owned the

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<sup>2154</sup> *Checker Car Club of Am.*, 262 F. Supp. 3d at 629.

<sup>2155</sup> *Id.*

<sup>2156</sup> *See Am. Cruise Lines, Inc. v. HMS Am. Queen Steamboat Co.*, 223 F. Supp. 3d 207 (D. Del. 2016).

<sup>2157</sup> The counterclaim defendant also asserted rights to the AMERICAN CRUISE LINES, AMERICAN GLORY, AMERICAN SPIRIT, and AMERICAN STAR marks. *Am. Cruise Lines*, 223 F. Supp. 3d at 211.

<sup>2158</sup> *Id.* at 215 ("Taking the First Amended Complaint in the light most favorable to [the counterclaim plaintiffs], if [the counterclaim defendant] believed there was a likelihood of confusion between American Empress and its American marks, it stands to reason [the counterclaim defendant] believed there was a likelihood of confusion between American Queen and its American marks. [The counterclaim defendant's] decision to challenge the younger American Empress mark and not the American Queen mark plausibly evidences its lack of belief it had a superior right to the American Queen mark.").

<sup>2159</sup> *Id.* at 215-16.



disputed mark when the registrant applied to register it.<sup>2160</sup> For example, the defendant's vice president testified to his belief to that effect. Moreover, the same witness also admitted the plaintiffs had been first to use the <sup>TM</sup> symbol in conjunction with the disputed mark, including in a marketing presentation prior to the parties' entry into the license, and that the defendant had never heard of the mark before encountering the plaintiff's marketing efforts. Without expressly setting forth the test for fraudulent procurement it considered applicable, the court concluded that "there remains a question of fact whether Defendant knowingly made misstatements in the application that were material to the decision to grant the application."<sup>2161</sup>

Likewise, in a second reported opinion declining to resolve allegations of fraudulent procurement at the summary judgment stage of the proceeding, the plaintiff invited the court to amend its registrations to delete goods the plaintiff averred had not been sold under the registered marks at the time the plaintiff filed the use-based applications from which the registrations had matured.<sup>2162</sup> The court acknowledged its ability to grant the plaintiff's request but it nevertheless declined to do so—in part because of a factual dispute over the plaintiff had indeed defrauded the office. As the court explained, "[b]ecause of the ongoing litigation between the parties, the Court declines at this time to order the USPTO to amend the [plaintiff's] trademark registrations."<sup>2163</sup>

Of course, not all reported opinions in cases brought in part under Section 37 addressed claims of fraud, and, indeed, the same court also rejected a counterclaim for cancellation grounded in the defendants' alleged prior use of a confusingly similar mark. The plaintiff owned an incontestable registration of its mark, but the defendants invoked the prior-use exception to incontestability found in Section 15 of the Act;<sup>2164</sup> as the court summarized their response to the plaintiff's motion to dismiss, "an otherwise incontestable mark can be stripped of its incontestable status and cancelled if another entity can show prior rights to use a mark that is infringed by the incontestable mark."<sup>2165</sup> The court properly rejected this

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<sup>2160</sup> See *Hoenig Dev., Inc. v. Dial Indus.*, 213 F. Supp. 3d 895 (E.D. Mich. 2016).

<sup>2161</sup> *Id.* at 909.

<sup>2162</sup> See *Bauer Bros. v. Nike, Inc.*, 159 F. Supp. 3d 1202 (S.D. Cal. 2016).

<sup>2163</sup> *Id.* at 1217.

<sup>2164</sup> 15 U.S.C. § 1065 (2012).

<sup>2165</sup> *Am. Cruise Lines*, 223 F. Supp. 3d at 212. The defendants' motion apparently relied on the following italicized language of Section 15:

*[E]xcept to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the owner to use such registered mark in commerce for the goods or services on or in connection with*

contention by recognizing that Section 14,<sup>2166</sup> and not Section 15, defines the grounds on which registrations may be cancelled. Specifically, it held that:

Section [14] governs cancellation of a registered mark. Once five years has elapsed, the grounds for cancellation narrow considerably and do not include prior use. At most, prior use is a ground for cancellation under [Section 14(1)], which is only available to a complainant “[w]ithin five years from the date of the registration of the mark . . . .”<sup>2167</sup>

The court then took aim at the defendants’ argument it should cancel the plaintiff’s registration under Section 14(3) because the counterclaim defendant had misrepresented the source of the services provided under its mark.<sup>2168</sup> In granting the plaintiff’s motion to dismiss this attack on its registration, the court *sua sponte* held the defendants to the strict pleading requirements of Rule 9 of the Federal Rules of Civil Procedure with the observation that “[i]ntentional misrepresentation is a classic fraud count and in other contexts must satisfy Rule 9(b).”<sup>2169</sup> It then rejected the sufficiency of the defendants’ averments of misrepresentation of source, which rested on the plaintiff’s alleged use of paid search terms so that online searchers for the defendants’ AMERICAN QUEEN mark would be presented with an advertisement for the plaintiff’s services. As the court concluded, that alleged conduct did not constitute the “blatant misuse” and “passing off” necessary to satisfy Section 14(3)’s requirements.<sup>2170</sup>

Defendants’ allegation that Plaintiff used paid search terms, if proven to be true, would still fall short of establishing that Plaintiff deliberately and blatantly represented its services

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which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable . . . .

15 U.S.C. § 1065 (emphasis added).

<sup>2166</sup> *Id.* § 1064.

<sup>2167</sup> *Am. Cruise Lines*, 223 F. Supp. 3d at 212-13 (citation omitted) (quoting 15 U.S.C. § 1064(1)).

For an example of a successful challenge to a registration *less* than five years old under this theory, see *Paleteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V.*, 188 F. Supp. 3d 22, 115 (D.D.C. 2016) (ordering cancellation of registration based on likelihood of confusion between registered mark and prior-used mark), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).

<sup>2168</sup> In contrast to prior use, misrepresentation of source is a ground for cancellation even of registrations that have passed their fifth anniversaries. See 15 U.S.C. § 1064(3) (providing for cancellation “[a]t any time if the registered mark . . . is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used”).

<sup>2169</sup> *Am. Cruise Lines*, 223 F. Supp. 3d at 213-14.

<sup>2170</sup> *Id.* at 213.

as coming from Defendants. There is no allegation that Plaintiff used its mark in such a way that suggests, much less represents, that Plaintiff's services come from Defendants.<sup>2171</sup>

In a separate challenge to a filing in the USPTO not resting on an allegation of fraud, the Sixth Circuit confronted the question of the proper remedy if the challenger to an intent-to-use application establishes the applicant lacked the required bona-fide intent to use its mark in connection with some, but not all, of the goods or services covered by its application.<sup>2172</sup> After reviewing conflicting Trademark Trial and Appeal Board authority on the issue,<sup>2173</sup> the district court chose to invalidate *ab initio* the entireties of the applications at issue, but the court of appeals took another approach. Faulting the district court's analysis on multiple grounds,<sup>2174</sup> it held instead that:

[W]hen [an] . . . ITU applicant lacks *bona fide* intent as to some, but not all, of the goods and services listed in her application, the application should not be voided in its

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<sup>2171</sup> *Id.* at 214.

<sup>2172</sup> See *Kelly Servs., Inc. v. Creative Harbor, LLC*, 846 F.3d 857 (6th Cir. 2017).

<sup>2173</sup> *Compare Spirits Int'l B.V. v. S.S. Taris Zeytin Ve Zeytinyagi Tarim Satis Kooperatifleri Birliđi*, 99 U.S.P.Q.2d 1545, 1547 n.3 (T.T.A.B. 2011) ("[T]o the extent that opposer is successful in proving . . . lack of a bona fide intention to use the mark with respect to any of the goods in each class, . . . the opposition against the classes in their entirety would be sustained.") with *Wet Seal Inc. v. FD Mgmt. Inc.*, 82 U.S.P.Q.2d 1629, 1633 (T.T.A.B. 2007) ("[C]ontrary to opposer's contention, an application will not be deemed void for lack of a bona fide intention to use absent proof of fraud, or proof of a lack of bona fide intention to use the mark on all of the goods identified in the application, not just some of them. Thus, we will decide this issue in terms of whether the items, if any, for which opposer has shown applicant's lack of bona fide intention to use the mark should be deleted from the application." (footnotes omitted) (citation omitted)).

<sup>2174</sup> As the Sixth Circuit observed:

[T]he district court's interpretation would lead to perverse results. Imagine a hypothetical § 1(b) ITU applicant who submits an application listing 100 goods associated with the requested mark with a subjective intention to use the mark in connection with all of the goods. The hypothetical applicant has at least some objective documentary evidence supporting its *bona fide* intent as to all 100 goods, but a competitor nevertheless challenges the applicant's *bona fide* intent as to ten of the goods in a declaratory action in federal district court. Under the district court[s] . . . interpretation . . . , the applicant is put in quite a quandary: he must either (1) voluntarily delete the challenged goods, even if the challenges lack merit; or (2) risk having his entire application voided if the district court determines that he lacked bona fide intent for even a single item. If the applicant lacks ironclad documentary evidence for even one item—which is likely in circumstances where the application lists a large number of goods and services—his incentive is to delete the challenged goods rather than risk losing the entire application. Similarly, his competitor is incentivized to bring *bona fide* intent challenges to all of the applicant's future applications, because the competitor can likely bully the applicant into at least some concessions, and the only consequence for the competitor if it loses is legal fees, which may be a relative pittance depending on the industry and the value of the mark.

*Kelly Servs.*, 846 F.3d at 873-74 (footnote omitted).

entirety absent fraud or other egregious conduct. Rather, the court should determine as to which goods and services the applicant lacked *bona fide* intent, and excise the overbroad portions of the application.<sup>2175</sup>

A counterclaim asserting the counterclaim defendant had misrepresented the source of the goods in connection with which the counterclaim defendant's registered mark was used in violation of Section 14(3) of the Act<sup>2176</sup> formed the basis of a final notable challenge to a registration.<sup>2177</sup> The counterclaim defendant purchased vehicles manufactured by the counterclaim plaintiff before modifying them and reselling them with the counterclaim plaintiff's marks intact. In finding for the counterclaim defendant after a bench trial, the court noted of this ground for cancellation that "[a] cancellation claim for misrepresentation [of source] . . . requires [evidence] that registrant deliberately sought to pass off its goods as those of petitioner. Willful use of a confusingly similar mark is not sufficient."<sup>2178</sup> It then concluded from the trial record that "[t]here is no evidence that [the counterclaim defendant] is claiming to have manufactured the . . . vehicles that it resells. [The counterclaim defendant's] vehicle is clearly identified as [its own] product; and [the counterclaim defendant's] advertising clearly advises potential customers that [the counterclaim defendant's] vehicles are not endorsed by [the counterclaim plaintiff]."<sup>2179</sup>

### C. Constitutional Matters

#### 1. Article III Case and Controversies

Both Article III of the U.S. Constitution and the federal Declaratory Judgment Act require federal courts acting under their authority to find the existence of an "actual controversy" before proceeding,<sup>2180</sup> and state law causes of action are inevitably subject to the same requirements.<sup>2181</sup> According to the Supreme Court in *MedImmune, Inc. v. Genentech, Inc.*,<sup>2182</sup> whether a particular dispute rises to this level properly should turn on "whether the facts

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<sup>2175</sup> *Id.* at 877 (citation omitted).

<sup>2176</sup> 15 U.S.C. § 1064(3) (2012).

<sup>2177</sup> *See* *Moab Indus. v. FCA US, LLC*, 120 U.S.P.Q.2d 1215 (D. Ariz. 2016).

<sup>2178</sup> *Id.* at 1223 (fourth alteration in original) (quoting *Karoun Dairies, Inc. v. Karoun Dairies, Inc.*, No. 08cv1521-L(WVG), 2010 WL 3633109, at \*10 (S.D. Cal. Sept. 13, 2010)).

<sup>2179</sup> *Id.* at 1224.

<sup>2180</sup> U.S. Const. art. III, § 2, cl. 1; 28 U.S.C. § 2201 (2012).

<sup>2181</sup> *See, e.g.,* *Heartland of Urbana OH, LLC v. McHugh Fuller Law Grp.*, 72 N.E.3d 23, 33 (Ohio Ct. App. 2016) ("Under the mootness doctrine, 'American courts will not decide \* \* \* cases in which there is no longer any actual controversy.'" (alteration in original) (quoting *In re A.G.*, 13 N.E.3d 1146, 1153 (Ohio 2013)).

<sup>2182</sup> 549 U.S. 118 (2007).

alleged, under all the circumstances, show that there is a substantial controversy . . . of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”<sup>2183</sup> Applications of this standard over the past year produced varying results.

For example, one finding of an actionable case and controversy arose from a demand letter sent by one purveyor of vodka to another.<sup>2184</sup> The plaintiff responded to the defendant’s correspondence not only by filing its suit for a declaratory judgment for noninfringement but by also revising the presentation of its marks on its bottles. Citing the revisions, the defendant moved the court to dismiss the plaintiff’s complaint on the ground the defendant had never objected to the revised bottles, whether inside or outside court. The court rejected the first of these arguments because the defendant’s original correspondence “did not limit its threat to sue to specific bottle designs.”<sup>2185</sup> Moreover, “it would undermine the utility of the declaratory judgment procedure if a defendant could re-litigate infringement every time a product design was altered, regardless of how immaterially.”<sup>2186</sup> The court therefore concluded subject-matter jurisdiction existed over the plaintiff’s suit with the observation that “[h]ere, declaratory relief could and would terminate uncertainty as to the new bottle design, as well as the controversy generally, thus effectuating the purposes of the Declaratory Judgment Act.”<sup>2187</sup>

In its false advertising case against a personal-injury law firm, an assisted living facility also escaped a trial court’s determination of mootness in an appeal to an intermediate Ohio court.<sup>2188</sup> Shortly after the advertising at issue appeared, Ohio law changed in a way preventing its reoccurrence. That change led to the dismissal of the plaintiff’s challenge to the advertising, but that disposition did not survive the plaintiff’s appeal. Specifically, the appellate court held the case fell within an exception to the mootness doctrine, which applied “when the challenged action is too short in duration to be fully litigated before its cessation or expiration, and there is a reasonable expectation that the same complaining party will be subject to the same action again.”<sup>2189</sup> Accordingly, “[e]ven if [the defendant] conceded that it would no longer run the same advertisement, [the plaintiff] was entitled to have the court consider

<sup>2183</sup> *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).

<sup>2184</sup> *See Classic Liquor Imps., Ltd. v. Spirits Int’l B.V.*, 201 F. Supp. 3d 428 (S.D.N.Y. 2016).

<sup>2185</sup> *Id.* at 439.

<sup>2186</sup> *Id.*

<sup>2187</sup> *Id.*

<sup>2188</sup> *See Heartland of Urbana OH, LLC v. McHugh Fuller Law Grp.*, 72 N.E.3d 23 (Ohio Ct. App. 2016).

<sup>2189</sup> *Id.* at 33 (quoting *State ex rel. Dispatch Printing Co. v. Loudon*, 741 N.E.2d 517, 521 (Ohio 2001)).

whether [the defendant] willfully committed a deceptive trade practice, and, if so, whether [the plaintiff] was entitled to attorney fees.”<sup>2190</sup>

In contrast, an absence of an actionable case and controversy doomed one plaintiff’s request for a court-ordered cancellation of a registration of the KENTUCKY mark or, alternatively, for a modification of the registration to include a reference to the registrant, the University of Kentucky.<sup>2191</sup> The plaintiff’s declaratory judgment action rested on its receipt of a demand letter calling upon it to abandon an application to register a stylized version of the KENTUCKY MIST MOONSHINE mark and to avoid use of the university’s color scheme and anything else possibly suggesting an affiliation between the parties; the letter additionally threatened to oppose the plaintiff’s application if the plaintiff failed to comply with those demands. The plaintiff responded by seeking a declaratory judgment action in state court, which the university removed to federal court.

That court granted the university’s motion to dismiss the plaintiff’s complaint for several reasons, one of them being the plaintiff’s lack of standing. Focusing on the university’s subsequent correspondence, the court noted the university had clarified its position by advising the plaintiff that the university did not seek the discontinuance of the plaintiff’s mark. Although the clarifying correspondence took place after the filing of the state court complaint, the federal court held that “the relevant time to determine subject-matter jurisdiction is the time of removal of the present action.”<sup>2192</sup> Thus, because that correspondence made clear that the university “desired merely that the plaintiff use caution when combining its mark with certain indicia,” the parties’ dispute was insufficiently ripe for disposition by a federal court.<sup>2193</sup>

A second successful motion to dismiss occurred in a declaratory judgment action after the defendant opposed the plaintiff’s application to register the disputed marks, proposed that the plaintiff accept a license from the defendant to resolve the matter, and refused to commit not to sue the plaintiff in the future.<sup>2194</sup> The plaintiff argued those considerations, together with the defendant’s track record of litigiousness before the Trademark Trial and Appeal Board (and, to a much lesser extent, in federal or state court), created an actionable case and controversy between the parties. The court disagreed, and it granted the defendant’s motion to dismiss as a result. The court observed as a threshold matter that “the

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<sup>2190</sup> *Id.* at 36.

<sup>2191</sup> *See* Ky. Mist Moonshine, Inc. v. Univ. of Ky., 192 F. Supp. 3d 772 (E.D. Ky. 2016).

<sup>2192</sup> *Id.* at 787.

<sup>2193</sup> *Id.*

<sup>2194</sup> *See* Hogs & Heroes Found. Inc. v. Heroes, Inc., 202 F. Supp. 3d 490 (D. Md. 2016).

existence of a dispute before the TTAB is insufficient to establish sufficient adversity for purposes of a declaratory judgment action.”<sup>2195</sup> Moreover, although the plaintiff had filed two trademark infringement actions against third parties, the court held that “[g]iven that [Defendant’s] prior cases are remote, episodic, and not related to Plaintiff, they add little to Plaintiff’s claims that a substantial controversy exists between it and Defendant.”<sup>2196</sup> The court also rejected the plaintiff’s argument that “Defendant’s proposed license and geographic restriction transforms this case into an actual dispute about Plaintiff’s *use* of the mark”<sup>2197</sup> because “the realities of the registration process means that use of the mark will, to some degree, will be raised during settlement talks.”<sup>2198</sup> Finally, “although Defendant was unable to promise that it would *never* file suit, it communicated *no intention* to bring an action at the current time.”<sup>2199</sup> The defendant’s motion to dismiss therefore proved meritorious.

## 2. The First Amendment

### a. *The Right to Free Speech*

*Matal v. Tam*,<sup>2200</sup> addressed elsewhere in this volume, was not the only reported opinion to invoke the First Amendment.<sup>2201</sup> Outside the registration context, the most significant reported opinion to address the First Amendment came from the Eighth Circuit in a case arising from Iowa State University’s refusal to license ISU’s marks to the local student chapter of the National Organization for the Reform of Marijuana laws, or “NORML ISU.”<sup>2202</sup> Because ISU itself was immune from liability under the Eleventh Amendment,<sup>2203</sup> the plaintiff members of NORML ISU avail themselves of *Ex parte Young*<sup>2204</sup> to sue individual defendants

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<sup>2195</sup> *Id.* at 495 (quoting *Vina Casa Tamaya S.A. v. Oakville Hills Cellar, Inc.*, 784 F. Supp. 2d 391, 395 (S.D.N.Y. 2011)).

<sup>2196</sup> *Id.*

<sup>2197</sup> *Id.* at 496.

<sup>2198</sup> *Id.*

<sup>2199</sup> *Id.* at 497.

<sup>2200</sup> 137 S. Ct. 1744 (2017).

<sup>2201</sup> *See, e.g.,* *McHugh Fuller Law Grp. v. PruittHealth, Inc.*, 794 S.E.2d 150, 157 (Ga. 2016) (suggesting that use of state dilution statute to enjoin law firm advertisement identifying plaintiff as target of potential litigation would violate First Amendment).

<sup>2202</sup> *See* *Gerlich v. Leath*, 861 F.3d 697 (8th Cir. 2017), *rehearing and rehearing en banc denied* (8th Cir. Aug. 9, 2017).

<sup>2203</sup> That amendment provides, “[t]he Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.” U.S. Const. amend. XI.

<sup>2204</sup> 209 U.S. 123 (1908).

associated with ISU. That suit was successful as a matter of law before the district court, and the Eighth Circuit affirmed.

The plaintiffs asserted that, even if ISU's licensing policy was content-neutral on its face,<sup>2205</sup> the defendants' disapproval of NORML ISU's proposed designs or T-shirts, which included both ISU's marks and depictions of marijuana leaves, discriminated against the group based on the group's advocacy for the legalization of marijuana. The summary judgment record established to the appellate court's satisfaction that viewpoint discrimination in the form of "unique scrutiny"<sup>2206</sup> had, in fact, occurred. Specifically: (1) the defendants had withdrawn ISU's approval of one design following the appearance of a critical article in the *Des Moines Register* and "political pushback" from the state capital;<sup>2207</sup> (2) the defendants had required NORML ISU to seek preapproval of future designs from the defendants prior to pursuing licenses from ISU's trademark offices;<sup>2208</sup> and (3) "NORML ISU is the only ISU student group to have had its trademark application denied for fear that the university would be endorsing a political cause."<sup>2209</sup> Under the circumstances, "[t]he defendants' rejection of NORML ISU's designs discriminated against that group on the basis of the group's viewpoint,"<sup>2210</sup> the significance of which was that "[v]iewpoint discrimination 'can be justified only if the government demonstrates that its regulation is narrowly drawn and is necessary to effectuate a compelling state interest.'"<sup>2211</sup>

Rather than advancing such an interest, however, the defendants instead argued that, even if they had engaged in viewpoint discrimination, no First Amendment violation had occurred because the administration of ISU's trademark licensing program constituted government speech immune from scrutiny

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<sup>2205</sup> As the district court summarized ISU's licensing policies:

[ISU's] guidelines state that designs using ISU marks "must . . . appropriately portray the image of Iowa State University," that an ISU "[m]ark cannot be incorporated into or dominated by the marks of others," and that "[n]o products considered dangerous or offensive will be approved, including but not limited to products . . . promoting firearms, drugs, alcohol, gambling, gaming or tobacco." The Trademark Office will not license ISU marks for certain items it considers a liability risk or as inappropriately portraying the University's image, including sex toys, alcohol products, ashtrays, condoms, drug-related items, weapons, knives, toilet paper, and diapers.

*Gerlich v. Leath*, 152 F. Supp. 3d 1152, 1158 (S.D. Iowa 2016) (second, third, and fourth alterations in original), *aff'd*, 861 F.3d 697 (8th Cir. 2017), *rehearing and rehearing en banc denied* (8th Cir. Aug. 9, 2017).

<sup>2206</sup> 861 F.3d at 706.

<sup>2207</sup> *Id.*

<sup>2208</sup> *Id.*

<sup>2209</sup> *Id.* at 705.

<sup>2210</sup> *Id.*

<sup>2211</sup> *Id.* at 706.



under the amendment. The Eighth Circuit disposed of that theory for two reasons, the first of which was that “ISU created a limited public forum when it made its trademarks available for student organizations to use if they abided by certain conditions. The administration of its trademark licensing regime therefore did not constitute government speech.”<sup>2212</sup> The second was that the licensing program failed to qualify as government speech under the first two prongs of the Supreme Court’s tripartite test in *Walker v. Texas Division, Sons of Confederate Veterans, Inc.*<sup>2213</sup> because: (1) ISU had not historically used its licensing program to speak; and (2) the program therefore was not closely identified in the public mind with ISU.<sup>2214</sup> Moreover, even if the third *Walker* factor—whether ISU maintained direct control over the messages conveyed through licensing program—were considered, “the factors taken together would not support the conclusion that the speech at issue in this case is government speech because ISU does not use its trademark licensing regime to speak to the public.”<sup>2215</sup>

Trademark-based challenges to creative works also fell afoul of the First Amendment. Ninth Circuit courts in particular have long applied the Second Circuit’s test for liability in *Rogers v. Grimaldi*<sup>2216</sup> to such challenges, and a California federal district court did so in a declaratory judgment action for noninfringement brought by the producers of a television series named *Empire*, which chronicled the story of a music mogul.<sup>2217</sup> The counterclaim plaintiff alleged the title violated its rights to the EMPIRE, EMPIRE DISTRIBUTION, EMPIRE PUBLISHING, and EMPIRE RECORDINGS marks, used in connection with music production and distribution services. Granting the counterclaim defendants’ motion for summary judgment, the court invoked *Rogers* to hold the counterclaim defendants’ title nonactionable unless it had no artistic relevance to the underlying work or, it had some artistic relevance, unless it explicitly misled consumers as to the source or content of the series. As to the first of these considerations, the court determined the title had a degree of relevance more than merely above zero,<sup>2218</sup> and, indeed, the counterclaim plaintiff did not

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<sup>2212</sup> *Id.* at 707.

<sup>2213</sup> 135 S. Ct. 2239 (2015).

<sup>2214</sup> *Gerlich*, 847 F.3d at 708.

<sup>2215</sup> *Id.*

<sup>2216</sup> 875 F.2d 994 (2d Cir. 1989).

<sup>2217</sup> *See Twentieth Century Fox Television v. Empire Distrib. Inc.*, 161 F. Supp. 3d 902 (C.D. Cal. 2016), *reconsideration denied*, No. CV 15-2158 PA (FFMX), 2016 WL 3092156 (C.D. Cal. Mar. 28, 2016), *aff’d*, 875 F.3d 1192 (9th Cir. 2017).

<sup>2218</sup> According to the court:

The word “Empire” is clearly relevant to [the counterclaim defendants’] work because the Empire Series tells the story of characters struggling for literal control over an entertainment company called “Empire Enterprises,” and

dispute that issue.<sup>2219</sup> The court then held the counterclaim plaintiffs showing of actual confusion did not preclude the counterclaim defendants from satisfying the second prong of the *Rogers* test because “such consumer confusion is irrelevant, and there is no evidence . . . of an ‘explicit indication, overt claim, or explicit misstatement’ as to the source of the work . . . .”<sup>2220</sup> The counterclaim defendants therefore were entitled to judgment as a matter of law.

Of course, not all bids for First Amendment protection succeeded. One that did not was advanced by a scientist specializing in the failure of subterranean pipes, who found himself at the receiving end of a false advertising cause of action after he assembled a slide show suggesting that a particular type of pipe had superior resistance to cracking.<sup>2221</sup> At the summary judgment stage of the litigation, he argued his presentation was protected free speech, only to have the plaintiff point out his research had been bankrolled by a competitor of the plaintiff. Based on that circumstance, the court credited the plaintiff’s argument the scientist’s purpose had been to divert business from the plaintiff to the competitor. “These kinds of communications,” the court concluded in denying the scientist’s motion for summary judgment, “are commercial promotions subject to Lanham Act liability.”<sup>2222</sup>

### ***b. The Right to Petition***

Under *Eastern Rail Road Presidents Conference v. Noerr Motor Freight, Inc.*,<sup>2223</sup> and *United Mine Workers v. Pennington*,<sup>2224</sup> petitioning government bodies is a privileged activity under the First Amendment. According to the Supreme Court’s most extensive explanation of the doctrine, a defendant’s petitioning activity is

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figurative control over the vast “empire” that [the lead character] has built. Additionally, the Empire Series is set in New York, the Empire State.

*Id.* at 907.

<sup>2219</sup> Having conceded the point, the counterclaim plaintiff argued that the *Rogers* test required the counterclaim defendants to demonstrate their title referred to the counterclaim plaintiff and its marks. The court disagreed, holding instead that:

[I]t would be a perverse result if [the counterclaim defendants’] use of “Empire” would be protected if [the counterclaim defendants] had claimed that the Empire Series was in some minimal way a commentary on [the counterclaim plaintiff], but the use would not be protected if, as is the case here, [the counterclaim defendants] had disclaimed any such use. Such a distinction serves neither the interests of the First Amendment nor the Lanham Act.

*Id.* at 908.

<sup>2220</sup> *Id.* at 909 (quoting *Brown Elec. Arts, Inc.*, 724 F.3d 1235, 1246 (9th Cir. 2013)).

<sup>2221</sup> See *Underground Sols., Inc. v. Palermo*, 188 F. Supp. 3d 717 (N.D. Ill. 2016).

<sup>2222</sup> *Id.* at 726.

<sup>2223</sup> 365 U.S. 875 (1961).

<sup>2224</sup> 381 U.S. 657 (1965).

protected unless the plaintiff can establish the defendant's conduct was a "sham" in the sense that: (1) it was objectively baseless; and (2) it was undertaken with a subjective intent to harm the plaintiff.<sup>2225</sup> If a plaintiff cannot carry its burden under the first prong of this test, it will not be entitled to discovery bearing on the second.<sup>2226</sup>

One trademark owner invoking the *Noerr-Pennington* doctrine received a break from a Florida federal district court in a case in which the owner's demand letters led the recipient to file a complaint asserting a cause of action for tortious interference under federal law.<sup>2227</sup> In an opinion dismissing the complaint for failure to state a claim, the court confirmed that the doctrine protects the transmittal of demand letters. As the court explained, "the [right to petition] extends not only to petitioning of the judicial branch (i.e., filing a lawsuit), but also to acts reasonably attendant to litigation, such as demand letters."<sup>2228</sup> Because the complaint failed to aver facts that, if taken as true, demonstrated the trademark claims referenced in the letters were mere shams, they fell within the ambit of constitutionally protected activity.

### 3. The Seventh Amendment

The Seventh Amendment provides, "[i]n suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any court of the United States, than according to the rules of the common law."<sup>2229</sup> Nevertheless, as the Eleventh Circuit held, "a right to a jury trial does not exist for suits seeking only injunctive relief, which is purely equitable in nature."<sup>2230</sup> The plaintiff in the appeal before that court therefore had obviated the need for a jury trial by waiving its claims for monetary relief;<sup>2231</sup> that result was additionally driven by the defendant's failure to preserve the issue in the parties' joint pretrial order.<sup>2232</sup>

A New York federal district court likewise refused to grant a defense request for a jury trial in an opinion that confused and conflated the legal remedy of an award of the plaintiff's actual

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<sup>2225</sup> See generally *Prof'l Real Estate Inv'rs, Inc. v. Columbia Pictures Indus.*, 508 U.S. 49, 60-61 (1993).

<sup>2226</sup> *Id.* at 65.

<sup>2227</sup> See *Silverhorse Racing, LLC v. Ford Motor Co.*, 232 F. Supp. 3d 1206 (M.D. Fla. 2017).

<sup>2228</sup> *Id.* at 1211.

<sup>2229</sup> U.S. CONST. amend. VII.

<sup>2230</sup> *FN Herstal SA v. Clyde Armory Inc.*, 838 F.3d 1071, 1088 (11th Cir. 2016), *cert. denied*, 137 S. Ct. 1436 (2017).

<sup>2231</sup> *Id.*

<sup>2232</sup> *Id.* at 1089.

damages, on the one hand, and the equitable remedy of an accounting of the defendant's profits, on the other hand.<sup>2233</sup> In the end, however, the court focused on the plaintiff's request for an award of damages capped at twenty dollars, which the court held fell outside the scope of the Seventh Amendment: "The plain language of the amendment . . . supports the proposition that [the defendant's] jury trial right is not implicated if [the plaintiff] is allowed to pursue nominal damages of less than twenty dollars."<sup>2234</sup>

#### 4. The Eleventh Amendment

The Eleventh Amendment provides that "[t]he Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State."<sup>2235</sup> That language came into play in a declaratory judgment action for noninfringement filed against the University of Kentucky by a recipient of a demand letter sent by the University.<sup>2236</sup> The plaintiff filed its suit in state court, but the university removed the action, leading the plaintiff to oppose the university's subsequent motion to dismiss on the ground the university had thereby waived its immunity under the Amendment.

The court granted the motion. Although acknowledging that "[a] state may . . . waive Eleventh Amendment immunity through its litigation conduct,"<sup>2237</sup> the court held the university had not effected such a waiver by removing the action to federal court. As the court noted, the Commonwealth of Kentucky had not waived its immunity under state law, which precluded a holding it had done so through the removal.<sup>2238</sup> Moreover, because the plaintiff had filed suit against the university, rather than its leaders as individual defendants, it was ineligible for the exception to the Amendment recognized by *Ex Parte Young*,<sup>2239</sup> through which the plaintiff might have pursued injunctive relief (but not monetary relief) against the university.<sup>2240</sup>

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<sup>2233</sup> See *Exceller Sheepskin & Leather Coat Corp. v. Or. Brewing Co.*, 120 U.S.P.Q.2d 1871, 1876 (S.D.N.Y. 2016) ("When profits are known, a trademark owner may recover as actual damages: (1) defendant's profits; (2) any damages sustained by plaintiff; and (3) the costs of the action."), *appeal docketed*, No. 16-3602 (2d Cir. Oct 24, 2016).

<sup>2234</sup> *Id.* at 1878.

<sup>2235</sup> U.S. Const. amend. XI.

<sup>2236</sup> See *Ky. Mist Moonshine, Inc. v. Univ. of Ky.*, 192 F. Supp. 3d 772 (E.D. Ky. 2016).

<sup>2237</sup> *Id.* at 781.

<sup>2238</sup> *Id.* at 781-82.

<sup>2239</sup> 209 U.S. 123 (1908).

<sup>2240</sup> *Ky. Mist Moonshine*, 192 F. Supp. 3d at 784.

### *D. Procedural Matters*

#### **1. Federal Subject-Matter Jurisdiction**

The significance of the requirement under Sections 32(1), 43(a), and 43(c) that a defendant be engaged in a use in commerce for liability to attach to that use took center stage in an appeal to the Ninth Circuit by United States-based Trader Joe's in a suit against a Canadian resident.<sup>2241</sup> According to the court's summary of the parties' opening pleadings, "[i]t is uncontested that Defendant . . . purchases Trader Joe's-branded goods in Washington state, transports them to Canada, and resells them there in a store he designed to mimic a Trader Joe's store [operating under the PIRATE JOE'S mark]."<sup>2242</sup> Although acknowledging the potential extraterritorial application of the Lanham Act, the district court nevertheless dismissed the action on the theory that, because the defendant's alleged infringement occurred outside of the United States, it lacked subject-matter jurisdiction.

The Ninth Circuit reversed that dismissal, observing:

[I]t is the Lanham Act's "use in commerce" element and its broad definition of "commerce" that give the statute extraterritorial reach. These . . . elements . . . derive from Congress's power to regulate interstate and foreign commerce under the Commerce Clause. The constitutional source of this authority is the same whether or not the alleged infringement implicates the extraterritorial scope of the Lanham Act: Congress can no more regulate intrastate, non-commercial possession of another's mark . . . than trademark infringement that occurs entirely outside of the country's borders.<sup>2243</sup>

Thus, [t]he extraterritorial reach of the Lanham Act is a merits question that does not implicate federal courts' subject-matter jurisdiction, and that the district court erred as a matter of law when it decided otherwise."<sup>2244</sup>

An Ohio federal district court similarly rejected a claim that no federal subject-matter jurisdiction existed over infringement and counterfeiting causes of action asserted by a jewelry manufacturer against a defendant it accused of selling once-genuine, but altered goods under the manufactured mark.<sup>2245</sup> As the court held in denying the defendant's motion to dismiss for failure to state a claim, the proper focus of the inquiry was the alleged effect of the

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<sup>2241</sup> See *Trader Joe's Co. v. Hallat*, 835 F.3d 960 (9th Cir. 2016).

<sup>2242</sup> *Id.* at 962-63.

<sup>2243</sup> *Id.* at 967 (citations omitted).

<sup>2244</sup> *Id.* at 963.

<sup>2245</sup> See *Tacori Enters. v. Michael Joaillier, Inc.*, 207 F. Supp. 3d 799 (S.D. Ohio 2016).

defendant's conduct on the plaintiff's interstate operations. On that issue, the complaint was replete with averments of the plaintiff's investment in its nationwide operations and the defendant's aggressive marketing and sale of the modified jewelry at prices lower than those at which the plaintiff offered original pieces. "These allegations," the court held, "sufficiently demonstrate a hindrance to [the plaintiff's] ability to conduct its interstate business at this stage of the proceedings."<sup>2246</sup>

## 2. Standing

To establish its standing to pursue a cause of action for purposes of Article III of the Constitution, a plaintiff must credibly aver a redressable injury attributable to the defendant's conduct;<sup>2247</sup> it must then also satisfy any additional requirements for standing under the particular cause of action under which it is proceeding. In *Lexmark International v. Static Control Components, Inc.*,<sup>2248</sup> a case presenting allegations of false advertising under Section 43(a) of the Act, the Supreme Court established a two-part test for the standing necessary to prosecute an action for false advertising under Section 43(a) of the Act. First, the plaintiff's interest must be within the zone of interests the Act is intended to protect.<sup>2249</sup> And, second, the plaintiff must allege its injuries were proximately caused by defendant's deceptive practices.<sup>2250</sup> Not surprisingly, *Lexmark* played a major role in the resolution of the standing inquiry in false advertising disputes. Somewhat less predictably, though, the Supreme Court's analysis made appearances in many, but not all, opinions addressing other causes of action under the Act.

### *a. Opinions Finding Standing*

On its face, Section 32's cause of action for infringement is restricted to the owner of a registration on the USPTO's Principal Register; likewise, Section 43(c)'s cause of action for likely dilution is available only to the "owner" of a famous mark. Nevertheless, the express language in each statute did not prevent a Massachusetts federal district court from recognizing the standing of an exclusive licensee to prosecute causes of action for infringement and likely dilution.<sup>2251</sup> With respect to the former, the court was bound by

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<sup>2246</sup> *Id.* at 807.

<sup>2247</sup> See generally *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992).

<sup>2248</sup> 134 S. Ct. 1377 (2014).

<sup>2249</sup> *Id.* at 1388.

<sup>2250</sup> *Id.* at 1390.

<sup>2251</sup> See *Rimowa Distrib., Inc. v. Travelers Club Luggage, Inc.*, 217 F. Supp. 3d 400 (D. Mass. 2016).

controlling First Circuit authority.<sup>2252</sup> Not so with respect to the latter, but the court nevertheless held that:

[A]nalogizing to patents, . . . an exclusive licensee may exercise the rights of an owner when it holds the monopoly on a mark within a given territory. Because it holds the right to exclude others, grant sublicenses, and enforce the marks in [the] United States, [the plaintiff licensee] stands in the shoes of the “owner” for all intents and purposes.<sup>2253</sup>

Accusations of false advertising between participants in the black pepper industry produced a finding of standing for purposes of Section 43(a).<sup>2254</sup> The lead plaintiff in the case alleged the industry leader had “slack-filled” its packages of pepper, a practice that led consumers to purchase less pepper than they believed. When the defendant moved to dismiss the lead plaintiff’s complaint on the ground the lead plaintiff’s averments of damage were impermissibly speculative, the court evaluated the motion under the *Lexmark* rubric. In doing so, the court rejected the defendant’s “irrational” argument that, because the lead plaintiff’s claim of damage depended on the actions of third parties, namely, consumers allegedly misled by the defendant’s advertising into purchasing the defendant’s pepper, the lead plaintiff could not establish an injury arising directly from the defendant’s conduct. Specifically, the court held:

[A] deceptive act will virtually always first influence consumers, whose resulting actions affect a competitor’s business interests. That is not remote and speculative; it is the intended scope of the statute. Indeed, the *Lexmark* Court’s test for proximate cause—that “deception of consumers causes them to withhold trade from the plaintiff”—explicitly assumes that deception will injure a competitor because of the intermediate actions of consumers.<sup>2255</sup>

A finding of standing also transpired in a battle between participants in the weight-loss supplement business.<sup>2256</sup> The counterclaim plaintiff objected to various representations in the counterclaim defendant’s advertising suggesting the benefits of the counterclaim defendant’s product had been “clinically proven.” According to the counterclaim plaintiff, the tests at issue had

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<sup>2252</sup> See *Quabaug Rubber Co. v. Fabiano Shoe Co.*, 567 F.2d 154, 158 (1st Cir. 1977).

<sup>2253</sup> *Rimowa Distrib.*, 217 F. Supp. 3d at 408.

<sup>2254</sup> See *In re McCormick & Co. Pepper Prods. Mktg. & Sales Practices Litig.*, 215 F. Supp. 3d 51 (D.D.C. 2016).

<sup>2255</sup> *Id.* at 58 (quoting *Lexmark*, 134 S. Ct. at 1391).

<sup>2256</sup> See *Obesity Research Inst., LLC v. Fiber Research Int’l LLC*, 165 F. Supp. 3d 937 (S.D. Cal. 2016).

evaluated a different product altogether. Moreover, it alleged, the counterclaim defendant's additional claims that its product was hypoallergenic were equally false because the product contained enough sulfites to warrant an allergen warning.

Accepting the counterclaim plaintiff's averments as true, the court denied the counterclaim defendant's motion to dismiss for want of standing. Referring to the first prong of the *Lexmark* analysis, it held that "[t]he 'zone of interest' test is not a particularly demanding one, and the benefit of the doubt goes to the one alleging the cause of action";<sup>2257</sup> it then found the first requirement satisfied with little further analysis. The court's treatment of the second *Lexmark* factor was more substantive and focused on the counterclaim plaintiff's allegations that the counterclaim defendant had unfairly passed off its "sub-standard, adulterated, [and] unrefined" product as equivalent to that of the counterclaim plaintiff and, additionally, that the counterclaim plaintiff had been injured as a result.<sup>2258</sup> Those allegations, the court concluded, sufficed to establish the counterclaim plaintiff's standing under *Lexmark*'s second prong.<sup>2259</sup>

An application of *Lexmark* also produced a finding of standing in litigation brought by a purveyor of mattresses against a pair of defendants who provided online reviews of mattress and who allegedly had failed to disclose certain financial relationships they had with competitors of the plaintiff.<sup>2260</sup> The defendants argued in support of their motion to dismiss that the plaintiff lacked standing because the parties were not direct competitors, but *Lexmark* disposed of that argument: "To be sure," the court held, "this action 'does not present the classic Lanham Act false-advertising claim in which one competitor directly injures another by making false statements about his own goods or the competitor's goods and thus inducing customers to switch';<sup>2261</sup> nevertheless, "there is no requirement that false-advertising claims under the Lanham Act be limited to the typical fact pattern."<sup>2262</sup> The defendants' fallback position, namely, that their allegedly false representations were nonactionable because they had been about their own services, fell short because "Section 43(a) unambiguously encompasses false or misleading statements about one's own goods or services."<sup>2263</sup> Finally, the court rejected the defendants' argument that their

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<sup>2257</sup> *Id.* at 946.

<sup>2258</sup> *Quoted in id.* at 947.

<sup>2259</sup> *Id.*

<sup>2260</sup> *See* Casper Sleep, Inc. v. Mitcham, 204 F. Supp. 3d 632 (S.D.N.Y. 2016), *reconsideration denied*, No. 16 Civ. 3224 (JSR), 2016 WL 7188788 (S.D.N.Y. Nov. 17, 2016).

<sup>2261</sup> *Id.* at 640.

<sup>2262</sup> *Id.* at 641.

<sup>2263</sup> *Id.*



conduct had not proximately caused the plaintiff's asserted injuries, concluding instead that "to the extent that accurate representations [of the defendants' financial arrangements with the plaintiff's competitors]—or even no representations at all—would have resulted in fewer diverted sales for [the plaintiff] and mitigated the negative impact on its reputation, the alleged misrepresentations proximately caused the alleged harm."<sup>2264</sup>

### ***b. Opinions Declining to Find Standing***

In an opinion freely mixing the concepts of standing and federal subject-matter jurisdiction, the Eighth Circuit concluded a plaintiff that had successfully invoked Section 38 to secure the cancellation of a competitor's registration as fraudulently procured nevertheless had failed to demonstrate its standing to do so.<sup>2265</sup> One problem for the plaintiff was the district court's finding the plaintiff had not suffered any monetary damage arising from the defendant's misconduct.<sup>2266</sup> Another was the Eighth Circuit's rather dubious observation that the need to defend itself against the defendant's Section 32 counterclaim for infringement had not harmed the plaintiff because the defendant also had asserted a counterclaim for unfair competition under Section 43(a).<sup>2267</sup> (The evidentiary advantages attaching to the defendant's registration went unmentioned.) Finally, the appellate court raised the Supreme Court's opinion in *Already, LLC v. Nike, Inc.*,<sup>2268</sup> which held that the voluntary dismissal of a suit coupled with a covenant not to sue in the future doomed a counterclaim for cancellation: "If [the plaintiff] were right that standing to seek cancellation could be based on having been forced to defend against an infringement suit, however, [the counterclaim plaintiff in *Already*] would presumably have had standing."<sup>2269</sup>

On its face, Section 32's cause of action for infringement is available only to registrants,<sup>2270</sup> and that language led to a hard

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<sup>2264</sup> *Id.*

<sup>2265</sup> See *E. Iowa Plastics, Inc. v. PI, Inc.*, 832 F.3d 899 (8th Cir. 2016).

<sup>2266</sup> *Id.* at 904.

<sup>2267</sup> On this issue, the court explained that "[the plaintiff] would have faced an essentially identical counterclaim even if [the plaintiff] had never obtained a trademark registration by fraud, so any injury based on litigating counterclaims is not fairly traceable to that fraud." *Id.* at 905.

<sup>2268</sup> 568 U.S. 85 (2013).

<sup>2269</sup> *E. Iowa Plastics*, 832 F.3d at 906.

<sup>2270</sup> See 15 U.S.C. § 1114 (2012) (authorizing private cause of action against "[a]ny person who shall, without the consent of the registrant . . . use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or . . . (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such

lesson for two plaintiffs whose complaint recited they owned federal applications covering the marks to which they claimed rights.<sup>2271</sup> Although not expressly addressing the issue under the rubric of standing, the court granted the defendants' motion to dismiss the portion of the plaintiffs' complaint claiming infringement. As it noted of the plaintiffs' filings in the USPTO, "a claim under [Section 32] lies only where the mark at issue has been registered . . . ." <sup>2272</sup> This was true even though the applications had not yet matured into registrations through, the plaintiffs argued, no fault of their own as a result of a concurrent use proceeding initiated by a third party. Simply put, "Plaintiffs cite absolutely no authority for the proposition that an application that is suspended pending an appeal from the TTAB should be considered 'registered' or that Plaintiffs should be considered 'registrants' under such circumstances."<sup>2273</sup>

Findings of no standing also occurred in false advertising actions,<sup>2274</sup> including one between competing manufacturers of pharmaceutical products.<sup>2275</sup> The plaintiff did not dispute the absence of any express references to itself in the challenged advertising, but instead relied on five alleged instances in which employees of the defendant referred to the advertising "in sales conversations that also addressed [the plaintiff's product's efficacy]."<sup>2276</sup> The fact that the advertising targeted products of a third party, together with the limited number of conversations at issue, doomed the plaintiff's claim of standing under *Lexmark*:

[T]here is a discontinuity between the treatment targeted by the advertisement, [the third party], and the party alleging injury here, [the plaintiff] . . . . Even when the undisputed

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reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive" (emphasis added).

<sup>2271</sup> See *Grgurev v. Licul*, 229 F. Supp. 3d 267 (S.D.N.Y. 2017).

<sup>2272</sup> *Id.* at 284.

<sup>2273</sup> *Id.*

<sup>2274</sup> See, e.g., *UHS of Del., Inc. v. United Health Servs., Inc.*, 227 F. Supp. 3d 381, 403-04 (M.D. Pa. 2016) (granting defense motion for summary judgment after plaintiff failed to identify "any evidence of lost or decreased sales, diminished goodwill, or other injury proximately caused by defendants"); *Paeteria La Michoacana, Inc. v. Productos Lacteos Tocombo S.A. De C.V.*, 188 F. Supp. 3d 22, 115 (D.D.C. 2016) (dismissing claim of standing after trial on ground that the counterclaim plaintiff "failed to show that it had suffered or would likely suffer any injury—either in the form of loss of reputation or loss of sales—and that it had even failed to show that [the counterclaim defendants'] advertisements had any impact on consumers' decisions whether to buy [the counterclaim defendants'] products at all"), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).

<sup>2275</sup> See *Ferring Pharma., Inc. v. Braintree Labs.*, 221 F. Supp. 3d 161 (D. Mass. 2016).

<sup>2276</sup> *Id.* at 168.

facts are construed in the light most favorable to [the plaintiff], it has failed to show a direct injury arising from the . . . promotion. Consequently, [the plaintiff] lacks standing to make such a claim.<sup>2277</sup>

Another finding of no standing to prosecute a false advertising cause of action under Section 43(a) originated in the 2016 presidential election.<sup>2278</sup> The parties produced competing bobbleheads depicting Hillary Clinton in prison garb, and the defendants allegedly falsely represented their offering as the “official bobblehead of the 2016 Donald Trump Presidential Campaign”; the defendant’s website also bore the notice “(c) Donald J. Trump.”<sup>2279</sup> Holding the plaintiff to the strict pleading requirements of Rule 9 of the Federal Rules of Civil Procedure, the court found on the defendants’ motion to dismiss that:

[T]he allegations in Plaintiff’s [complaint] merely state that Defendants have, for instance, engaged in false advertising by falsely claiming to be associated with the Trump organization, and this has somehow caused Plaintiff to suffer damages. There are no more specific allegations of, at the very least, lost sales or damage to its reputation. This is insufficient to plead proximate causation to support a Lanham Act claim.<sup>2280</sup>

Finally, a panel of the Appeals Court of Massachusetts tackled the issue of whether a broker for automobile detailing services could assert a Section 43(a) cause of action against an automobile dealers association and its affiliates after the latter published articles concerning a United States Department of Labor investigation into the broker’s labor practices.<sup>2281</sup> The plaintiff characterized the defendant’s articles as false advertising, and the defendants responded with a successful motion to dismiss for want of standing. Apparently oblivious to *Lexmark*, the court affirmed. Invoking pre-*Lexmark* First Circuit authority, it erroneously explained that “[the plaintiff’s] Lanham Act claim fails, if for no other reason, because such a claim may be maintained only against one’s competitors, and there is no allegation that any of the defendants competes with [the plaintiff].”<sup>2282</sup>

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<sup>2277</sup> *Id.* at 168-69.

<sup>2278</sup> *See* *Bobbleheads.com, LLC v. Wright Bros.*, 259 F. Supp. 3d 1087 (S.D. Cal. 2017).

<sup>2279</sup> *Quoted in id.* at 1095.

<sup>2280</sup> *Id.* at 1097 (citations omitted).

<sup>2281</sup> *See* *Kilnapp Enters. v. Mass. State Auto. Dealers Ass’n*, 47 N.E.3d 31 (Mass. App. Ct. 2016).

<sup>2282</sup> *Id.* at 41 (citing *Podiatrist Ass’n v. La Cruz Azul de P.R., Inc.*, 332 F.3d 6, 19 (1st Cir. 2003)).

### 3. Personal Jurisdiction

An evaluation of the propriety of an exercise of personal jurisdiction over a nonresident defendant 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.<sup>2283</sup> If the reach of the state long-arm statute in question is coextensive with due process, only the constitutional analysis need take place.<sup>2284</sup>

There are two ways in which these standards may be satisfied. First, if a defendant's ties to the forum at issue are extensive, it may be subject to an exercise of general jurisdiction.<sup>2285</sup> Second, it may be subject to an exercise of specific personal jurisdiction if it meets the requirements of a somewhat less demanding test, of which the Ninth Circuit's is characteristic:

- (1) The non-resident defendant must *purposefully direct his activities* or consummate some transaction with the forum or resident thereof; *or* perform some act by which he *purposefully avails himself* of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of its laws;
- (2) the claim must be one which arises out of or relates to the defendant's forum-related activities; and
- (3) the exercise of jurisdiction must comport with fair play and substantial justice, i.e., it must be reasonable.<sup>2286</sup>

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<sup>2283</sup> See generally *BTG Patent Holdings, LLC v. Bag2Go, GmbH*, 193 F. Supp. 3d 1310, 1315 (S.D. Fla. 2016); *Manchester Farms, Inc. v. Supremas, Inc.*, 165 F. Supp. 3d 1366, 1371 (M.D. Ga. 2016).

<sup>2284</sup> See, e.g., *Thousand Oaks Barrel Co. v. Deep South Barrels LLC*, 241 F. Supp. 3d 708, 714 (E.D. Va. 2017) (Virginia long-arm statute coextensive with due process); *Autoflex Leasing-Dallas I, LLC v. Autoflex LLC*, 121 U.S.P.Q.2d 1847, 1849 (N.D. Tex. 2017) (Texas statute coextensive with due process); *Ontel Prods. Corp. v. Mindscope Prods.*, 220 F. Supp. 3d 555, 559 (D.N.J. 2016) (New Jersey long-arm statute coextensive with due process); *Sec. Alarm Fin. Enters. v. Nebel*, 200 F. Supp. 3d 976, 983 (N.D. Cal. 2016) (California long-arm statute coextensive with due process); *BTG Patent Holdings*, 193 F. Supp. 3d at 1317 (Florida long-arm statute coextensive with due process); *IPOX Schuster, LLC v. Nikko Asset Mgmt. Co.*, 191 F. Supp. 3d 790, 798 (N.D. Ill. 2016) (Illinois long-arm statute coextensive with due process).

<sup>2285</sup> "[G]eneral jurisdiction . . . exists only when the party's affiliations with [the forum] 'are so constant and pervasive as to render [it] essentially at home . . .'" *Am. Bridal & Prom Indus. Ass'n v. P'ships & Unincorporated Assocs. Identified on Schedule A*, 192 F. Supp. 3d 924, 931 (N.D. Ill. 2016) (second alteration in original) (quoting *Daimler AG v. Bauman*, 134 S. Ct. 746, 751 (2014)); accord *Autoflex Leasing-Dallas I*, 121 U.S.P.Q.2d at 1849; *Ontel Prods. Corp.*, 220 F. Supp. 3d at 559.

<sup>2286</sup> *Sec. Alarm Fin. Enters.*, 200 F. Supp. 3d at 983 (quoting *Mavrix Photo, Inc. v. Brand Techs., Inc.*, 647 F.3d 1218, 1227-28 (9th Cir. 2011)).

Under applications of this and similar tests, “[t]he plaintiff bears the burden of satisfying the first two prongs; if the plaintiff is successful, the burden shifts to the defendant to ‘set forth a “compelling case” that the exercise of jurisdiction would not be reasonable.’”<sup>2287</sup>

Finally, in addition to this traditional analysis, plaintiffs faced with non-U.S. defendants have in recent years 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.<sup>2288</sup>

### *a. Opinions Exercising Personal Jurisdiction*

The Georgia long-arm statute<sup>2289</sup> is not coextensive with due process, but that did not stop a federal district court in that state from exercising personal jurisdiction over a California-based company selling meat to grocery stores.<sup>2290</sup> The summary judgment record in the case established the defendant had purchased quail from the Georgia-based plaintiff for a number of years before switching to another Georgia-based supplier; the record also established, however, the defendant had then continued to use a UPC code that identified the plaintiff as the source of its quail. Those considerations were enough for the court to hold that the defendant had done business within the state for purposes of the long-arm statute.<sup>2291</sup> Moreover, because the plaintiff’s allegations of trademark infringement related to the defendant’s Georgia-based activities, it was constitutionally reasonable to hale the defendant into a Georgia court.<sup>2292</sup>

A less lengthy, but still extensive, relationship between the parties led to an exercise of specific personal jurisdiction by an Illinois federal district court over a Japanese domiciliary.<sup>2293</sup> The plaintiff, a financial services firm, offered a set of benchmark indices

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<sup>2287</sup> *Id.* (quoting *Mavrix Photo*, 647 F.3d at 1228).

<sup>2288</sup> Fed. R. Civ. P. 4(k)(2).

<sup>2289</sup> Ga. Code Ann. § 9-10-91(1) (2007 & Supp. 2017).

<sup>2290</sup> *See Manchester Farms, Inc. v. Supremas, Inc.*, 165 F. Supp. 3d 1366 (M.D. Ga. 2016).

<sup>2291</sup> *Id.* at 1371.

<sup>2292</sup> *Id.* at 1372.

<sup>2293</sup> *See IPOX Schuster, LLC v. Nikko Asset Mgmt. Co.*, 191 F. Supp. 3d 790 (N.D. Ill. 2016).

using proprietary technology and confidential research and data under its mark. Companies wishing to create financial products using the plaintiff's indices could secure licenses from the plaintiff, which, inter alia, allowed the licensees to use the plaintiff's registered mark. After the lead defendant wrote to the plaintiff expressing interest in the plaintiff's products, the plaintiff forwarded a proposed data license, which the lead defendant never executed. During the same timeframe, a second defendant contacted the plaintiff for information on its products but also declined to execute a license it received from the plaintiff. The two defendants eventually launched an investment fund targeting Japanese domiciliaries and allegedly using proprietary information they had received from the plaintiff and which they allegedly promoted using the plaintiff's mark. When negotiations intended to produce an after-the-fact license failed, the plaintiff filed suit, and the lead defendant moved to dismiss the complaint against it for want of personal jurisdiction.

The court denied the motion. Citing the Supreme Court's opinion in *Calder v. Jones*,<sup>2294</sup> the court noted that specific personal jurisdiction could rest on a defendant "committing an intentional tort outside of the forum state but 'expressly aimed' at the forum state."<sup>2295</sup> That, the court concluded, was precisely what the plaintiff alleged had occurred:

[The lead defendant] corresponded with [the plaintiff] repeatedly, both before and after [the plaintiff] sent a cease-and-desist letter . . . . [The plaintiff] alleges that [the lead defendant] then reached into Illinois by infringing [the plaintiff's] trademark rights and attempting to capitalize on [the plaintiff's] reputation and goodwill with knowledge that [the plaintiff] had built its reputation and would be injured in Illinois. [The plaintiff] purposefully directed its conduct at Illinois, and could reasonably foresee being haled into court here. These contacts are sufficient to permit the Court to exercise personal jurisdiction over [the lead defendant], and accordingly the Court denies [the lead defendant's] motion to dismiss . . . .<sup>2296</sup>

These holdings notwithstanding, a direct relationship between the parties is unnecessary for a finding of specific personal jurisdiction. In one case proving that point, a Virginia-based plaintiff successfully haled a Texas-based lead defendant into court in the plaintiff's home state.<sup>2297</sup> In support of a motion to dismiss,

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<sup>2294</sup> 465 U.S. 783 (1984).

<sup>2295</sup> *IPOX Schuster*, 191 F. Supp. 3d at 799.

<sup>2296</sup> *Id.* at 800-01.

<sup>2297</sup> See *Thousand Oaks Barrel Co. v. Deep South Barrels LLC*, 241 F. Supp. 3d 708 (E.D. Va. 2017).

the lead defendant established to the court's satisfaction it had no offices in Virginia, owned no property in the state, had no employees there, and had never marketed its products—miniaturized bourbon barrels—at Virginia festivals. The plaintiff, however, responded with evidence that the lead defendant sold its barrels throughout the United States, including Virginia, operated an interactive website, and maintained a relationship with its customers by requiring them to register on the website. In denying the motion, the court found the plaintiff's showing more significant than the defendant's. In particular, the lead defendant's "purposeful course of conduct" in "setting up an interactive e-commerce website accessible to Virginia residents, accepting payment from Virginia residents for e-commerce purchases, and shipping multiple products to Virginia residents—is sufficient to ensure that [the lead defendant] could have 'reasonably anticipate[d] being haled into court' in Virginia for claims arising from its products;"<sup>2298</sup> moreover, it was equally sufficient to render an exercise of specific personal jurisdiction constitutionally reasonable.<sup>2299</sup>

### ***b. Opinions Declining to Exercise Personal Jurisdiction***

Despite the potential value of the *Calder* effects test to a plaintiff seeking to establish the propriety of an exercise of personal jurisdiction over a defendant in the plaintiff's home forum, not all invocations of *Calder* paid dividends over the past year. Such was the case in a dispute in which the plaintiff, a California-based security company, agreed to sponsor an aspiring professional boxer, a resident of Nevada.<sup>2300</sup> The boxer continued to associate herself with the plaintiff's marks through Facebook and Instagram postings following the end of the agreement, leading the plaintiff to sue her and her manager in California.

That choice of forum failed to survive a motion to dismiss for want of specific personal jurisdiction because of the plaintiff's failure to demonstrate the defendants had purposefully directed their conduct toward California within the meaning of *Calder*. The court applied a three-part test to reach this conclusion:

Under this test, a defendant personally directed his activities at the forum if he "(1) committed an intentional act, (2) expressly aimed at the forum state, (3) causing harm that

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<sup>2298</sup> *Id.* at 717 (quoting *Universal Leather, LLC v. Koro AR, S.A.*, 773 F.3d 553, 559 (4th Cir. 2014)).

<sup>2299</sup> *Id.* at 718.

The court did, however, dismiss the plaintiff's complaint as to several individual Texas residents associated with the defendant, as well as an additional corporate defendant that had sold goods bearing the defendant's allegedly infringing marks at its brick-and-mortar location in Texas. *Id.* at 718-20.

<sup>2300</sup> *See Sec. Alarm Fin. Enters. v. Nebel*, 200 F. Supp. 3d 976 (N.D. Cal. 2016).

the defendant knows is likely to be suffered in the forum state.” In applying this test, the court “must ‘look[] to the defendant’s contacts with the forum State itself, not the defendant’s contacts with persons who reside there.’”<sup>2301</sup>

Addressing the second factor with respect to the boxer’s social media postings, the court concluded that “Plaintiff has offered no evidence, and the Court finds none, that [the boxer’s] Facebook and Instagram posts were in any way directed or targeted at California or a California audience”;<sup>2302</sup> likewise, the plaintiff’s reliance on the parties’ electronic negotiations proved unavailing because they had created an affiliation between the parties, not between the boxer and the state of California.<sup>2303</sup> The failure of the plaintiff’s claims against the boxer doomed its claims against her manager, which rested on the bare theory that he had directed the boxer’s actions.<sup>2304</sup>

Two other reported opinions finding specific personal jurisdiction lacking focused in part on the significance of demand letters passing between the parties. In the case producing the first, the plaintiff filed a declaratory judgment action in New Jersey after receiving such a letter from the California-based defendant alleging violations of the defendant’s trademark and trade dress rights.<sup>2305</sup> Seeking to keep the action on its home turf, the plaintiff advanced the following averments: “(1) [the defendant] sent the cease and desist letter to New Jersey; (2) it conducts 0.18% of its total direct sales in New Jersey; (3) it maintains a website where New Jersey consumers could buy the product; and (4) many third party retailers sell its products.”<sup>2306</sup> The court found only the first of these factors to merit weight:

The relevant contacts in a declaratory judgment action like this one—where the plaintiff seeks a defensive declaration of invalidity, non-infringement, etc.—are not just any in-state use of the marks at issue. The plaintiff’s claims do not arise from those contacts, as they would in an infringement lawsuit. Rather, they relate to the defendant’s attempt to stop the plaintiff from selling its goods.<sup>2307</sup>

And such an attempt, the court held while granting the defendant’s motion to dismiss, did not constitute a purposeful availment of the

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<sup>2301</sup> *Id.* at 984 (alterations in original) (citation omitted) (quoting *Picot v. Weston*, 780 F.3d 1206, 1213-14 (9th Cir. 2015) (quoting *Walden v. Fiore*, 134 S. Ct. 1115, 1122 (2014))).

<sup>2302</sup> *Id.* at 985.

<sup>2303</sup> *Id.* at 986.

<sup>2304</sup> *Id.*

<sup>2305</sup> *See Ontel Prods. Corp. v. Mindscope Prods.*, 220 F. Supp. 3d 555 (D.N.J. 2016).

<sup>2306</sup> *Id.* at 560.

<sup>2307</sup> *Id.* at 561.



privilege of doing business in New Jersey in the manner required by due process.<sup>2308</sup>

A Texas-based plaintiff similarly failed to demonstrate its opponents had targeted the plaintiff's home state in a manner sufficient to render them subject to an exercise of specific personal jurisdiction there.<sup>2309</sup> The plaintiff asserted the defendants were subject to such an exercise for two reasons, the first of which was the defendants' receipt of the plaintiff's demand letters. The court made short work of that theory, holding that "[t]t is axiomatic that the 'unilateral activity of [a plaintiff] who claim[s] some relationship with a nonresident defendant cannot satisfy the requirement of contact with the forum State.' Here, defendants did not purposefully avail themselves of Texas law simply by virtue of receiving [the plaintiff's] demands [sic] letters."<sup>2310</sup>

The plaintiff's second theory rested on the accessibility of the defendants' website in Texas. That assertion led the court to apply the venerable sliding-scale test set forth in *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*<sup>2311</sup> It held:

*Zippo* requires the court to assess the level of interactivity of the defendants' website and prescribes a separate course of action for each of the three categories of websites: (1) where a website is nothing more than a passive advertisement, the court must decline to exercise personal jurisdiction; (2) where a website facilitates contractual relationships and the knowing and repeated transmission of computer files over the Internet, personal jurisdiction is proper; and (3) where a website falls somewhere in between, "the exercise of jurisdiction is determined by the level of interactivity and commercial nature of the exchange of information that occurs on the [w]ebsite."<sup>2312</sup>

Concluding the website in question fell into the third of these categories, the court determined that "nothing suggests that defendants have made any sales in the state of Texas or to Texas residents," a factor that precluded the site from exposing the defendants to suit in that state.<sup>2313</sup>

An additional failed attempt to establish personal jurisdiction over nonresident defendants took place before a Florida federal

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<sup>2308</sup> *Id.* at 562.

<sup>2309</sup> *See* *Autoflex Leasing-Dallas I, LLC v. Autoflex LLC*, 121 U.S.P.Q.2d 1847 (N.D. Tex. 2017).

<sup>2310</sup> *Id.* at 1850 (second, third, and fourth alterations in original) (quoting *Pervasive Software Inc. v. Lexware GmbH & Co. KG*, 688 F.3d 214, 222 (5th Cir. 2012)).

<sup>2311</sup> 952 F. Supp. 1119 (W.D. Pa. 1997).

<sup>2312</sup> *Autoflex Leasing-Dallas I*, 121 U.S.P.Q.2d at 1850 (alteration in original) (quoting *Mink v. AAAA Dev., LLC*, 190 F.3d 333, 336 (5th Cir. 1999)).

<sup>2313</sup> *Id.* at 1851.

district court.<sup>2314</sup> The first two defendants named in the plaintiff's complaint were domiciled in Germany, and they had applied to register their allegedly infringing mark in the USPTO for travelling bags, computer software for tracking luggage, and baggage-checking services. Those defendants had not actually provided any of those goods and services under their mark, however, and indeed, had promoted the mark only at two Las Vegas trade shows. The plaintiff nevertheless claimed it had suffered an injury in Florida, but that argument failed to convince the court, in substantial part because the plaintiff was a Nevada corporation based in Las Vegas and did not itself do business in Florida. In addition, the court found, even if the defendants' online advertising had actually injured the plaintiff in Florida, the defendants had not directed that advertising toward the state. These considerations prevented satisfaction of the requirements of the Florida long-arm statute<sup>2315</sup> or an exercise of specific personal jurisdiction over the defendants in a manner consistent with due process.<sup>2316</sup>

The court's rejection of the plaintiff's arguments did not stop there. Perhaps anticipating the failure of its primary theory of personal jurisdiction, the plaintiff claimed in the alternative the defendants could be haled into a Florida court under Rule 4(k)(2). The court, however, concluded the defendants' activities in Nevada exposed them to an exercise of specific personal jurisdiction in that state, especially because they had been served with process while attending one of their two trade shows: "When a defendant is personally served within a district, she may be subject to the personal jurisdiction of that forum even if her only contact with the forum is a one-time visit."<sup>2317</sup> That prevented the plaintiff from making the threshold showing required by Rule 4(k)(2), namely, that the defendants were not subject to an exercise of jurisdiction in any other state's courts of general jurisdiction.<sup>2318</sup>

Finally, an attempt in connection with a preliminary injunction motion to hale over three thousand defendants before an Illinois federal district court fell spectacularly short when the plaintiffs failed to establish the propriety of an exercise of personal jurisdiction over any of them.<sup>2319</sup> The plaintiffs averred the defendants, all of which were located outside the United States, operated websites selling goods that infringed the plaintiffs' trademarks and copyrights. After initially concluding that

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<sup>2314</sup> See *BTG Patent Holdings, LLC v. Bag2Go, GmbH*, 193 F. Supp. 3d 1310 (S.D. Fla. 2016).

<sup>2315</sup> *Id.* at 1318-19.

<sup>2316</sup> *Id.* at 1319-20.

<sup>2317</sup> *Id.* at 1320.

<sup>2318</sup> *Id.* at 1321.

<sup>2319</sup> See *Am. Bridal & Prom Indus. Ass'n v. P'ships & Unincorporated Assocs. Identified on Schedule A*, 192 F. Supp. 3d 924 (N.D. Ill. 2016).

“Plaintiffs have not alleged the type of contacts necessary to justify the exercise of general jurisdiction over any of the 3,343 defendants named in this lawsuit,”<sup>2320</sup> the court turned its attention to the issue of specific personal jurisdiction. Because the plaintiffs’ showing on that issue rested entirely on the accessibility of the defendants’ websites in Illinois, the court faulted the plaintiffs’ counsel for having earlier affirmatively represented that each defendant transacted business in, and otherwise targeted, the state. Denying the plaintiffs’ motion, it went on to hold that:

The Court recognizes that piracy and counterfeiting by foreign defendants are legitimate concerns and serious problems in both a criminal and civil context. But the constitutional implications of dragging unwitting foreign defendants into court in Illinois are serious as well. . . . [W]hether a defendant’s activities are online or offline, the burden remains upon the plaintiff to do the preliminary investigation necessary to demonstrate that each defendant has reached out to, or expressly aimed its activities at, Illinois. In the context of cases like this one, that means a plaintiff must show that each defendant is actually operating an interactive website that is accessible in Illinois and that each defendant has aimed such site at Illinois by standing ready, willing and able to ship its counterfeit goods *to customers in Illinois in particular* (or otherwise has some sufficient voluntary contacts with the state).<sup>2321</sup>

#### 4. Venue

Under 28 U.S.C. § 1391(b), venue in a federal court action will properly lie in a district in which “any defendant resides, if all defendants are residents of the State in which the district is located,” “in which a substantial part of the events or omissions giving rise to the claim occurred,” or in which any defendant may be found “if there is no district in which an action may otherwise be brought.”<sup>2322</sup> A challenge to the venue chosen by a plaintiff can take the form of a motion to dismiss brought under Federal Rule of Civil Procedure 12((b)(3) and 28 U.S.C. § 1406(a), the latter of which authorizes federal district courts to transfer or dismiss cases “laying venue in the wrong division or district,”<sup>2323</sup> and which is arguably a codification of the common-law doctrine of *forum non conveniens*.<sup>2324</sup>

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<sup>2320</sup> *Id.* at 931.

<sup>2321</sup> *Id.* at 934.

<sup>2322</sup> 28 U.S.C. § 1391(b) (2012).

<sup>2323</sup> *Id.* § 1406(a).

<sup>2324</sup> See generally *Sinochem Int’l Co. v. Malaysia 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”).

A venue challenge can also include a motion to transfer under 28 U.S.C. § 1404(a), which provides, “[f]or the convenience of [the] parties and the witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought . . . .”<sup>2325</sup>

### *a. Opinions Finding Venue Proper*

In venue-related disputes, courts typically give the plaintiff’s choice of forum considerable weight, and that rule came into play in the disposition of a motion to transfer an action alleging counterfeiting by the defendant from the District of Delaware, where it was filed, to the District of New Jersey, where the defendant was domiciled.<sup>2326</sup> In addition to the three relevant factors expressly identified by Section 1404(a)—the convenience of the parties, the convenience of witnesses, and the interests of justice—the court invoked the rather expansive list of additional “private interests” and “public interests” properly considered in the Third Circuit.<sup>2327</sup> The defendant’s moving papers did not address those considerations, so much as they emphasized the existence of a prior (but long-settled) action between the parties in the District of New Jersey. The New Jersey action had not addressed the issues raised by the plaintiffs’ Delaware complaint, however, which led the court to dismiss the significance of the New Jersey action. With that consideration out of the way, the court rejected the defendant’s arguments that “it is only a short train ride to Trenton” from Delaware and “there is no reason to believe [a key witness for plaintiffs] would be unavailable for trial if the case were transferred to New Jersey.”<sup>2328</sup> As it held, “[t]hese arguments are misguided. The burden is on the movant to show that there is a need for a

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<sup>2325</sup> 28 U.S.C. § 1404(a).

<sup>2326</sup> See *Astrazeneca AB v. Dr. Reddy’s Labs.*, 209 F. Supp. 3d 744 (D. Del. 2016).

<sup>2327</sup> As the court explained:

The private interests have included: plaintiff’s forum of preference as manifested in the original choice; the defendant’s preference; whether the claim arose elsewhere; the convenience of the parties as indicated by their relative physical and financial condition; the convenience of the witnesses—but only to the extent that the witnesses may actually be unavailable for trial in one of the fora; and the location of books and records (similarly limited to the extent that the files could not be produced in the alternative forum).

The public interests have included: the enforceability of the judgment; practical considerations that could make the trial easy, expeditious, or inexpensive; the relative administrative difficulty in the two fora resulting from court congestion; the local interest in deciding local controversies at home; the public policies of the fora; and the familiarity of the trial judge with the applicable state law in diversity cases.

*Id.* at 749 (emphasis deleted) (quoting *Jumara v. State Farm Ins. Co.*, 55 F.3d 873, 879 (3d Cir. 1995)).

<sup>2328</sup> Quoted in *id.* at 751 (alterations in original).

transfer.”<sup>2329</sup> The defendant’s failure to identify any witnesses outside the subpoena power of the court or to establish the unavailability of documents for review in Delaware sealed the fate of its motion.<sup>2330</sup>

In rejecting a defendant’s Section 1404(a)-based challenge to the forum chosen by a declaratory judgment plaintiff, an Illinois federal district court articulated a characteristic set of factors properly governing the inquiry:

“Courts may transfer a case under Section 1404(a) when: (1) venue is proper in the transferor district; (2) venue is proper in the transferee district; (3) the transfer will serve the convenience of the parties and witnesses; and (4) the transfer will serve the interests of justice.” The movant bears the burden of establishing that the transferee forum is clearly more convenient.<sup>2331</sup>

The defendant did not help itself by failing to support its motion with an opening brief, but that failure was not in and of itself fatal. Instead, it was the absence of any reason to overturn the plaintiff’s choice of forum, the neutrality of the parties’ and witnesses’ convenience, and the relatively equivalent speed with which the parties’ respective claims could be resolved in the two forums at issue.<sup>2332</sup>

Finally, two courts denied transfers after applying two different Ninth Circuit tests for weighing motions under Section 1404(a). The first was an Arizona federal district court, which noted:

[T]he Ninth Circuit has provided a list of non-exclusive factors to consider: (1) the location where relevant agreements were negotiated and executed, (2) the state most familiar with governing law, (3) the plaintiff’s choice of forum, (4) the parties’ contacts with the forum, (5) the contacts relating to the plaintiff’s cause of action, (6) differences in cost to litigate in each forum, (7) the availability of compulsory process to compel witness attendance, and (8) the ease of access to sources of proof.<sup>2333</sup>

Considering it undisputed that the plaintiff could have brought its case in the forum proposed by the defendant (North Carolina), the court nevertheless found the defendant had failed to carry its burden of persuasion on the issue of a transfer. For example, the

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<sup>2329</sup> *Id.*

<sup>2330</sup> *Id.* at 751-52.

<sup>2331</sup> *Republic Techs. (NA), LLC v. BBK Tobacco & Foods, LLC*, 240 F. Supp. 3d 848, 850 (N.D. Ill. 2016) (quoting *Hanover Ins. Co. v. N. Bldg., Co.*, 891 F. Supp. 2d 1019, 1025 (N.D. Ill. 2012)).

<sup>2332</sup> *Id.* at 851-53.

<sup>2333</sup> *OptoLum, Inc. v. Cree, Inc.*, 122 U.S.P.Q.2d 1208, 1210 (D. Ariz. 2017) (quoting *Jones v. GNC Franchising, Inc.*, 211 F.3d 495, 498-99 (9th Cir. 2000)).

defendant asserted that “North Carolina is a more convenient place for it to litigate because its products, documents, and witnesses are located there and this action has only minimal contacts with Arizona,”<sup>2334</sup> but the court concluded that “these are insufficient reasons to transfer the case given that a transfer would merely shift inconvenience from [the defendant] to the plaintiff.”<sup>2335</sup> Likewise, “with the advances in transportation and telecommunications and the increasing interstate practice of law, any burden is substantially less than in days past,”<sup>2336</sup> and “given the growth of ‘electronic communication and document production, discovery costs should be about the same in either forum.’”<sup>2337</sup> Finally, although the North Carolina court in the proposed forum might be familiar with the plaintiff’s federal claims, the same was unlikely true with respect to the plaintiff’s cause of action for unjust enrichment under Arizona law.<sup>2338</sup>

An Oregon federal district court invoked a different set of factors while denying a Section 1404(a)-based motion to dismiss:

The Ninth Circuit has identified a number of public and private interest factors that a district court may consider. This Court may consider: (1) the plaintiff’s choice of forum, (2) the parties’ contacts with the forum, (3) convenience to the parties, (4) convenience to the witnesses, (5) availability of compulsory process for non-party witnesses, (6) ease of access to evidence, (7) differences in the costs of litigation in the two forums, (8) familiarity of each forum with the applicable law, (9) local interest in the controversy, and (10) the relative court congestion and time of trial in each forum.<sup>2339</sup>

Seeking a transfer to the Southern District of California, the defendant argued the first factor deserved reduced weight because one of the two plaintiffs was a German corporation and the other lacked standing. Having resolved the standing dispute in the second plaintiff’s favor, however, the court held that that disposition “compels the Court to give substantial deference to [the plaintiffs] choice of the District of Oregon.”<sup>2340</sup> It then determined that the plaintiffs’ detailed identification of “at least eight likely witnesses” in Oregon outweighed the defendant’s comparatively vague

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<sup>2334</sup> *Id.* at 1211.

<sup>2335</sup> *Id.*

<sup>2336</sup> *Id.* (quoting *CE Distrib., LLC v. New Sensor Corp.*, 380 F.3d 1107, 1112 (9th Cir. 2004)).

<sup>2337</sup> *Id.* (quoting *Roth v. Adtran, Inc.*, No. CV-13-1735-PHX-DGC, 2013 WL 6058294, at \*3 (D. Ariz. Nov. 18, 2013)).

<sup>2338</sup> *Id.*

<sup>2339</sup> *See adidas Am., Inc. v. Athletic Propulsion Labs*, 120 U.S.P.Q.2d 1303, 1305 (D. Or. 2016) (citing *Jones v. GNC Franchising, Inc.*, 211 F.3d 495, 498 (9th Cir. 2000)).

<sup>2340</sup> *Id.* at 1306.

references to party and non-party witnesses allegedly located in southern California.<sup>2341</sup> Likewise, the defendant's averments of limited financial resources fell short because "the Court declines to transfer venue merely to shift the financial burden to [the plaintiffs.]"<sup>2342</sup> In light the neutrality of the remaining factors of record, namely, the predominately federal nature of the plaintiffs' claims, the relative docket congestion in each forum, and the locations of the parties' documentary evidence, the action remained in Oregon.<sup>2343</sup>

### *b. Opinions Declining to Find Venue Proper*

"Absent compelling circumstances, the first-filed rule generally gives venue priority to the party who filed suit first,"<sup>2344</sup> but one pair of plaintiffs discovered the rule is not necessarily a bright-line one. They did so after filing their infringement case in Nebraska and then failing to submit an adequate response to the defendant's motion to transfer the proceeding to Minnesota, where the defendant had filed its own suit concerning the same subject matter. In weighing that motion, the court referred to a lengthy set of factors governing the propriety of a transfer:

In assessing convenience, the Court considers "(1) the convenience of the parties, (2) the convenience of the witnesses—including the willingness of witnesses to appear, the ability to subpoena witnesses, and the adequacy of deposition testimony, (3) the accessibility to records and documents, (4) the location where the conduct complained of occurred, and (5) the applicability of each forum state's substantive law." Relevant interest-of-justice factors include "(1) judicial economy, (2) the plaintiff's choice of forum, (3) the comparative costs to the parties of litigating in each forum, (4) each party's ability to enforce a judgment, (5) obstacles to a fair trial, (6) conflict of law issues, and (7) the advantages of having a local court determine questions of local law."<sup>2345</sup>

Nevertheless, its grant of the defendant's motion rested on a far less complex analysis, namely, that the motion identified a number of documents and party and nonparty witnesses in Minnesota, while the plaintiff's response focused on the number of pending cases in each jurisdiction and "nebulous[]" references to unidentified

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<sup>2341</sup> *Id.* at 1307.

<sup>2342</sup> *Id.*

<sup>2343</sup> *Id.* at 1307-08.

<sup>2344</sup> *Battle Sports Sci., LLC v. Shock Doctor, Inc.*, 225 F. Supp. 3d 824, 840 (D. Neb. 2016).

<sup>2345</sup> *Id.* (quoting *Terra Int'l, Inc. v. Miss. Chem. Corp.*, 119 F.3d 688, 695 (8th Cir. 1997)).

witnesses in Nebraska.<sup>2346</sup> Ultimately, although the plaintiff's priority of filing and choice of forum deserved "considerable weight,"<sup>2347</sup> the court found "those factors are outweighed by other important factors, including the availability and convenience of nonparty witnesses in Minnesota and the accessibility of key evidence that is central to resolving the complex infringement claims at the heart of this case."<sup>2348</sup>

A less developed analysis led a Texas federal district court to transfer the action before it to the Northern District of Florida.<sup>2349</sup> The court previously had found the defendants not subject to an exercise of specific personal jurisdiction in the Lone Star State. Instead of dismissing the suit outright, however, it looked to whether a transfer would better serve the interests of justice, holding that "[t]he decision to transfer is often made to prevent waste of time, energy, and money and to protect litigants, witnesses, and the public against unnecessary inconvenience and expense."<sup>2350</sup> Without apparent consideration of the plaintiff's situation, it ordered the transfer because "[an individual defendant] is domiciled in Florida, both defendants regularly conduct business in Florida, and the events giving rise to [the plaintiff's] claims occurred in Florida"<sup>2351</sup> and because "[t]he Florida court can exercise personal jurisdiction over [the plaintiff] and [the individual defendant]."<sup>2352</sup>

## 5. Issue and Claim Preclusion

### *a. Issue Preclusion (Collateral Estoppel)*

In *B & B Hardware, Inc. v. Hargis Indus.*,<sup>2353</sup> the Supreme Court offered the following explanation of the doctrine of issue preclusion:

Sometimes two different tribunals are asked to decide the same issue. When that happens, the decision of the first tribunal usually must be followed by the second, at least if the issue is really the same. Allowing the same issue to be decided more than once wastes litigants' resources and adjudicators' time, and it encourages parties who lose before one tribunal to shop around for another. The doctrine of

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<sup>2346</sup> *Id.* at 841.

<sup>2347</sup> *Id.*

<sup>2348</sup> *Id.*

<sup>2349</sup> *See* *Autoflex Leasing-Dallas I, LLC v. Autoflex LLC*, 121 U.S.P.Q.2d 1847 (N.D. Tex. 2017).

<sup>2350</sup> *Id.* at 1852.

<sup>2351</sup> *Id.*

<sup>2352</sup> *Id.*

<sup>2353</sup> 135 S. Ct. 1293 (2015).



collateral estoppel or issue preclusion is designed to prevent this from occurring.<sup>2354</sup>

The Court did not adopt or endorse a particular test for the doctrine's applicability, though, which led a West Virginia federal district court to apply the pre-*B & B Hardware* test extant in the Fourth Circuit:

(1) the issue or fact is identical to the one previously litigated; (2) the issue or fact was actually resolved in the prior proceeding; (3) the issue or fact was critical and necessary to the judgment in the prior proceeding; (4) the judgment in the prior proceeding is final and valid; and (5) the party to be foreclosed by the prior resolution of the issue or fact had a full and fair opportunity to litigate the issue or fact in the prior proceeding.<sup>2355</sup>

It did so in the context of a case in which the lead plaintiff previously had lost an earlier infringement action brought by a motorcycle club. Following the outcome of that case, the lead plaintiff secured a federal registration of his infringing mark, which led him (and his competing club) to file suit against the officers of the club that successfully had sued him. Although the defendants did not raise the point, the court sua sponte entered summary judgment in their favor, concluding that the earlier case had resulted in determinations that the defendants' club owned a valid mark and that the lead plaintiff's mark infringed it. The intervening issuance of a registration to the plaintiff did not warrant the court revisiting those issues.<sup>2356</sup>

In the absence of a definitive test for issue preclusion from the Supreme Court, a Texas federal district court looked to the law of its state and held that the party invoking issue preclusion must demonstrate: "(1) the facts sought to be litigated in the second action were fully and fairly litigated in the first action; (2) those facts were essential to the judgment in the first action; and (3) the parties were cast as adversaries in the first action."<sup>2357</sup> The party at issue was the plaintiff, which sought a finding of liability for counterfeiting in a civil action that followed the criminal prosecution of employees of a business owned by the corporate defendants. The plaintiff contended in a summary judgment that guilty pleas by the employees precluded litigation over the corporate defendants' civil liability for the same sales, but that argument foundered on the third requirement because of the plaintiff's inability, at least as a

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<sup>2354</sup> *Id.* at 1298–99.

<sup>2355</sup> *Mollohan v. Warner*, 122 U.S.P.Q.2d 1335 (S.D. W. Va. 2017) (quoting *In re Microsoft Corp. Antitrust Litig.*, 355 F.3d 322, 326 (4th Cir. 2004)).

<sup>2356</sup> *Id.* at 1344.

<sup>2357</sup> *Michael Kors, LLC v. Hernandez Int'l Inc.*, 120 U.S.P.Q.2d 1762, 1782 (S.D. Tex. 2016) (quoting *McCoy v. Hernandez*, 203 F.3d 371, 374 (5th Cir. 2000)).

matter of law, to demonstrate the defendants were in privity with the employees. Specifically, the court credited the defendants' argument and supporting factual showings that the employees had run "an illicit, unauthorized counterfeiting operation unknown to [the corporate defendants]." <sup>2358</sup> "This evidence," the court concluded, "raises a genuine issue of fact with respect to privity, thus precluding application of collateral estoppel on summary judgment. This issue must be litigated at trial." <sup>2359</sup>

### ***b. Claim Preclusion (Res Judicata)***

Under the doctrine of claim preclusion, or *res judicata*, "a final judgment on the merits of an action precludes the parties or their privies from relitigating issues that were or could have been raised in that action." <sup>2360</sup> In one of two opinions in which it addressed the doctrine, the Fifth Circuit articulated a characteristic test for *res judicata* by holding that:

A claim in a subsequent suit will be barred under *res judicata* principles if: (1) the prior suit involved identical parties; (2) the prior judgment was rendered by a court of competent jurisdiction; (3) the prior judgment was a final judgment on the merits; and (4) the same claim or cause of action was involved in both cases. <sup>2361</sup>

This restatement occurred in an appeal from the second round in a false advertising dispute between competitors in the retractable syringe industry. The first round had led to a settlement agreement incorporating a mutual release of claims "which accrued on or at any time prior to the" agreement's signing. <sup>2362</sup> But the advertisements at issue in the second round had not existed at the time of the first round, which meant the fourth requirement for claim preclusion was not satisfied. Specifically, the court observed, "[the plaintiff] therefore could not have brought these claims during the pendency of the first lawsuit, and the new . . . advertisements and sales tactics of [the defendant] created new causes of action that are not barred by *res judicata*." <sup>2363</sup>

In the second of the Fifth Circuit's two claim preclusion opinions, the court entertained an appeal by a number of sellers of flavored ice confections, who asserted a number of causes of action against several competitors, including one for the fraudulent registration of

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<sup>2358</sup> *Id.* at 1783.

<sup>2359</sup> *Id.*

<sup>2360</sup> *Allen v. McCurry*, 449 U.S. 90, 94 (1980).

<sup>2361</sup> *Retractable Techs., Inc. v. Becton Dickinson & Co.*, 842 F.3d 883, 898 (5th Cir. 2016), *cert. denied*, 137 S. Ct. 1349 (2017).

<sup>2362</sup> *Quoted in id.* at 889.

<sup>2363</sup> *Id.*

a mark they used.<sup>2364</sup> The problem for the plaintiffs was that they had sued the same defendants in an earlier action, which the parties agreed satisfied the first three of the Fifth Circuit's four claim-preclusion factors. With respect to the fourth factor, the causes of action in the case before the court bore a suspicious resemblance to those in the earlier litigation, which led the district court to enter judgment in the defendants' favor. The plaintiffs argued on appeal that their new cases depended in part on misrepresentations the defendants had made to the USPTO during the pendency of the first case, but the court was unconvinced. Instead, it affirmed with the observation that "[i]f [the defendants] made material misrepresentations about the validity of various trademarks . . . , [the plaintiffs] should have introduced those claims during its litigation over the validity of those trademarks . . . during the trial."<sup>2365</sup>

Bound by Fourth Circuit, rather than Fifth Circuit, authority, a West Virginia federal district court held that "[t]he application of res judicata turns on the existence of three factors: (1) a final judgment on the merits in a prior suit; (2) an identity of the cause of action in both the earlier and the later suit; and (3) an identity of parties or their privies in the two suits."<sup>2366</sup> The prior action implicating that test was an infringement action resulting in a final judgment that the motorcycle club of which the defendants were officers owned a valid mark and that the lead plaintiff's mark infringed that of the defendants' club. Those determinations were enough to satisfy the first and third requirements of the relevant test, but the plaintiffs argued their causes of action for defamation, civil RICO, tortious interference, naked licensing by the defendants' club, and fraud presented different claims than those addressed in the first case. The court rejected that argument, noting that the plaintiffs' averments in support of those claims focused on the efforts of the defendants' club to vindicate its trademark rights. That meant those claims arose from the same transactions underlying the first case and therefore were ineligible for relitigation.<sup>2367</sup>

## 6. Judicial Estoppel

Judicial estoppel "generally prevents a party from prevailing in one phase of a case on an argument and then relying on a contradictory argument to prevail in another phase."<sup>2368</sup> One court

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<sup>2364</sup> See *Snow Ingredients, Inc. v. SnoWizard, Inc.*, 833 F.3d 512 (5th Cir. 2016).

<sup>2365</sup> *Id.* at 523.

<sup>2366</sup> *Mollohan v. Warner*, 122 U.S.P.Q.2d 1335, 1341 (S.D. W. Va. 2017) (quoting *Clodfelter v. Rep. of Sudan*, 720 F.3d 199, 210 (4th Cir. 2013)).

<sup>2367</sup> *Id.* at 1342-1343.

<sup>2368</sup> *New Hampshire v. Maine*, 532 U.S. 742, 749 (2001).

summarized the requirements for an application of the doctrine in the following manner:

The Supreme Court has enumerated three non-exhaustive factors that inform the Court's decision of whether to invoke the rule: (1) "a party's later position must be clearly inconsistent with its earlier position"; (2) "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"; and (3) "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."<sup>2369</sup>

The occasion for this restatement was a claim of judicial estoppel grounded in the representation to a USPTO examining attorney by a counterclaim plaintiff that confusion was unlikely between the counterclaim plaintiff's mark and a prior-registered mark owned by the lead counterclaim defendant. Hostilities erupted before the examiner could act on the counterclaim plaintiff's representation, and that circumstance prevented the representation from having preclusive effect. As the court explained, the counterclaim plaintiff's lack of success before the examiner left the second and the third of the three requirements for judicial estoppel unsatisfied:

[The counterclaim plaintiff's] statement to the USPTO, however unwise or contradictory, had no impact on the USPTO or any other tribunal. For the same reason, the third factor also counsels against invoking judicial estoppel. Because the statement had no impact, [the lead counterclaim defendant] cannot demonstrate any way in which it would suffer from unfairness.<sup>2370</sup>

## 7. Extraterritorial Applications of the Lanham Act

The past year yielded several pro-plaintiff reported opinions on the extraterritorial reach of the Lanham Act. For example, an enterprising Canadian and self-styled pirate inadvertently contributed to Ninth Circuit law on the subject by failing to escape, at least at the pleadings stage, a suit against him by the Trader Joe's grocery chain.<sup>2371</sup> It was undisputed the defendant had made

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<sup>2369</sup> *Paletteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V.*, 188 F. Supp. 3d 22, 95 (D.D.C. 2016) (quoting *New Hampshire*, 532 U.S. at 750-51), *motion to amend denied*, 247 F. Supp. 3d 76 (D.D.C. 2017), *appeal docketed*, No. 17-7075 (D.C. Cir. May 3, 2017).

<sup>2370</sup> *Id.* at 96.

<sup>2371</sup> *See Trader Joe's Co. v. Hallat*, 835 F.3d 960 (9th Cir. 2016).

large purchases of TRADER JOE'S-branded goods in the state of Washington before transporting them to Canada. He then sold them in a store featuring the following signage:<sup>2372</sup>



Reversing the dismissal of the plaintiff's causes of action under the Lanham Act, the Ninth Circuit applied a tripartite test to determine the propriety of an extraterritorial application of the Lanham Act, which turned on whether: (1) the challenged conduct created some effect on United States foreign commerce; (2) that effect was sufficiently great to injure the plaintiff; and (3) the interests of and links to United States foreign commerce were sufficiently strong in relation to those of a foreign country to justify an assertion of extraterritorial authority.<sup>2373</sup> The court held the first prong of the test because "Trader Joe's alleges that [the defendant's] foreign conduct has 'some effect' on American commerce because his activities harm its reputation and decrease the value of its American-held trademarks," especially "by transporting and selling Trader Joe's goods without using proper quality control measures or established product recall practices."<sup>2374</sup> Accepted as true for purposes of the defendant's motion to dismiss, these averments in turn satisfied the second prong of the analysis because of the reputational damage potentially suffered by Trader Joe's arising from the consumption of contaminated goods not subject to its quality-control procedures, as well as the defendant's allegedly inferior customer service and inflated prices.<sup>2375</sup> Finally, the court held the plaintiff's allegations satisfied the third prong of the analysis because there was no showing by the defendant of a conflict with Canadian law,<sup>2376</sup> the defendant was a lawful permanent

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<sup>2372</sup> *Id.* at 964.

<sup>2373</sup> *Id.* at 969.

<sup>2374</sup> *Id.* at 970.

<sup>2375</sup> *Id.* at 971.

<sup>2376</sup> *Id.* at 973.

resident of the United States,<sup>2377</sup> the district court was capable of enforcing the injunctive relief sought,<sup>2378</sup> the defendant's sales had the potential to mislead Canadian consumers,<sup>2379</sup> and the harm allegedly suffered by Trader Joe's in the United States was foreseeable.<sup>2380</sup> That most of the defendant's infringing activity occurred in Canada weighed against an extraterritorial application of the Act, but did not preclude it.<sup>2381</sup>

An additional extraterritorial application of the Act (and corresponding Illinois causes of action under Illinois law) benefitted an Illinois-based plaintiff at the expense of a South Korean-based opponent.<sup>2382</sup> After negotiations for a license allowing the lead defendant to use the plaintiff's proprietary technology failed to bear fruit, the lead defendant allegedly launched a product using the technology and promoted through the unauthorized use of the plaintiff's mark. Although the lead defendant argued its use had taken place only in Japan, the court declined to grant a motion to dismiss based on that consideration. Like the Ninth Circuit, it applied a tripartite test, but one based on the Second Circuit's opinion in *Vanity Fair Mills, Inc. v. T. Eaton Co.*:<sup>2383</sup> "Under this test, courts assess three factors: '(1) whether the allegedly infringing party was a United States citizen; (2) whether the party's actions affected commerce in the United States; and (3) whether any foreign trademark law conflicted with American trademark law.'"<sup>2384</sup> The lead defendant disputed only the second of these factors, and it did so unsuccessfully. Specifically, the court credited the plaintiff's averment that "infringing marketing materials were available to potential customers in the United States and affected commerce in the United States by allowing [the defendant's] reputation and goodwill in this country to improve at [the plaintiff's] expense."<sup>2385</sup>

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<sup>2377</sup> *Id.*

<sup>2378</sup> *Id.* at 974.

<sup>2379</sup> *Id.*

<sup>2380</sup> *Id.* at 974-75.

<sup>2381</sup> *Id.* at 975.

The court did, however, affirm the district court's dismissal of Trader Joe's claim under the Washington dilution statute, Wash. Rev. Code § 19.77.160(1) (2015), which on its face applied only to "another person's commercial use in this state of a mark, commencing after the mark becomes famous, which causes dilution of the distinctive quality of the mark." *Trader Joe's*, 835 F.3d at 975-76. It also affirmed the dismissal of a cause of action under the Washington Consumer Protection Act, Wash. Rev. Code § 19.86.020, because the defendant's alleged deception took place only in Canada. *Trader Joe's*, 835 F.3d at 976-77.

<sup>2382</sup> See *IPOX Schuster, LLC v. Nikko Asset Mgmt. Co.*, 191 F. Supp. 3d 790 (N.D. Ill. 2016).

<sup>2383</sup> 234 F.2d 642 (2d Cir. 1956).

<sup>2384</sup> *IPOX Schuster*, 191 F. Supp. 3d at 805 (quoting *Champion Labs., Inc. v. Central Ill. Mfg. Co.*, 157 F. Supp. 3d 759, 766 (N.D. Ill. 2016)).

<sup>2385</sup> *Id.* at 807.

It therefore ultimately held that “[the lead defendant] is essentially arguing that the evidence indisputably shows that it will win on the merits. This is an argument for summary judgment, not dismissal for failure to state a claim.”<sup>2386</sup>

Yet another motion to dismiss, this one filed before a New York federal district court, failed to dispose of allegations of infringement and unfair competition occurring in Panama.<sup>2387</sup> The plaintiff was a company domiciled in that country, while the defendant was a New York corporation; both entities produced women’s personal care products. According to the plaintiff, the defendant directed a subsidiary to infringe the plaintiff’s mark by selling competing products under the same mark in Panama. Although the plaintiff had prevailed in a lawsuit against the defendant in Panama, it alleged that the defendant’s misconduct had continued. Invoking the three *Vanity Fair* factors, the New York court noted that the defendant’s moving papers contested only the third, namely, whether the plaintiff adequately had alleged a substantial effect on United States commerce caused by the defendant’s conduct. The court held the plaintiff had indeed averred such an effect through its accusations that: (1) the defendant had orchestrated and managed its infringement in Panama from its United States offices;<sup>2388</sup> (2) the defendant had realized domestic benefits as a result of its alleged infringement in Panama;<sup>2389</sup> (3) the defendant’s infringement had likely confused Panamanians residing in the United States into purchasing the defendant’s goods;<sup>2390</sup> and (4) the damage to its business had caused the plaintiff to reduce its purchases of commodities from U.S. suppliers and to enter into fewer private-label contracts with U.S. entities.<sup>2391</sup> The defendant’s motion to dismiss therefore lacked merit.

## 8. Sanctions

The imposition of sanctions occurs infrequently in reported opinions from trademark and unfair competition disputes, but the brazen fabrication of evidence proved impossible for a Texas federal district court to ignore.<sup>2392</sup> The primary disputed issue before that court was the parties’ respective priority of rights to a mark used in connection with ranching services, and that led the plaintiffs to submit several calendars in support of its case, including one from

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<sup>2386</sup> *Id.*

<sup>2387</sup> *See* Charisma World Wide Corp. v. Avon Prods. Inc., 243 F. Supp. 3d 450 (S.D.N.Y. 2017).

<sup>2388</sup> *Id.* at 454-56.

<sup>2389</sup> *Id.* at 456-57.

<sup>2390</sup> *Id.* at 457-58.

<sup>2391</sup> *Id.* at 458-60.

<sup>2392</sup> *See* United States Dist. Ct. S. Dist. of Tex. Victoria Div. v. Greeson, 167 F. Supp. 3d 835 (S.D. Tex. 2016).

2006.<sup>2393</sup> The 2006 calendar did not bear the plaintiffs' claimed mark, but the court accepted the plaintiffs' explanation that the mark's omission resulted from a scanning error and ordered them to submit a better copy. In response, the plaintiffs submitted the same 2006 calendar (again without the mark), as well as two previously unproduced calendars from 2007 and 2008, which did display the mark but did so in a manner identical to the mark's appearance on a circa-2014 calendar also proffered by the plaintiffs, complete with an inappropriate ® symbol.<sup>2394</sup> The plaintiffs then failed to comply with a court order to produce the originals of the calendars, which resulted in a show-cause hearing at which the court obligated the plaintiffs to bring "all computers or other electronic media on which the files existed."<sup>2395</sup>

The hearing did not go well for the plaintiffs, and the court excluded the 2007 and 2008 calendars from evidence in light of the plaintiffs' failure to disclose them earlier in discovery. Of greater significance, it also required the plaintiffs to turn over to the defendants a flash drive on which the calendars allegedly had been stored since 2008.<sup>2396</sup> After an expert examined the flash drive and concluded the plaintiffs' claimed calendars consisted of "composite images pieced together using various images, text, and vectors in a graphics program called CorelDraw," the lead plaintiff admitted having fabricated the calendars prior to the show-cause hearing.<sup>2397</sup> That was enough for the court, which observed that "[b]ad faith and willful abuse have been found when a party or its counsel maintains patently unreasonable litigation positions or engages in contumacious behavior that deliberately subverts a court's administration of a case."<sup>2398</sup> Because the record established by clear and convincing evidence that the plaintiffs had engaged in both types of misconduct,<sup>2399</sup> the court exercised its inherent discretion

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<sup>2393</sup> The court described the calendars in the following manner:

The calendars are sold [by a third party] to various businesses, which place their advertisement on a bottom flap so it appears below the calendar even as the remaining portion of the calendar flips each month. Anyone who frequents the offices of dentists or insurance agents has likely seen such calendars, with images of Americana often providing the calendar theme.

*Id.* at 840.

<sup>2394</sup> The plaintiffs had not registered their mark until March 2009. *Id.* at 842.

<sup>2395</sup> *Id.*

<sup>2396</sup> In fact, the particular flash drive at issue had been manufactured no earlier than October 2015. *Id.* at 848. The court found from that circumstance that "[t]he obvious conclusion to be drawn . . . is that [the lead defendant] purchased the flash drive . . . and then had the composite images of the calendars created." *Id.* at 849.

<sup>2397</sup> *Id.* at 844.

<sup>2398</sup> *Id.* at 845.

<sup>2399</sup> On this issue, the court found:

[A]lthough [the lead plaintiff] has not apologized or acknowledged in any way the seriousness of his conduct, it is now essentially undisputed that [he] both 1) lied



to hold the defendants entitled to the dismissal of the plaintiffs' case with prejudice,<sup>2400</sup> as well as to reimbursement of their attorneys' fees.<sup>2401</sup>

The court then turned to the conduct of the plaintiffs' attorney, whom it faulted for repeatedly submitting papers unresponsive to the court's concerns about the authenticity of the plaintiffs' evidence. But, the court noted, there was "a lot worse."<sup>2402</sup> Rather than withdrawing the fabricated evidence and correcting the record, the attorney had advanced the "patently frivolous" argument that the calendars were admissible under the best evidence rule.<sup>2403</sup> Beyond that, she also had filed a meritless motion to have her opposing counsel sanctioned under Rule 11 for having accused her client of fabricating evidence.<sup>2404</sup> In the final analysis:

A lawyer's duty to both zealously advocate for her client and display candor toward the tribunal can lead to some difficult ethical dilemmas. This was not one such close call. [Counsel's] conduct after learning about the fabrication of the calendars, which also established that her client had lied to the court, went way past the line onto the side in which zealous advocacy should have given way to the duty of candor.<sup>2405</sup>

Despite this conclusion, the court concluded that "[g]iven the sanctions imposed based on [the plaintiffs'] conduct alone, the Court will not impose any additional sanctions for [counsel's] conduct at this time. The Court will continue to consider appropriate methods for addressing her independent misconduct."<sup>2406</sup>

Sanctions also resulted from the misconduct of an in-house attorney for the plaintiff in a false advertising dispute.<sup>2407</sup> Discovery disclosed the attorney's "silent participation" in an earlier telephone

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during the show cause hearing and 2) submitted fabricated evidence. The same evidence establishes both forms of egregious misconduct because the lie is his claim that the exhibits were scans of actual calendars . . . .

*Id.* at 846.

<sup>2400</sup> *Id.* at 850-51.

<sup>2401</sup> *Id.* at 851.

<sup>2402</sup> *Id.*

<sup>2403</sup> *Id.* at 852. On this point, the plaintiffs argued that the lead plaintiff's testimony established the proffered calendars were accurate replicas of the originals. Not surprisingly, the court held instead that "[the plaintiffs'] position that a party can submit recreations of 'lost' documents so long as witnesses say the document[s] previously existed is preposterous." *Id.* at 849.

<sup>2404</sup> *Id.* at 852.

<sup>2405</sup> *Id.*

<sup>2406</sup> *Id.*

<sup>2407</sup> See *Scranton Prods., Inc. v. Bobrick Washroom Equip., Inc.*, 190 F. Supp. 3d 419 (M.D. Pa. 2016), *reconsideration denied*, No. 3:14-CV-00853, 2016 WL 7173786 (M.D. Pa. Dec. 8, 2016).

call between the parties' principals.<sup>2408</sup> That led in turn to a finding by the court that the attorney had violated a Pennsylvania bar rule prohibiting "dishonesty, fraud, deceit, or misrepresentation" by counsel,<sup>2409</sup> especially in light of the attorney's failure to correct false testimony by the attorney's in-house client that the internal client had been the plaintiff's only representative on the call. The court therefore barred the plaintiff from introducing the attorney's notes of the call into evidence or otherwise referencing certain admissions against interest the plaintiff alleged the defendant's representative had made during the call.<sup>2410</sup>

In contrast, a Texas federal district court declined the invitation of corporate defendants to sanction their opponent for spoliation of evidence.<sup>2411</sup> Prior to the civil action leading to the opinion, agents from the Houston, Texas, Police Department ("HPD") and the federal Department of Homeland Security, supported by an investigative firm retained by the plaintiff, raided those defendants' places of business and seized a number of items bearing counterfeit imitations of the plaintiff's marks; those items were then remitted to the custody of the plaintiff's investigative firm. As part of the resolution of a criminal prosecution against employees of one of the corporate defendants, the Texas state court hearing that matter entered an order requiring the destruction of "all evidence and contraband held by the Houston Police Department and its designate."<sup>2412</sup> The plaintiff's investigative firm duly complied with the order, which rendered the seized goods unavailable in the plaintiff's subsequent civil action and led to the corporate defendants' motion for sanctions.

The court denied the motion. To begin with, "[a]ccording to uncontroverted evidence submitted by [the investigative firm], all seized items were the State's evidence and were in control of HPD."<sup>2413</sup> This meant that "HPD, in coordination with the state court, had complete control regarding whether and how [the investigative firm] was allowed to *or* in fact did interact with the stored items; any inspection of those items required HPD's permission."<sup>2414</sup> Because the plaintiff had no control over, or access to, the items,<sup>2415</sup> because the plaintiff owed no duty to the defendants to prevent the items' destruction,<sup>2416</sup> and because a

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<sup>2408</sup> *Id.* at 425.

<sup>2409</sup> Pa. R. Prof'l Conduct 8.4(c).

<sup>2410</sup> *Scranton Prods.*, 190 F. Supp. 3d at 434.

<sup>2411</sup> *See* Michael Kors, LLC v. Hernandez Int'l Inc., 120 U.S.P.Q.2d 1762 (S.D. Tex. 2016).

<sup>2412</sup> *Quoted in id.* at 1767.

<sup>2413</sup> *Id.* at 1770.

<sup>2414</sup> *Id.*

<sup>2415</sup> *Id.*

<sup>2416</sup> *Id.* at 1771-72.

finding of bad faith was precluded by “[the plaintiffs] uncontroverted evidence . . . that it did not know the items were to be destroyed until after HPD and ISC had done so,”<sup>2417</sup> sanctions were inappropriate.

## 9. Abstention

Under the *Colorado River* doctrine, a federal court may abstain from exercising jurisdiction over a matter if that matter is duplicative of a prior-filed action in state court.<sup>2418</sup> *Colorado River* abstention came into play in a federal infringement action between competing claimants to the title of Bishop of the Protestant Episcopal Church in the Diocese of South Carolina.<sup>2419</sup> Because of the pendency of a lawsuit between the church and diocese associated with the two would-be bishops in South Carolina state court, the district court twice suspended the proceedings before it, only to suffer reversal at the hands of the Fourth Circuit. As a threshold matter, the appellate court held in the second appeal that:

[A] court must apply *Colorado River* abstention “parsimoniously.” This requires recognizing that our task is not “to find some substantial reason for the exercise of federal jurisdiction by the district court; rather, the task is to ascertain whether there exist ‘exceptional’ circumstances, the ‘clearest of justifications,’ that can suffice under *Colorado River* to justify the *surrender* of that jurisdiction.”<sup>2420</sup>

It then concluded the case before it was an inappropriate candidate for abstention because the two actions were not parallel. Specifically, neither of the two bishops was a party in the state court action, which obviously precluded an identity of claims. The ultimate result was that “because the state and federal cases involve different parties and different claims, the district court abused its discretion under *Colorado River* by abstaining in favor of the state court proceedings.”<sup>2421</sup>

## 10. Judicial Reassignment

The issue of judicial reassignment reared its head in only a single reported opinion, one from the Supreme Court of Vermont.<sup>2422</sup> Dissatisfied with the speed at which that tribunal was addressing his appeal, the defendant filed a motion to, as the court described it,

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<sup>2417</sup> *Id.* at 1771.

<sup>2418</sup> *See Colo. River Water Conservation Dist. v. United States*, 424 U.S. 800 (1976).

<sup>2419</sup> *See vonRosenberg v. Lawrence*, 849 F.3d 163 (4th Cir. 2017).

<sup>2420</sup> *Id.* at 167 (quoting *Chase Brexton Health Servs., Inc. v. Md.*, 411 F.3d 457, 463 (4th Cir. 2005); *Moses H. Cone Mem’l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 25-26 (1983)).

<sup>2421</sup> *Id.* at 169.

<sup>2422</sup> *See TLOC Senior Living, LLC v. Bingham*, 145 A.3d 1266 (Vt. 2016).

“recuse the entire Court from this case because he believes the appeal has been pending too long without a final decision.”<sup>2423</sup> The court was not amused, and it therefore denied the motion with the observation that “[t]his argument is frivolous and it does not support recusal.”<sup>2424</sup>

### *E. Discovery-Related Matters*

The Pennsylvania Rules of Professional Conduct require in-house attorneys admitted to practice in other jurisdictions to secure a “Limited In-House Corporate Counsel License” if their duties to their employers require their presence in the state “on more than a temporary basis.”<sup>2425</sup> In a false advertising dispute, it came to light that the plaintiff’s in-house attorney had not secured such a license because of his lack of knowledge of the need for it.<sup>2426</sup> This omission led the defendant to argue it was entitled to full discovery on the issue of the attorney’s communications with his internal client. The court declined to grant the defendant’s request for the remedy, noting that the fact the attorney was not licensed in Pennsylvania did not render the attorney-client privilege inapplicable; after all, the court noted, the attorney was licensed in California.<sup>2427</sup> It did, however, refer the matter to “the appropriate disciplinary authorities.”<sup>2428</sup>

The same court also tackled a number of more conventional discovery disputes between the parties, beginning with the defendant’s challenge to the plaintiff’s aggressive redaction of documents to remove six categories of information the plaintiff unilaterally had deemed irrelevant to the litigation. Citing the confidentiality order in place, the court took a dim view of this practice. With a limited exception, it therefore ordered the plaintiff to produce unredacted copies of the disputed documents and to refrain from making further relevancy-related redactions on a going-forward basis;<sup>2429</sup> moreover, it also required the plaintiff to provide amended discovery responses to the defendant’s discovery requests and to disclose whether it had silently withheld any documents in their entirety based on putative relevancy objections.<sup>2430</sup>

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<sup>2423</sup> *Id.* at 1268 n.\*.

<sup>2424</sup> *Id.*

<sup>2425</sup> Pa. Bar Admission Rule 302(a).

<sup>2426</sup> *See* *Scranton Prods., Inc. v. Bobrick Washroom Equip., Inc.*, 190 F. Supp. 3d 419 (M.D. Pa. 2016).

<sup>2427</sup> *Id.* at 429.

<sup>2428</sup> *Id.*

<sup>2429</sup> *Id.* at 436-37.

<sup>2430</sup> *Id.* at 437-38.

The court then turned to the defendant's complaints about the plaintiff's designation of various documents as for attorneys' eyes only under the protective order. Some designations survived the court's scrutiny because they concerned what the plaintiff successfully characterized as "an extensive and multifaceted research and development process."<sup>2431</sup> The same result held with respect to documents concerning the plaintiff's pricing of its goods and the manner in which it constructed its goods, the subject matter of each category of which qualified as a trade secret.<sup>2432</sup> The plaintiff did not prevail on all designation-related disputes between the parties, however, for the court also sustained the defendant's classification of the identities of individuals the defendant had retained to make investigative purchases of the plaintiff's goods as for attorneys' eyes only.<sup>2433</sup>

## ***F. Evidentiary Matters***

### **1. Admissibility of Expert Witness Testimony**

As a general proposition, courts applying Federal Rule of Evidence 702<sup>2434</sup> were receptive to expert witness testimony on certain issues. Chief among them were the results of scientific surveys, which opponents of the proffering parties often challenged unsuccessfully on the ground the expert in question had failed to employ the proper methodology.<sup>2435</sup> In rejecting such a challenge on a motion to dismiss by a plaintiff, one court offered the following characteristic explanation:

[The plaintiff] does not contest [the expert's] credentials or the overall methodology of his survey and conclusions. Instead, [the plaintiff] quibbles about the form and sequence of [the expert's] questions. Consequently, [the plaintiff's] objections to the third survey go to the weight, not the

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<sup>2431</sup> Quoted in *id.* at 438.

<sup>2432</sup> *Id.* at 439-40.

<sup>2433</sup> *Id.* at 441.

<sup>2434</sup> That rule provides:

A witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if:

- (a) the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue;
- (b) the testimony is based on sufficient facts or data;
- (c) the testimony is the product of reliable principles and methods; and
- (d) the expert has reliably applied the principles and methods to the facts of the case.

Fed. R. Evid. 702.

<sup>2435</sup> See, e.g., *Bauer Bros. v. Nike, Inc.*, 159 F. Supp. 3d 1202, 1211-12 (S.D. Cal. 2016) (admitting report of survey expert without discussion of survey's methodology).

admissibility, of [the expert's] testimony. [The expert's] survey can be tested through the "[v]igorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof" that are essential to the adversarial process.<sup>2436</sup>

The same court had the opportunity to opine on the significance of Federal Rule of Civil Procedure 26(a)(2)(B), which requires written reports from experts who have been "retained or specially employed to provide expert testimony in the case or . . . whose duties as the party's employee regularly involve giving expert testimony." That rule came into play after the plaintiff failed to serve timely disclosures from three proposed experts. In each case, the court determined the witness had not "come[] to the case as a stranger and draw[n] the opinion from facts supplied by others, in preparation for trial."<sup>2437</sup> Instead, the first witness intended to testify as to a scientific study he had conducted bearing on the plaintiff's product,<sup>2438</sup> the second witness was an employee of the defendant who had supervised a similar study,<sup>2439</sup> and the testimony of the third witness was proffered to describe an FDA notice and two scientific papers.<sup>2440</sup> The defendant had not "retained or specially employed" any of the witnesses within the meaning of Rule 26(a)(2)(B).<sup>2441</sup>

A different court admitted the expert testimony of five witnesses proffered by the defendant in an action brought by Deere & Co. to protect the green-and-yellow trade dress associated with its agricultural equipment.<sup>2442</sup> One topic of the witnesses' reports was the extent of third-party use of similar color combinations, which the court entertained based on the witnesses' identification, during their depositions, of actual third-party users.<sup>2443</sup> Another was the allegedly noncompetitive nature of the parties' goods, allowed because "the similarity of the markets served by the litigating parties' is within the scope of permissible expert testimony in a trademark case."<sup>2444</sup> Finally, the court declined to accept Deere's

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<sup>2436</sup> *Ferring Pharm., Inc. v. Braintree Labs., Inc.*, 215 F. Supp. 3d 114, 124 (D. Mass. 2016) (eighth alteration in original) (citation omitted) (quoting *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 596 (1993)).

<sup>2437</sup> *Id.* at 124 (quoting *Downey v. Bob's Disc. Furniture Holdings, Inc.*, 633 F.3d 1, 7 (1st Cir. 2011)).

<sup>2438</sup> *Id.* at 125.

<sup>2439</sup> *Id.* at 125-26.

<sup>2440</sup> *Id.* at 126.

<sup>2441</sup> *Id.*

<sup>2442</sup> *See Deere & Co. v. FIMCO Inc.*, 239 F. Supp. 3d 964 (W.D. Ky. 2017).

<sup>2443</sup> *Id.* at 984.

<sup>2444</sup> *Id.* at 985 (quoting J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:2.75 (4th ed.))

invitation to exclude the witnesses' (lock-step) statements that "if a purchaser owns a John Deere tractor or agricultural vehicle, the colors green and yellow become extremely important to the purchase decision because such consumers desire to match or complement their trailed agricultural equipment to their John Deere tractor or agricultural vehicle"<sup>2445</sup> and "[b]ecause John Deere has a large share of the U.S. tractor and agricultural vehicle market . . . , it would be a substantial competitive disadvantage for [the defendant] to not be able to offer its products in green and yellow."<sup>2446</sup>

A proffered industry expert similarly made the grade in another trade dress action, one brought to protect the appearance of pieces of corrugated luggage.<sup>2447</sup> Although not a survey expert, the witness had "owned and operated a custom case maker and a regional luggage store chain for over thirty years, and for more than twenty years . . . been an active participant in luggage trade associations."<sup>2448</sup> This led the court to conclude that "as an industry insider, he is qualified to testify to several of the [likelihood-of-confusion] factors, including the relationship between the parties' channels of trade; the similarities between the parties' advertising campaigns; the classes of prospective purchasers; and the strength of [the plaintiff's] mark."<sup>2449</sup>

Proposed testimony from monetary relief experts fared particularly well. For example, a jewelry manufacturer prosecuting a trade dress infringement action against a seller of similar, but lower-priced, goods successfully put forward two proposed experts, the first of whom tackled the issue of the plaintiff's alleged profits.<sup>2450</sup> Although the witness's credentials went unchallenged, the defendant objected to a number of aspects of his methodology. For example, although the defendant alleged that any infringement was limited to a six-month period, the expert based his report on sales data extending for an additional six months beyond that to account for possible "lingering effects" on the plaintiff's sales, as well as to control for seasonal variations. Based on evidence that consumers who purchased an item of jewelry from the plaintiff also purchased an average of 1.27 other items as well, he then multiplied the number of unit sales allegedly caused by the defendant's infringement by 1.27 and once again by the average profit margin enjoyed by the plaintiff on sales of its other goods to determine the

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<sup>2445</sup> *Quoted in id.*

<sup>2446</sup> *Quoted in id.* (alteration in original).

<sup>2447</sup> *See* Rimowa Distrib., Inc. v. Travelers Club Luggage, Inc., 217 F. Supp. 3d 400 (D. Mass. 2016).

<sup>2448</sup> *Id.* at 410.

<sup>2449</sup> *Id.* at 410-11.

<sup>2450</sup> *See* Brighton Collectibles, LLC v. Believe Prods., Inc., 121 U.S.P.Q.2d 1556 (C.D. Ca. 2017).

amount of additional, incidental profits lost by the plaintiff. Finally, the witness admitted having not controlled for variables other than the defendant's conduct that might have explained the underperformance in sales of the allegedly infringed designs. In denying the defendant's motion to exclude the witness's calculations at trial, the court concluded they were not so baseless as to merit exclusion, even if cross-examination might call their credibility into question.<sup>2451</sup>

The court's treatment of the testimony of the plaintiff's second proffered witness was comparable. Rather than focusing on the plaintiff's out-of-pocket losses, that witness's report addressed the potential dilution of the plaintiff's brand equity allegedly caused by the defendant's conduct. Because the report recited that conduct "*could* lead to harm to the [plaintiff's] authentic brand in a variety of ways,"<sup>2452</sup> rather than that it *would*, the defendant argued the report rendered the witness's opinions irrelevant. The court rejected that argument because, in its estimation, "[the witness's] application of her expertise to the facts of this case would be . . . relevant in helping the jury understand the possible effects that could follow from the alleged conduct. . . . These opinions appear to be sufficiently reliable and relevant to be admissible."<sup>2453</sup>

Likewise, the proposed testimony of a monetary relief witness survived a motion to exclude in a case between competitors in the market for pre-colonoscopy bowel-cleaning products.<sup>2454</sup> Having been retained by the plaintiff in a false advertising action, the witness proposed to address the profits enjoyed by the defendant as a result of the challenged advertising using an inverse cubic trend regression analysis. The defendant sought to exclude his testimony because he should have used a linear regression model instead, but the court held to the contrary that "regression analysis is a well recognized and scientifically valid approach to understanding statistical data, and courts have long permitted parties to use statistical data to establish causal relationships."<sup>2455</sup> It therefore allowed the testimony because "[the defendant's] contention that a linear model would better fit the case goes to the strength of [the witness's] conclusion, not to the reliability of his methods";<sup>2456</sup> moreover, the defendant's objections to the witness's alleged failure to include key variables met the same fate.<sup>2457</sup>

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<sup>2451</sup> *Id.* at 1563, 1566.

<sup>2452</sup> *Quoted in id.* at 1566 (alteration omitted).

<sup>2453</sup> *Id.* at 1566-67.

<sup>2454</sup> *See Ferring Pharm., Inc. v. Braintree Labs.*, 210 F. Supp. 3d 252 (D. Mass. 2016).

<sup>2455</sup> *Id.* at 255 (quoting *In re Neurontin Mktg. & Sales Practices Litig.*, 712 F.3d 21, 42 (1st Cir. 2013)).

<sup>2456</sup> *Id.* at 255-56.

<sup>2457</sup> Those variables were the failure of the regression analysis to account for a decrease in sales of a product offered by the "third major competitor" in the parties' market, and,



The same court also rebuffed defense challenges to the testimony of two other experts proffered by the plaintiff, the first of whom was a gastroenterologist whose report addressed the alleged materiality of the defendant's advertising. According to the defendant, the witness lacked a sufficient foundation for his testimony], having spoken with only "a few salespersons and doctors who were aware of [the defendant's advertising]." <sup>2458</sup> Noting the general admissibility of expert testimony "regarding how individuals make decisions in a specialized field," <sup>2459</sup> the court denied the motion to exclude. In the process, it observed that "[w]hile the Court assumes the role of 'ensuring that an expert's testimony both rests on a reliable foundation and is relevant to the task at hand,' such a determination is better suited for trial." <sup>2460</sup>

It then reached the same conclusion with respect to a survey expert retained by the plaintiff to critique three surveys commissioned by the defendant. <sup>2461</sup> Having not conducted his own survey, the witness not surprisingly did not refer to his use of a control group in his report, an omission that led the defendant to seek the exclusion of his testimony. The court breezed by that alleged omission, first holding that "[a]ny issues with the lack of a control group go to the weight, not the admissibility, of [the witness's] testimony." <sup>2462</sup> It then rejected the defendant's argument that the proffered testimony did not rebut that of the defendant's expert but instead supported the plaintiff's prima facie case:

[The defendant] argues that [the plaintiff's expert's] testimony forms new rather than rebuttal conclusions but also that [the plaintiff's expert] cannot submit his conclusions because he did not use a control group. [The plaintiff's expert] presumably did not use a control group because, instead of conducting studies of his own, he limited his testimony to rebutting [the defendant's expert's] studies. [The defendant] cannot have its cake and eat it too . . . . <sup>2463</sup>

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additionally, the absence from the market of the plaintiff's product during a portion of the period at issue. The court concluded of those objections that:

Failure to consider particular variables is not fatal to an expert's testimony, especially if the information that the expert did use was correct. [The witness's] failure to include the variables flagged by [the defendant] may decrease the helpfulness of his testimony to the jury but it does not render the testimony inadmissible.

*Id.* at 256.

<sup>2458</sup> *Id.*

<sup>2459</sup> *Id.*

<sup>2460</sup> *Id.* (quoting *Currier v. United Techs. Corp.*, 393 F.3d 246, 251 (1st Cir. 2004)).

<sup>2461</sup> The court neither addressed nor described in any detail the precise methodology used by the witness.

<sup>2462</sup> *Id.*

<sup>2463</sup> *Id.*

Nevertheless, not all proposed testimony by expert witnesses made the grade under Rule 702. For example, the court hearing Deere's action to protect its green-and-yellow color scheme excluded testimony proffered by the defendant purporting to address the likelihood of confusion (or lack thereof) caused by the defendants' use of their green-and-yellow trade dress.<sup>2464</sup> Several reasons underlay that decision, one of which was the witnesses' failure to conduct a scientific survey measuring the extent of actual or likely confusion between the parties' uses.<sup>2465</sup> Another was that, as the court phrased it, "[a]lthough the experts can testify as to their own experiences with customers, their opinions as to the existence of actual or likely confusion as to all U.S. consumers are improper."<sup>2466</sup>

Another witness failing to survive a motion to exclude was a 2009 law school graduate and former acting assistant professor of law and undergraduate adjunct instructor, who also practiced intellectual property law as a sole practitioner.<sup>2467</sup> The plaintiff proffering that witness's report did so to help establish the acquired distinctiveness of the plaintiff's shoe design, but the court granted a defense motion to exclude his testimony. This was not because of deficiencies in the witness's overall credentials. Instead, as the court concluded:

[A]lthough [the witness's] experience and education may qualify him as an expert in certain areas of fashion history and intellectual property law, [the plaintiff] has not shown how such expertise qualifies him to testify as to the central, and largely empirical, issue addressed in his report: whether the [the claimed trade dress] acquired secondary meaning.<sup>2468</sup>

Beyond the witness's failure to conduct a survey addressing that "largely empirical" question, the court then identified a number of substantive flaws in the witness's report, including his reliance on "observational and analytical techniques" of the "Visual Culture Studies" (VCS) canon,<sup>2469</sup> which the court found rendered his

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<sup>2464</sup> See *Deere & Co. v. FIMCO Inc.*, 239 F. Supp. 3d 964 (W.D. Ky. 2017).

<sup>2465</sup> *Id.* at 984.

<sup>2466</sup> *Id.*

<sup>2467</sup> See *LVL XIII Brands, Inc. v. Louis Vuitton Malletier S.A.*, 209 F. Supp. 3d 612, 637 (S.D.N.Y. 2016), *aff'd*, No. 16-3488-cv, 2017 WL 6506353 (2d Cir. Dec. 20, 2017). In connection with his teaching responsibilities, the witness had "written, in various formats, on fashion and intellectual property law." *Id.* Likewise, as a practitioner, the witness had "prosecuted approximately 10 trademark applications (approximately five of which were related to the fashion industry), and litigated approximately six oppositions or cancellation petitions." *Id.*

<sup>2468</sup> *Id.* at 638.

<sup>2469</sup> Quoted in *id.* at 640. The court neither defined nor explained the "VCS canon." In his deposition, however, "[the witness] testified that he arrived at his conclusions by 'reviewing the content of the images [of . . . sneakers posted on social media platforms],

opinions nothing more than mere conjecture.<sup>2470</sup> They also included his unfounded assumption that the plaintiffs' customer base consisted of urban males,<sup>2471</sup> his failure to preserve or produce material from social media platforms he had reviewed, which made it impossible to test his methodology for veracity and reliability,<sup>2472</sup> and his inability to identify an error rate for that methodology.<sup>2473</sup> The court therefore declined to consider the witness's report while weighing the parties' cross-motions for summary judgment.

Testimony from a proffered expert with experience in the toy industry similarly fell victim to a motion to exclude in a case in which the distinctiveness of the plaintiffs' federally registered marks for toy air-powered rockets was at stake.<sup>2474</sup> The witness claimed to have spent seven years interacting with "hundreds" of industry purchasing agents, but that credential failed to convince the court, which concluded that "even accepting as true this self-admitted expertise, it is overbroad and devoid of specifics pertinent to the relevant market of air-powered launchers or the use of the [plaintiffs'] marks . . . in that same market."<sup>2475</sup> That was not the only deficiency on the proposed testimony, because "with respect to [the witness's] ultimate opinions [that the marks lacked acquired distinctiveness], [his] report does not explain how he arrived at his conclusions (his methodology) or how he 'reliably applied' his experience to the facts of this case."<sup>2476</sup> Finally, his proposed testimony was irrelevant because it addressed an issue "reserved for the factfinder."<sup>2477</sup> Although the defendants requested leave for the

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the comments that accompany the images, [ ] the number of likes, [and] the dates." *Id.* at 647 (second, fourth, and fifth alterations in original).

<sup>2470</sup> *Id.* The court elaborated on this point in the following manner:

[The witness] has not shown that his methodology has been recognized by the courts or gained acceptance within the relevant expert community. He could not identify any expert who has been held qualified to testify in a court proceeding (as to secondary meaning or otherwise) based on the VCS methodology. On the contrary, he acknowledged that the VCS methodology is at odds with "traditional measures used to determine secondary meaning" and the "completely haphazard methodology sometimes used by federal courts" to determine whether a trademark is inherently distinctive. He also failed to identify any study or scholarly literature in which VCS was applied to measure secondary meaning.

*Id.* at 646 (citations omitted).

<sup>2471</sup> In fact, the court found, both the plaintiffs' Rule 30(b)(6) witness and its business plan disclaimed any intention to target the urban market in particular. *Id.* at 642.

<sup>2472</sup> *Id.* at 644-45.

<sup>2473</sup> *Id.* at 646.

<sup>2474</sup> See *JFJ Toys, Inc. v. Sears Holdings Corp.*, 237 F. Supp. 3d 311 (D. Md. 2017).

<sup>2475</sup> *Id.* at 323.

<sup>2476</sup> *Id.* (quoting *United States v. Wilson*, 484 F.3d 267, 274 (4th Cir. 2007)).

<sup>2477</sup> *Id.* at 325.

Albeit with considerably less analysis, the court reached the same conclusion with respect to the witness's proposed testimony that confusion was unlikely between the

witness to supplement his report to address these issues, the court declined to extend it because of the pendency of the parties' motions for summary judgment and because of the defendants' failure to explain why they had not raised the issue earlier.<sup>2478</sup>

A final notable opinion on the admissibility of expert testimony came in a civil action that followed a criminal seizure raid and prosecution for counterfeiting.<sup>2479</sup> The raid in question was conducted by the Houston, Texas, Police Department and federal authorities with support from investigators retained by the plaintiff, who, at the request of the Houston police, retained custody of the seized goods. The state criminal prosecution arising from the raid was resolved with an agreed-upon order requiring the destruction of the seized items, which meant they were unavailable as evidence in the plaintiff's subsequent civil suit. This led the defendants to proffer testimony from a putative expert on the difficulty of determining the authenticity of goods based only on photographs, which were the only visual evidence of the seized goods that remained; the witness's report also covered "potential unidentified discrepancies among [the plaintiff's investigators] inventories and various reports."<sup>2480</sup> The court disallowed the testimony after determining that "when his report and [a subsequent] submission are read literally, [the witness] does not seek to give any opinion that involves specialized or scientific knowledge that will assist the jury."<sup>2481</sup> Specifically, "[t]o the extent [his] opinion essentially is that it is preferable to inspect the original of an item to draw conclusions, rather than be required to rely on photographs, this opinion simply states an obvious proposition."<sup>2482</sup> Moreover, "[e]ven assuming that [the witness's] experience in counterfeit investigations is extensive, he provides no support for the contention that he has any specific knowledge of or is qualified to identify counterfeits of [the plaintiff's] products in particular, whether through photographs or by physical inspection."<sup>2483</sup> Finally,

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parties' respective uses. *Id.* ("[The] report provides no basis for even this proffered testimony. As formulated, [the witness's] likelihood of confusion opinion amounts to little more than a legal conclusion.").

<sup>2478</sup> *Id.*

<sup>2479</sup> See *Michael Kors, LLC v. Hernandez Int'l Inc.*, 120 U.S.P.Q.2d 1762 (S.D. Tex. 2016).

<sup>2480</sup> *Id.* at 1778.

<sup>2481</sup> *Id.*

<sup>2482</sup> *Id.*

<sup>2483</sup> *Id.* The court offered the following assessment of the witness's expertise:

The Court has reviewed [the witness's] curriculum vitae, the only evidence of his experience in discerning counterfeit items, and concludes that [the defendant] does not establish [the witness] is qualified to opine on the authenticity of . . . goods [bearing the plaintiff's marks]. Though [the witness] reports he is "affiliated" with two professional trademark associations, he does not have any trademark-specific licenses, and he does not explain what role he plays in the cited associations. He mentions no peer-reviewed or other publications, or

“[t]o the extent [the witness’s] analysis [of alleged discrepancies in the plaintiff’s proof] is merely a comparison of relevant items or matters among the lists which a lay person reviewing the lists could identify, the analysis is not a subject for expert opinion.”<sup>2484</sup>

Nevertheless, the same court held other testimony proffered by the plaintiff inadmissible precisely *because* it came from experts. As a substitute for the destroyed evidence, the plaintiff sought to introduce the putative fact testimony of investigators it had retained and that the marks on the seized goods were indeed spurious copies of its own marks, but the court excluded their testimony on that subject from the record. In the process, it rejected the plaintiff’s argument that the investigators could provide lay opinion testimony under Federal Rule of Evidence 701, which allows such testimony only if it is “not based on scientific, technical, or other specialized knowledge.”<sup>2485</sup> The proffered testimony failed to meet that standard, and it therefore was inadmissible because the plaintiff had not timely disclosed the witnesses as experts:

Although the . . . investigators apparently engaged in numerous investigations regarding [the plaintiff’s] products over the years, the Court concludes [the investigators’] opinion testimony on the lack of authenticity of the seized items is grounded on “specialized knowledge” under Rule 701, and thus falls within the ambit of Rule 702 [governing expert witness testimony]. Because [the plaintiff] failed to designate these affiants as expert witnesses under Rule 702 and failed to provide the necessary information in initial disclosures and during discovery pursuant to Federal Rule of Civil Procedure 26(a)(2)(B), these witnesses cannot give the expert opinions that the goods, tags and labels were counterfeit. The . . . investigators gained their knowledge necessary to detect counterfeit . . . goods through repeated and updated training from [the plaintiff], one of many clients of their employer . . . , not by virtue of their investigators’ employment or experience at [the plaintiff’s business].<sup>2486</sup>

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training he has undertaken on trademark issues or counterfeiting topics. [The witness] claims experience with intellectual property investigations and anti-counterfeiting, but provides no detail other than the conclusory assertion that, since 2001, he has conducted “hundreds of investigations into counterfeit products and grey market products of all types.” There is no explanation of what kind of investigations took place or what his role was in them.

*Id.* (footnotes omitted).

<sup>2484</sup> *Id.* at 1779.

<sup>2485</sup> Fed. R. Evid. 701(c).

<sup>2486</sup> *Id.* at 1775 (footnote omitted) (citation omitted).

The court did, however, allow the witnesses’ testimony to the extent it was necessary to authenticate a documentary record and inventory of the seized goods. *Id.*

That holding did not apply with equal force to declarations from the plaintiff's assistant general counsel, whom the court *did* allow to proffer lay opinion testimony on the authenticity of the seized goods.<sup>2487</sup>

## 2. Admissibility of Other Evidence and Testimony

One opinion addressed a variety of evidentiary matters in a case presenting counterclaims alleging false advertising by the counterclaim defendant.<sup>2488</sup> The counterclaims focused on the counterclaim defendant's representations concerning its pre-colonoscopy "bowel preparation" drug. In attacking the accuracy of those representations, the counterclaim plaintiff introduced a declaration from one of its attorneys authenticating various internal communications by the counterclaim defendant's employees in which the employees summarized negative statements by health care professionals about the counterclaim defendant's drug. Although the counterclaim defendant sought to exclude the internal communications as hearsay, the court held that "[t]hese are statements by [the counterclaim defendant's] employees made in the course of their employment and are thus excluded from the hearsay rule under Fed. R. Evid. 801(d)(2)(D)."<sup>2489</sup> Moreover, even the summaries of the health care professionals' statements were admissible because they constituted adoptive admissions against interest by the counterclaim defendant's employees.<sup>2490</sup>

The counterclaim plaintiff did not succeed in getting the entirety of its proposed showing into evidence, however. For example, another declaration upon which it sought to rely was attached as an exhibit to a collection of the counterclaim defendant's advertisements. As the counterclaim defendant pointed out, the declaration contained no information on the publications in which the advertisements putatively appeared; instead, the declaration asserted only that the publications were "widely published journals."<sup>2491</sup> That omission, the court held, rendered the advertisements without foundation and therefore inadmissible.<sup>2492</sup>

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<sup>2487</sup> As the court explained:

Her particularized knowledge with respect to authenticating the goods in question arises from her wide-ranging duties at [the plaintiff's business]. She will be permitted to opine regarding whether items she inspected—in photographs or otherwise—are counterfeit products. Such opinions are based upon personal knowledge and experience she gained while with [the plaintiff].

*Id.* at 1776.

<sup>2488</sup> See *Ferring Pharma., Inc. v. Braintree Labs.*, 215 F. Supp. 3d 114 (D. Mass. 2026).

<sup>2489</sup> *Id.* at 121.

<sup>2490</sup> *Id.* at 122.

<sup>2491</sup> *Quoted in id.* at 123.

<sup>2492</sup> *Id.*

## ***G. Trademark- and Service Mark-Related Transactions***

### **1. Interpretation and Enforcement of Trademark and Service Mark Assignments**

In 1942, Theresa Marie Nowlan, the widow of the creator of the Buck Rogers cartoon, radio, and movie character, settled a suit over ownership of the BUCK ROGERS mark by executing an agreement releasing and conveying to another party “all claims, rights and interests . . . in and to all trade-marks, good will, titles including specifically ‘Buck Rogers’ and ‘Buck Rogers In The 25th Century’ and . . . all other subject matter relating in any way to the Buck Rogers features.”<sup>2493</sup> Years later, a successor in interest to the widow applied to register the BUCK ROGERS mark for various goods and for entertainment services, which, together with the successor’s pitching of eventually led to a lawsuit filed by a successor in interest to the assignee in the 1942 transaction. In a motion to dismiss, the defendant argued the 1942 release applied only to the widow Nowlan and not to her heirs, executors, or administrators. “Drawing all reasonable inferences in the light most favorable to the Plaintiff,” the court noted in denying the motion, “leads to the contrary conclusion . . . .”<sup>2494</sup> In particular:

Given that Theresa Marie Nowlan entered into the agreement in her role as the executrix of her husband’s estate, one could surmise that the purpose of the contract (*i.e.* to settle the estate’s intellectual property rights surrounding Buck Rogers) would be substantially undermined if the release and assignment of the trademark applied only to Theresa Marie Nowlan and [the assignee] as individuals. It is thus plausible to conclude that the release and assignment of trademark rights in the 1942 Release applies to Defendant.<sup>2495</sup>

### **2. Interpretation and Enforcement of Trademark and Service Mark Licenses**

A license between two participants in the sports protective eyewear industry prohibited the licensee from selling unlicensed goods that competed with those covered by the license.<sup>2496</sup> Although the license did not mandate such a procedure, the licensee purchased goods branded with the licensed mark from a third-party manufacturer, which shipped them to the licensor for inspection; the

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<sup>2493</sup> *Quoted in* Dille Family Trust v. Nowlan Family Trust, 207 F. Supp. 3d 535, 539 (E.D. Pa. 2016).

<sup>2494</sup> *Id.* at 542.

<sup>2495</sup> *Id.*

<sup>2496</sup> *See* Halo Optical Prods., Inc. v. Liberty Sport, Inc., 122 U.S.P.Q.2d 1311 (S.D.N.Y. 2017).

licensor then shipped the approved goods to the licensee for distribution. Eventually, the licensee arranged to have the third-party manufacturer ship the goods directly to the licensee, which sold them without the licensor ever having approved them. Responding to the licensor's motion for summary judgment in the litigation that followed, the licensee's principals asserted they believed the licensee remained in compliance with the license because the uninspected goods were built to the same specifications as the goods that had gone out with the licensor's approval. Not surprisingly, the court rejected the licensee's improbable argument that these circumstances meant the unapproved goods did not compete with their approved counterparts, and it therefore entered summary judgment of liability on the licensor's claim for breach of contract.<sup>2497</sup>

### 3. Interpretation and Enforcement of Settlement Agreements

In a dispute between competing Las Vegas strip clubs, the Ninth Circuit confirmed that, in addition to binding the parties themselves, settlement agreements are equally binding on the parties' successors.<sup>2498</sup> That holding arose from an earlier coexistence agreement between claimants to marks consisting in part of the phrase "Crazy Horse." The defendant had purchased the rights of one party to the coexistence agreement, but the plaintiff purchased the rights of the other party to the agreement and filed a declaratory judgment for noninfringement. The district court entered summary judgment in the plaintiff's favor, and the Ninth Circuit affirmed, citing two reasons for that outcome. First, "trademark co-existence agreements are generally enforceable."<sup>2499</sup> Second, under applicable Nevada law, "a contractual right is assignable unless [the] assignment materially changes the terms of the contract or the contract expressly precludes assignment."<sup>2500</sup> Neither exception, the appellate court held, applied.<sup>2501</sup>

An action to enforce a settlement agreement governed by Pennsylvania law also succeeded.<sup>2502</sup> The parties had settled a prior dispute with an agreement requiring the defendants to relinquish a domain name, refrain from registering any others similar to the plaintiff's marks, and to delete all uses of the plaintiff's marks from

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<sup>2497</sup> *Id.* at 1321.

<sup>2498</sup> *See* Russell Rd. Food & Beverage, LLC v. Spencer, 829 F.3d 1152 (9th Cir. 2016).

<sup>2499</sup> *Id.* at 1156.

<sup>2500</sup> *Id.* at 1157 (quoting Easton Bus. Opp. v. Town Exec. Suites, 230 P.3d 827, 830 (Nev. 2010)).

<sup>2501</sup> *Id.*

<sup>2502</sup> *See* Am. Diabetes Ass'n v. Friskney Family Trust, LLC, 177 F. Supp. 3d 855 (E.D. Pa. 2016).



its social media postings; the agreement also provided that the parties would enter into a two-year sponsorship agreement. A mere two days after entering into the settlement agreement, the defendants threatened to transfer the domain name to a third party and, after the deadline for phasing out their other uses, made several Facebook postings featuring the plaintiff's flagship mark. The defendants argued their actions did not violate the settlement because the plaintiff already had breached it by failing to implement the sponsorship agreement on a timely basis. The summary judgment record, however, established the defendants repeatedly had failed to respond to the plaintiff's requests for the information necessary to put the sponsorship agreement in place. With the failure of the defendants' proffered excuse, a finding of breach as a matter of law followed.<sup>2503</sup>

That was not the limit of the defendants' violations of the settlement agreement. There was no material dispute the defendants had registered a second disputed domain name after the settlement agreement's effective date, but they argued a plaintiff's representative had orally granted them permission to do so. The court found that explanation deficient as a matter of law. To begin with, it noted, the settlement agreement contained a merger clause to the effect that it constituted the entire agreement between the parties. This meant the defendants could not rely on extraneous parole evidence contradicting the settlement's express terms: "A party cannot justifiably rely upon prior oral representations, yet sign a contract denying the existence of those representations."<sup>2504</sup> The alleged oral permission therefore did not excuse the defendants' misconduct.

A final settlement agreement at the heart of a reported opinion originated in a prior dispute between the parties concerning the defendant's sale of a generic version of a purple pharmaceutical product manufactured and sold by the plaintiffs.<sup>2505</sup> As summarized by the court, the settlement agreement from that earlier suit prevented: "(1) plaintiffs from interfering with the sale of the defendant's product under the terms of the Agreement; (2) defendant from using plaintiffs' trademarks [including the color purple]; and (3) plaintiffs from bringing suit against defendant for claims it could have asserted relating to the product that arose prior to the Agreement."<sup>2506</sup> Although the defendant argued its ability to market a generic version of the plaintiffs' preparation necessarily entitled it to use the color purple, the court disagreed, holding that

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<sup>2503</sup> *Id.* at 871.

<sup>2504</sup> *Id.* at 872-73 (quoting *Iron Workers Sav. & Loan Ass'n v. IWS, Inc.*, 622 A.2d 367, 372 (Pa. Super. Ct. 1993)).

<sup>2505</sup> *See Astrazeneca AB v. Dr. Reddy's Labs.*, 209 F. Supp. 3d 744, 747 (D. Del. 2016).

<sup>2506</sup> *Id.* at 753.

“[t]he trademark issues at bar did not arise until defendant commercially launched its product”;<sup>2507</sup> specifically, the earlier litigation had focused on “the formulation of the generic product for [patent] infringement purposes (not on the color of the proposed commercial product, which [was] not yet on the market).”<sup>2508</sup> The prior agreement therefore did not bar the plaintiffs’ challenge to the defendant’s use of purple.<sup>2509</sup>

#### 4. Interpretation and Enforcement of Distributorship Agreements

When a manufacturer of baby products and its distributor parted ways, litigation over the proper interpretation of their distribution agreement soon followed.<sup>2510</sup> At issue was a post-termination provision, which provided, “[d]istributor hereby acknowledges and agrees not to copy or utilize any of [the manufacturer’s] formulae, trade secrets, product design, patents, drawings, business plans, prototypes, packaging, procedures and methods [and] any other proprietary designs or information without [the manufacturer’s] written permission.”<sup>2511</sup> According to the distributor—and the district court—that language did not apply to product designs within the public domain, but the Fifth Circuit disagreed. As the appellate court pointed out, the contractual language would be meaningless if it only applied to designs already protected by some other body of law. The distributorship agreement therefore meant what it said, and the district court’s entry of summary judgment in the distributor’s favor therefore constituted reversible error.<sup>2512</sup>

### *H. The Relationship Between the Lanham Act and Other Statutes*

#### 1. The Communications Decency Act

Section 230(c)(1) of the Communications Decency Act (CDA) provides that “[n]o provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider,”<sup>2513</sup> and Section 230(a)(2)(A) exempts such a provider from liability for “any action voluntarily taken in good faith to restrict access to or

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<sup>2507</sup> *Id.* at 754.

<sup>2508</sup> *Id.*

<sup>2509</sup> *Id.*

<sup>2510</sup> See *Luv N’ Care, Ltd. v. Grupo Rimar*, 844 F.3d 442 (5th Cir. 2016).

<sup>2511</sup> *Quoted in id.* at 445 (second alteration in original).

<sup>2512</sup> *Id.* at 451.

<sup>2513</sup> 47 U.S.C. § 230(c)(1) (2012).

availability of material that the provider or user considers to be obscene, lewd, lascivious, filthy, excessively violent, harassing, or otherwise objectionable, whether or not such material is constitutionally protected.”<sup>2514</sup> In its pursuit of an unsuccessful motion to dismiss, Google Inc. invoked both sections to escape liability from a number of causes of action under California law.<sup>2515</sup> The gravamen of those claims was Google’s alleged failure to act swiftly and effectively enough in removing downloadable software applications with names infringing the plaintiff’s mark from its online marketplace. The plaintiff argued in opposition to the motion that Google fell outside the CDA’s safe harbor because it provided source code to developers to allow their applications to access the Android operating system, and, additionally because Google’s selective enforcement of its takedown procedures precluded a finding of good faith. The court held with respect to the first of these theories that “[the] source code does not ‘materially contribute’ to the actions complained of in this suit, namely that those app titles are infringing on Plaintiff’s trade mark.”<sup>2516</sup> Nevertheless, it then credited the plaintiff’s argument that the issue of Google’s scienter did not lend itself to resolution at the pleadings stage.<sup>2517</sup> Google’s motion therefore fell short, even if, as the court noted, “[t]his does not preclude Google from raising [CDA] immunity at a later stage, such as summary judgment.”<sup>2518</sup>

## 2. The Sherman Act

Section 2 of the Sherman Act prohibits the abuse of monopoly power and, additionally, “attempt[s] to monopolize . . . any part of the trade or commerce among the several States.”<sup>2519</sup> Successful claims defendants have violated Section 2 through false advertising are rare, and a Fifth Circuit opinion demonstrated why.<sup>2520</sup> Addressing a finding of liability under that theory, the court held that “absent a demonstration that a competitor’s false advertisements had the potential to eliminate, or did in fact eliminate, competition, an antitrust lawsuit will not lie.”<sup>2521</sup> Neither the falsity of the defendant’s advertising apparently nor the plaintiff’s success in the marketplace was undisputed; indeed, the plaintiff enjoyed “up to 67%” of the market for retractable syringes

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<sup>2514</sup> *Id.* § 230(c)(2)(A).

<sup>2515</sup> *See* *Spy Phone Labs v. Google Inc.*, 120 U.S.P.Q.2d 1827 (N.D. Cal. 2016).

<sup>2516</sup> *Id.* at 1836.

<sup>2517</sup> *Id.*

<sup>2518</sup> *Id.*

<sup>2519</sup> 15 U.S.C. § 2 (2012).

<sup>2520</sup> *See* *Retractable Techs., Inc. v. Becton Dickinson & Co.*, 842 F.3d 883 (5th Cir. 2016), *cert. denied*, 137 S. Ct. 1349 (2017).

<sup>2521</sup> *Id.* at 895.

in which the parties competed.<sup>2522</sup> The second of these considerations made the difference to the court, which found a dearth of evidence or testimony in the trial record that the defendant's false advertising had harmed competition. The jury's finding of liability therefore could not stand.<sup>2523</sup>

### 3. The Food, Drug and Cosmetic Act

Federal false advertising lawsuits have increasingly required courts to address the relationship between the Lanham Act and the FDA's administration of the federal Food, Drug, and Cosmetic Act (FDCA).<sup>2524</sup> In *POM Wonderful LLC v. Coca-Cola Co.*,<sup>2525</sup> the Supreme Court clarified that relationship in the context of FDA regulations governing food and beverage labels by holding that compliance with those regulations does not immunize the labels' content from false advertising challenges under Section 43(a). *POM Wonderful* did not, however, resolve the question of whether its holding extended to other types of labels.

The absence of that guidance produced an appeal to the Second Circuit of an action arising out of a challenge to packages for a home pregnancy-test kit.<sup>2526</sup> The plaintiff alleged the packages and certain advertising placed by the defendant falsely suggested the defendant's tests could determine the length of time users had been pregnant. Because the FDA had approved the second package, the defendant challenged the district court's finding of liability after a bench trial, but the district court and the Second Circuit each held the agency's approval did not preclude the plaintiff's suit. According to the appellate court:

We agree with the district court that *POM Wonderful* is controlling here. We see no reason why the subjugation of Defendant's Product labeling to FDA regulation . . . should categorically immunize it from Lanham Act claims by competitors regarding the regulated labeling. As the *POM Wonderful* opinion noted, regardless of the fact that the [Food, Drug and Cosmetic Act] and Lanham Act sometimes overlap in scope and effect, each statute nonetheless has a distinct purpose, and in carrying out its FDCA duties, the FDA is not charged with protecting the interests of its subject's competitors.

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<sup>2522</sup> *Id.* at 896.

<sup>2523</sup> *Id.* at 897.

<sup>2524</sup> Pub. L. No. 75-717, §§ 1-902, 52 Stat. 1040 (1938) (codified as amended at 21 U.S.C. §§ 301-97 (2012 & Supp. IV 2017)).

<sup>2525</sup> 134 S. Ct. 2228 (2014).

<sup>2526</sup> See *Church & Dwight Co. v. SPD Swiss Precision Diagnostics, GmbH*, 843 F.3d 48, 61 (2d Cir. 2016).

The fact that the FDA has satisfied itself that a product's labeling is sufficiently accurate to secure FDA approval gives no assurance that the intervention of a competitor would not reveal problematic misleading messaging that is harmful to the competitor's interests, which the federal agency either overlooked or failed to appreciate as important.<sup>2527</sup>

A different court reached much the same conclusion without reference to *POM Wonderful* but instead under the rubric of the primary jurisdiction doctrine, which “allows a federal court to abstain from deciding a case within its subject matter jurisdiction if it determines that the ‘initial decisionmaking responsibility should be performed by the relevant agency rather than the courts.’”<sup>2528</sup> The basis of the Section 43(a) cause of action before that tribunal was the defendants' alleged labeling of a steroid-like supplement as “not fit for human consumption” while at the same time touting the benefits of that consumption.<sup>2529</sup> Denying the defendants' motion to dismiss, the court held the relevant inquiry governed by four factors, namely, “(1) the need to resolve an issue that (2) has been placed by Congress within the jurisdiction of an administrative body having regulatory authority (3) pursuant to a statute that subjects an industry or activity to a comprehensive regulatory authority that (4) requires expertise or uniformity in administration.”<sup>2530</sup> An application of those factors led the court to hold that the issue at stake was not one “that ‘requires resolution of an issue of first impression, or of a particularly complicated issue that Congress has committed to a regulatory agency.’”<sup>2531</sup> The court also rejected the defendants' argument that FDA expertise was necessary to determine “whether it is false and misleading to market a product to competitive athletes while neglecting to mention that it has been banned by the World Anti-Doping Agency and the U.S. Anti-Doping Agency”;<sup>2532</sup> instead, it explained, “[i]t is not clear that this question even implicates the FDA's regulatory scheme; the Food, Drug, and Cosmetic Act (‘FDCA’) ‘is not focused on the truth or falsity of advertising claims,’ but is instead directed to protecting ‘public safety.’”<sup>2533</sup> “Finally,” the court held:

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<sup>2527</sup> *Id.* at 63 (citation omitted).

<sup>2528</sup> *Nutrition Distrib. LLC v. Custom Nutraceuticals LLC*, 194 F. Supp. 3d 952, 955 (D. Ariz. 2016) (quoting *Syntek Semiconductor Co. v. Microchip Tech. Inc.*, 307 F.3d 775, 780 (9th Cir. 2002)).

<sup>2529</sup> *Quoted in id.*

<sup>2530</sup> *Id.* (quoting *Astiana v. Hain Celestial Grp.*, 783 F.3d 753, 760 (9th Cir. 2015)).

<sup>2531</sup> *Id.* (quoting *Astiana*, 783 F.3d at 760).

<sup>2532</sup> *Id.* at 756.

<sup>2533</sup> *Id.* (quoting *Mut. Pharm. Co. v. Ivax Pharm., Inc.*, 459 F. Supp. 2d 925, 933 (C.D. Cal. 2006)).

While the FDA is charged with determining whether products like [those of Defendants] are safe enough to be sold in interstate commerce this case presents a different question: whether [Defendants' product] is as safe as Defendants claimed. The Court can decide this question without expressing any opinion on the technical and policy questions committed to the FDA.<sup>2534</sup>

The court therefore saw no need to dismiss the proceeding before it in deference to the FDA's expertise.<sup>2535</sup>

In contrast, a different plaintiff, which manufactured and sold dietary supplements for bodybuilders, only partially succeeded in availing itself of *POM Wonderful*.<sup>2536</sup> The gravamen of its complaint was that the defendant had sold a competitive product containing a designer steroid rendering the resulting concoction an unapproved new drug under the FDCA; that circumstance, the plaintiff alleged, meant the defendant had failed to secure the required FDA approval, violated the FDCA by neglecting to label its product as a prescription drug and including instructions for its safe use, and by otherwise falling afoul of the FDCA's labeling requirements. Granting the defendant's motion to dismiss in part and denying it in part, the court noted that *POM Wonderful* notwithstanding, "there are some circumstances when the FDCA does preclude Lanham Act claims. Those circumstances arise when a Lanham Act claim would require a court to make determinations about the safety, legality, and classification of new drugs that are more properly within the exclusive purview of the FDA."<sup>2537</sup> The court therefore declined to allow the plaintiff to advance false advertising theories grounded in the allegedly proper classification of the defendant's product under the FDCA. It did, however, allow the case to move forward under: "(1) a theory that the [defendant's] products contained [the steroid] but that fact was not disclosed to consumers, and (2) a theory that the [defendant's] products were marketed as 'natural' dietary supplements when in fact they contained [the steroid]."<sup>2538</sup> The plaintiff, the court noted, "will still of course have to prove that these kinds of representations were misleading within the meaning of the Lanham Act."<sup>2539</sup>

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<sup>2534</sup> *Id.* at 956-57 (citations omitted).

<sup>2535</sup> *Id.* at 957 ("[T]his case is not one of the 'limited set' requiring FDA expertise, and . . . the delay involved in seeking FDA guidance would not be justified in light of the allegations made." (quoting *Astiana v. Hain Celestial Grp.*, 783 F.3d 753, 760 (9th Cir. 2015)).

<sup>2536</sup> *See Hi-Tech Pharm., Inc. v. Hodges Consulting, Inc.*, 230 F. Supp. 3d 1323 (N.D. Ga. 2016).

<sup>2537</sup> *Id.* at 1330.

<sup>2538</sup> *Id.* at 1332.

<sup>2539</sup> *Id.*

## *I. Insurance-Related Issues*

### **1. Opinions Ordering Coverage**

In an appeal by a carrier to the Ninth Circuit, the carrier had issued an excess liability policy that indisputably obligated it to cover the defense of a false advertising action against the insured.<sup>2540</sup> Nevertheless, the carrier dragged its feet in responding to notices that the insured and the insured's primary carrier had negotiated a resolution to the underlying action, and that recalcitrance eventually led to a jury verdict in favor of the insured for breach of contract and failure to cover. The carrier sought to have the adverse verdict overturned, but the Ninth Circuit invoked the California rule that:

[A]n excess liability insurer has three options when presented with a proposed settlement of a covered claim that has met the approval of the insured and the primary insurer. The excess insurer must (1) approve the proposed settlement, (2) reject it and take over the defense, or (3) reject it, decline to take over the defense, and face a potential lawsuit by the insured seeking contribution toward the settlement.<sup>2541</sup>

Because the carrier had had reasonable time to review the proposed settlement but had failed to avail itself of any of these options, it had no basis for complaint, especially in light of the jury's rejection of its claim it had reasonably believed the California rule did not apply.<sup>2542</sup>

### **2. Opinions Declining to Order Coverage**

Several reported opinions held coverage inappropriate, including one from the Second Circuit applying New York law.<sup>2543</sup> That court summarized the cases underlying the claim for coverage in the following manner: "During the coverage period, [the lead insured] sold goods bearing counterfeit trademarks. In two underlying lawsuits, it was found liable for, *inter alia*, trademark infringement."<sup>2544</sup> The insured's carrier sought and received a declaratory judgment it was not obligated to cover the defense of the underlying actions, and the Second Circuit affirmed. According to the appellate court, the trademark owner's causes of action were grounded in the insured's *sale* of the goods in question, not their

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<sup>2540</sup> See *Teleflex Med. Inc. v. Nat'l Union Fire Ins. Co. of Pittsburgh, PA*, 851 F.3d 976 (9th Cir. 2017).

<sup>2541</sup> *Id.* at 979.

<sup>2542</sup> *Id.* at 989.

<sup>2543</sup> See *U.S. Fid. & Guar. Co. v. Fendi Adele S.R.L.*, 823 F.3d 146 (2d Cir. 2016).

<sup>2544</sup> *Id.* at 148.

*advertising*; as a consequence, the advertising injury clause in the insured's policy did not apply.<sup>2545</sup> Moreover, the court held, even if the insured's conduct constituted advertising within the meaning of the clause, that conduct would have triggered an exclusion in the policy for injuries "[a]rising out of oral or written publication of material, if done by or at the direction of the insured with knowledge of its falsity."<sup>2546</sup>

Under the "Eight Corners Rule" extant under Virginia law, courts should resolve coverage disputes by referring to the four corners of the complaint in the underlying action and to the four corners of the disputed policy.<sup>2547</sup> In a case turning on the application of this rule, the policy in question provided for coverage of the defense of actions alleging disparagement of another party's goods or services.<sup>2548</sup> The complaint in the underlying action accused the insured, a manufacturer of flood vent products, of having made various false claims bearing on the alleged superiority of its products. According to the insured, the accused advertising constituted disparagement of the plaintiff's products within the meaning of the policy, and the court agreed for purposes of the carrier's motion for summary judgment. Nevertheless, the court determined that the plaintiff's challenge to the advertising fell into an exclusion barring coverage for advertising injuries "arising out of the failure of goods, services, products, or services to confirm with any statement of quality or performance made in your 'advertisement.'"<sup>2549</sup> As it explained, "[the plaintiff] does not allege the advertisements contain false descriptions of [the plaintiff's] products; rather, the injury alleged by [the plaintiff] in the underlying complaint arises from [the carrier's] alleged misrepresentations and false statements about its own products."<sup>2550</sup>

The court then reached the same conclusion of non-coverage with respect to the insured's website, which the plaintiff alleged infringed a trademark owned by the plaintiff because it incorporated the mark into metatags and the like. That aspect of the plaintiff's case, the court held, triggered an exclusion in the insured's policy barring coverage for the defense of actions "arising out of the infringement of copyright, patent, trademark, trade secret, or other intellectual property rights."<sup>2551</sup> The plaintiff's

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<sup>2545</sup> *Id.* at 151-52.

<sup>2546</sup> *Id.* at 152.

<sup>2547</sup> *Selective Way Ins. Co. v. Crawl Space Door Sys., Inc.*, 162 F. Supp. 3d 547, 551 (E.D. Va. 2016).

<sup>2548</sup> *Id.* at 552.

<sup>2549</sup> *Quoted in id.* at 554.

<sup>2550</sup> *Id.* at 555.

<sup>2551</sup> *Quoted in id.* at 556.



repeated characterizations of the insured's conduct as infringement. demonstrated the applicability of the exclusion as a matter of law.<sup>2552</sup>

The issue of product disparagement also played a role in a coverage dispute decided under Maryland law.<sup>2553</sup> In the suit underlying that dispute, the plaintiff accused the insured of having acquired and “unlocked” cell phones sold by the plaintiff before reselling them under the plaintiff's marks. The clause in the insured's policy at issue mandated coverage for the defense of challenges to “material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services”;<sup>2554</sup> it did not, however, cover the defense of allegations of trademark infringement. Although the insured sought to characterize the complaint against it as stating a cause of action for disparagement, the court did not read that pleading in such a manner. Instead, it entered summary judgment in the carrier's favor because:

The case here . . . closely resembles those where the underlying complaint alleges that the insured misled consumers into thinking it was selling the (superior) product of a competitor when in fact it was selling its own (inferior) product. Such claims may constitute an intellectual property rights violation or false advertising, but such claims generally do not—without more—allege disparagement because they do not allege a false comparison.<sup>2555</sup>

An application of Florida law by a Hawaii federal district court led to a holding that two related insureds were not entitled to reimbursement of fees incurred prior to the insureds' tender of their claims.<sup>2556</sup> The insureds had purchased four policies, each of which covered claims for “personal and advertising injury,” defined as an injury arising out of either the use of another's advertising idea or from the publication of material that slanders, libels, disparages a person or organization or their goods, products, or services.<sup>2557</sup> Because the complaint in the underlying complaint accused the insureds of falsely advertising fish they sold as having been treated with a particular process, the carriers' overall obligation to defend was not seriously in doubt; rather, they objected to the insureds' claim for pre-tender fees. Distinguishing the insureds' proffered case, but without tying the outcome to express language in the

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<sup>2552</sup> *Id.* at 556-57.

<sup>2553</sup> *See* *Wireless Buybacks, LLC v. Hanover Am. Ins. Co.*, 223 F. Supp. 3d 443 (D. Md. 2016).

<sup>2554</sup> *Quoted in id.* at 445.

<sup>2555</sup> *Id.* at 449.

<sup>2556</sup> *See* *Hanover Ins. Co. v. Anova Food, LLC*, 173 F. Supp. 3d 1008 (D. Haw. 2016).

<sup>2557</sup> *Id.* at 1021.

insureds' policies, the court disagreed, leaving the insureds empty-handed.<sup>2558</sup>

Although Michigan law holds that “an insurance company has a duty to defend its insured if the allegations of the underlying suit arguably fall within the coverage of the policy,”<sup>2559</sup> that does not mean every insured claiming coverage under policies governed by Michigan law will prevail. One insured learned that lesson the hard way in a case in which the plaintiff in the underlying case accused the insured of having falsely advertised its eye health supplements as compliant with the recommendations of a third-party study; the complaint in the underlying case also recited a cause of action for patent infringement.<sup>2560</sup> The advertising-injury clause in the insured's policy covered the defense of allegations of “[o]ral, written or electronic publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or service.”<sup>2561</sup> That language, the court held in granting the carrier's motion for summary judgment, did not sweep in the insured's alleged conduct, which related to representations about its own goods.<sup>2562</sup> Moreover, the court found two exclusions in the policy were applicable, one that carved out coverage for the defense of actions involving accusations of intellectual property infringement<sup>2563</sup> and the other applying to causes of action arising out of the failure of goods to conform with any advertised statement of quality or performance.<sup>2564</sup>

### 3. Opinions Deferring Resolution of the Coverage Inquiry

The proper interpretation of insurance policies may be a question of law, but that proposition is no guarantee that either party in a coverage dispute will prevail as a matter of law. For example, one carrier's aggressive attempt to rid itself of a claim at the pleadings stage of a declaratory judgment action it had brought against its insured failed to get the job done under Florida law.<sup>2565</sup> The complaint in the underlying action arose from the insured's alleged unauthorized display of photographs of models to promote

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<sup>2558</sup> *Id.* at 1022-25.

<sup>2559</sup> *Salvati Ins. Grp. v. Utica Mut. Ins. Co.*, 45 F. Supp. 3d 637, 642 (E.D. Mich. 2014) (*Citizens Ins. Co. v. Secura Ins.*, 755 N.W.2d 563, 566 (Mich. Ct. App. 2008)).

<sup>2560</sup> *See Vitamin Health, Inc. v. Hartford Cas. Ins. Co.*, 186 F. Supp. 3d 712 (E.D. Mich. 2016), *aff'd*, 685 F. App'x 477 (6th Cir. 2017)).

<sup>2561</sup> *Quoted in id.* at 715.

<sup>2562</sup> *Id.* at 720.

<sup>2563</sup> *Id.* at 720-21.

<sup>2564</sup> *Id.* at 721.

<sup>2565</sup> *See Princeton Express & Surplus Ins. Co. v. DM Ventures USA LLC*, 209 F. Supp. 3d 1252 (S.D. Fla. 2016).

the insured's lounge. According to the carrier, a "field-of-entertainment" exclusion trumped the policy's advertising injury clause; not surprisingly, the insured disagreed. Because of the breadth of the exclusion, the court sided with the insured. As it explained:

The Exclusion . . . essentially eliminates all advertising injury coverage. Because the policies provide that they cover advertising injury, and then the Exclusion provides that advertising injury is excluded, the provisions are completely contradicted. The Exclusion does not carve out a particular type of advertising injury . . . —but, instead, excludes all advertising injury. Giving effect to the Exclusion would make the advertising injury coverage illusory, which is prohibited by Florida law.<sup>2566</sup>

Motions for summary judgment also failed. Such was the result when an application of Pennsylvania law led to a procedural stalemate after the parties filed cross-motions for summary judgment on the issue of the applicability of a cooperation clause.<sup>2567</sup> Three days before executing a settlement agreement in the underlying dispute requiring a payment equal to the limits of their coverage, the insureds forwarded the agreement to their carrier and asked it to confirm it had no objection to the settlement terms. The court found it undisputed that the notice precluded the carrier from claiming ignorance of the settlement's terms, but that did not necessarily entitle the insureds to coverage. Rather, the court noted, the insured's defense counsel had delayed responding to the carrier's request for information on the status of the litigation for a period of six weeks, during which the insureds participated in a mediation that led to the settlement. That consideration and other missed opportunities for interaction between the carrier and its insureds led the court to recognize a factual dispute over whether the insureds had satisfied their duty of cooperation: "There is a question whether [the carrier] could have settled the case for less than the liability limit had it been apprised of the settlement discussions and participated in the mediation."<sup>2568</sup>

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<sup>2566</sup> *Id.* at 1260.

<sup>2567</sup> *See* Connect Am. Holdings, LLC v. Arch Ins. Co., 174 F. Supp. 3d 894 (E.D. Pa. 2016). In addition to requiring the insureds to secure the carrier's prior approval of any settlement, the clause at issue provided that:

The insureds shall give to the Insurer all information and cooperation as the Insure may reasonably request. Upon the Insurer's request, the Insureds shall attend proceedings, hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and conducting the defense of any Claim.

Quoted in *id.* at 906.

<sup>2568</sup> *Id.* at 908.

Finally, a dispute concerning the circumstances under which two insureds retained counsel of their choice precluded summary judgment in the insureds' favor on the issue of the insureds' entitlement to reimbursement of the fees paid to that counsel.<sup>2569</sup> The insureds maintained their carriers had agreed to the counsel chosen by the insureds, and, indeed, it was undisputed the carriers had paid at least a portion of the fees charged to the insureds. Nevertheless, it also was undisputed the carriers had later retained their own counsel of choice and advised the insureds that the insureds would be responsible for the fees incurred by any other firm. These conflicting showings prevented the court from resolving the issue as a matter of law on the insured's motion for summary judgment and caused it to defer such a resolution until trial instead.<sup>2570</sup>

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<sup>2569</sup> See *Hanover Ins. Co. v. Anova Food, LLC*, 173 F. Supp. 3d 1008 (D. Haw. 2016).

<sup>2570</sup> *Id.* at 1026.

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