

# The Trademark Reporter®

Official Journal of the International Trademark Association



## ANNUAL REVIEW

**United States:  
The Fifty-Seventh Year of  
Administration of the  
Lanham Trademark Act of 1946**

*David J. Kera  
Theodore H. Davis, Jr.*

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Representing the Trademark Community since 1878

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# The Trademark Reporter®

## UNITED STATES ANNUAL REVIEW

### Editor's Note

The Trademark Reporter® is pleased to dedicate The 57th Year of the Annual Review of United States law to David Kera. This is the fifteenth and, regrettably, the final year that Dave has prepared the Annual Review of United States judicial decisions. We are greatly indebted to him for all the time and work he has put in on this project and in keeping the trademark community informed of judicial developments in all aspects of trademark law for the last fifteen years. We will also miss his informative review of trademark decisions, which he has presented at INTA's Annual Meetings for the benefit of our membership.

In sum, it is with deep appreciation and gratitude that we dedicate this Annual Review to Dave Kera.

### INTRODUCTION

*By David J. Kera\**

In the year 1990, when I first contributed to the Annual Review of Developments in Trademark Law, the Trademark Law Reform Act of 1988 amending the Lanham Act was in its first year of operation. Since 1990, the Lanham Act may fairly be said to have been transformed into a different statute. Three major influences have caused this transformation.

Harmonization of intellectual property laws around the world is the first significant cause, although it is not a new phenomenon. Examples from the nineteenth century include the Berne Convention on Copyrights, the Paris Convention for the Protection

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\* Partner in the firm of Oblon, Spivak, McClelland, Maier & Neustadt, P.C., Alexandria, Virginia, Associate Member of the International Trademark Association; former Administrative Trademark Judge; member of the New York, District of Columbia, and Virginia Bars. Author of Parts I-II of The 57th Year. The author owes a great debt of gratitude to Jean Barrett, who expertly and diligently prepared the manuscript with patience and humor, and to his law firm for allowing the time that has been devoted to this series of reports. Many thanks to Randi Mustello, who has been of great assistance, and of course to Charlotte Jones, whose contributions to INTA are legendary.

of Industrial Property, and the Madrid Arrangement for the International Registration of Marks. In the twentieth century, the Inter-American Convention for Trademarks and Commercial Protection, the Universal Copyright Convention, the establishment of the Benelux Trademark Office, the Madrid Protocol for the International Registration of Marks, the Trademark Law Treaty, the North American Free Trade Association Agreements and the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights continued and substantially expanded the world-wide drive toward harmonization of intellectual property law. One of the most important advances in international trademark law occurred in the European Union, namely the creation of the Office for the Harmonization of the Internal Market, more popularly known as the Community Trade Mark Office. The creation of that Office had been preceded by the European Union's harmonization decree, which caused all of its members to amend their national laws to comport with the European Union's standards.

All of these changes have inevitably affected the substance and practice of trademark law in the United States, including statutory changes in the Lanham Act.

The second most powerful influence on the changing nature of the Lanham Act has been technology, particularly the creation of the Internet. The ability to adopt domain names freely, without any initial control by any third party or entity, and the ability to use the Internet to communicate almost instantaneously around the world created temptations and opportunities for the misuse of trademarks by persons other than their owners. The reaction to this technological change in the United States has been the creation of statutory and decisional law intended to combat what is popularly known as cyber-squatting.

A third major influence on the development of statutory and decisional trademark law in this country has been the enormous increase in the counterfeiting of merchandise under bogus marks. This, too, has created a demand for relief that has resulted in statutory amendments and the growth of a substantial body of precedent.

The reader who peruses the text of the Lanham Act with particular attention to the dates of the amending legislation will find, among others, the following revisions, all enacted since 1990.\* Section 1052 has added prohibitions against the registration of false geographical indications for wines and spirits and, more generally, geographically deceptively misdescriptive names. There is also a prohibition against the registration of functional matter

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\* All of the references are to the section numbers in Title 15 United States Code, except for Title 12. The Trademark Act is codified as 15 U.S.C. § 1051 *et seq.*

and a grant of authority to the Trademark Trial and Appeal Board (in conjunction with amendments in Sections 1063, 1064, and 1092) to hear and decide oppositions and cancellation petitions alleging dilution.

Section 1058 was amended to provide a grace period for the filing of a declaration of use and to permit correction of deficiencies in a declaration. Section 1059 was amended to permit the correction of deficiencies in a renewal application. Section 1060 was amended to make permissible rather than mandatory the appointment by a foreign assignee of a domestic representative for receipt of service of process.

Section 1062 was amended to permit the revival of an abandoned application upon a showing that the abandonment was unintentional.

Section 1063, as indicated above, was amended to make dilution a cause of action for oppositions, and 1064 was amended to make dilution a cause of action in petitions for cancellations of registrations on the Principal Register. A parallel change was made in 1092 to make dilution a cause of action for petitions to cancel registrations on the Supplemental Register. Section 1064 was further amended to make functionality a ground for a petition for cancellation of a registration on the Principal Register without any limit of time.

Section 1114 was amended to specify in detail the circumstances under which injunctions may and may not be granted.

Section 1115 has a new provision making functionality a defense to an infringement action. Section 1116 was amended to provide a remedy to a person who suffers damage because of a wrongful seizure under the anti-counterfeiting provisions of the Act. Section 1117 was amended to increase substantially the financial penalties for counterfeiting and to provide for statutory damages in lieu of actual damages and profits.

Causes of action for dilution and for cybersquatting were added to Section 1125, and a cause of action to provide cyberpiracy protection for individuals was added by Section 1129.

The most important change in the period between 1990 and the present was the addition to the Act of Title 12 – the Madrid Protocol. Title 12 has fifteen sections dealing with rights, requirements, and procedure to implement the accession by the United States to the Madrid Protocol. Title 12 was added by Public Law No. 107-273, 116 Stat. 1913 (November 2, 2002).

The many, and in some cases radical, changes wrought in the Lanham Act by the legislative activities since 1990 have created new opportunities for the protection of trademarks and other forms of trade identification under the federal statute. The trademark bar would do well to use these protections wisely and to preserve

their vitality by not attempting to stretch their metes and bounds beyond any reasonable interpretation. Broad as it is, the Lanham Act is not, and was never intended to be, a catch-all remedial statute for all perceived wrongs for which no other remedy is available.

The changes in the statute relating to what kinds of marks are eligible for registration and what procedures are available for persons who are or believe they would be injured by the registration of marks cry out for explanation and interpretation by all of the organs of the Patent and Trademark Office, including most especially the Trademark Trial and Appeal Board. The fulfillment of its educational responsibility and its responsibility to provide citable precedent for use by itself as well as by the bar requires the publication of more, rather than fewer, citable precedents. This last year has seen the lowest output of citable cases by the Board in its entire history. This trend is damaging to the Board, to the bar, to teachers of trademark law in law schools and at continuing legal education programs, and to commentators and writers. The bar must, through its organized bodies, request and insist that the Board publish as citable precedents a far greater number of decisions covering the full panoply of issues that come before the TTAB for adjudication.

**THE FIFTY-SEVENTH YEAR OF  
ADMINISTRATION OF THE  
LANHAM TRADEMARK ACT OF 1946\***

*By David J. Kera\*\* and Theodore H. Davis, Jr.\*\*\**

**PART I. EX PARTE CASES**

*A. Court of Appeals for the Federal Circuit*

**1. Likelihood of Confusion**

*a. TTAB Decision Refusing Registration  
Reversed and Remanded*

The Federal Circuit reversed a decision of the Trademark Trial and Appeal Board (the “Board”) that found a mark consisting of the words BLUE MOON and a representation of a full moon rising over a forest scene for beer was likely to be confused with the registered mark BLUE MOON and a humorous design of a moon with a face wearing sun glasses for restaurant services.<sup>1</sup> The question whether there is a likelihood of confusion between the mark of an application and the mark of a registration is an issue of

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\* The Annual Review published here is a continuation of the work originated in 1948 by Walter J. Derenberg and written by him through The 25th Year in 1972. The Review here presented covers the period July 1, 2003 through June 30, 2004. After adding The 37th Year, 74 TMR 469, The 38th Year, 75 TMR 573, The 39th Year, 76 TMR 445, The 40th Year, 77 TMR 471, The 41st Year, 78 TMR 683, The 42nd Year, 79 TMR 757, The 43rd Year, 80 TMR 591, The 44th Year, 81 TMR 601, The 45th Year, 82 TMR 1041, The 46th Year, 83 TMR 904, The 47th Year, 84 TMR 635, The 48th Year, 85 TMR 607, The 49th Year, 86 TMR 651, The 50th Year, 87 TMR 741, The 51st Year, 89 TMR 1, The 52nd Year, 90 TMR 1, The 53rd Year, 91 TMR 1, The 54th Year, 92 TMR 1, The 55th Year, 93 TMR 197, and The 56th Year, 94 TMR 1, a complete list of the prior Annual Reviews can be found in The Thirty-Sixth Year of Administration of the Lanham Trademark Act of 1946, 73 TMR 577 fn 1.

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\*\*\* Board of Directors, International Trademark Association; Partner, Kilpatrick Stockton LLP, Atlanta, Georgia. Author of Part III of the 57th Year. In the interest of full disclosure, the author notes his participation or that of his law firm in the following cases: *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 125 S. Ct. 542, 72 U.S.P.Q.2d 1833 (2004) (counsel for amicus curiae The International Trademark Association); *Parks v. LaFace Records*, 329 F.3d 437, 66 U.S.P.Q.2d 1735 (6th Cir.), cert. denied, 124 S. Ct. 925 (2003) (counsel for defendants); *Anheuser-Busch, Inc. v. Caught-on-Bleu, Inc.*, 288 F. Supp. 2d 105 (D.N.H. 2003), *aff’d without op.*, 2004 WL 1718357 (1st Cir. Aug. 2, 2004), petition for certiorari filed, No. 04-793, 72 U.S.L.W. (Dec. 4, 2004) (counsel for plaintiff). The author gratefully acknowledges the assistance of Christy Flagler, Cathy Crosslin and Louise Adams in the preparation of this manuscript for publication.

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

law that is based on underlying facts.<sup>2</sup> Legal conclusions of the Board are subject to *de novo* review while the Board's factual findings are accepted if they are supported by substantial evidence.<sup>3</sup> Likelihood of confusion is determined by considering the factors summarized in the *du Pont* case.<sup>4</sup>

The two critical factors in this case were whether the marks were similar enough to cause confusion and whether applicant's goods were related to the services described in the cited registration. The similarity between the marks required an examination of the appearance, sound, connotation, and commercial impressions of the two marks.<sup>5</sup> The Federal Circuit found that the Board's determination that the marks were generally similar was supported by substantial evidence principally because both marks used the term BLUE MOON. Similarity is a matter of degree. There were significant differences in the designs of the two marks, and the finding of similarity was a less important factor in establishing a likelihood of confusion than it would have been had the two marks been identical or nearly indistinguishable to a casual observer. The Federal Circuit, however, observed that evidence of the use of third-party marks should not be disregarded in evaluating the strength of a mark when determining likelihood of confusion. Applicant's evidence did not establish that the third-party use was sufficiently widespread to compel a conclusion that the cited mark was weak. The Federal Circuit sustained the factual finding that the mark was not weak, but noted that the strength of a mark varies from very strong to very weak. The evidence showed that BLUE MOON had been used in numerous marks for restaurant services and in numerous registered marks for foods and beverages. The evidence showed that, although the Board permissibly declined to characterize the registered mark as weak, it could also not be regarded as a particularly strong mark that is entitled to broad protection.

The Board's decision turned on its conclusion that beer and restaurant services were sufficiently related and that the use of similar marks would suggest to consumers a common source. The Federal Circuit restated that the fact that restaurants serve food and beverages is not enough to render foods and beverages related to restaurant services for determining likelihood of confusion. In order to establish likelihood of confusion, something more must be

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

3. *In re Save Venice N.Y., Inc.*, 259 F.3d 1346, 59 U.S.P.Q.2d 1778 (Fed. Cir. 2001).

4. *In re E. I. du Pont de Nemours & Co.*, 476 F.3d 1357, 177 U.S.P.Q. 563 (C.C.P.A. 1973).

5. *In re Martin's Famous Pastry Shoppe, Inc.*, 748 F.2d 1565, 223 U.S.P.Q. 1289 (Fed. Cir. 1984).

shown than the fact that similar or even identical marks are used for food products and for restaurant services.<sup>6</sup>

The finding that beer and restaurant services were related was not supported by substantial evidence. Evidence showing that some restaurants brewed or served their own private label beers did not support the conclusion that consumers are likely to conclude that beer and restaurant services with similar marks emanate from the same source. The evidence did not suggest that there were numerous restaurants that served their own private label beers. A very small number of registrations covering both restaurant services and beer did not counter the applicant's showing that only a very small percentage of restaurants actually brewed their own beer or sold house brands. On the contrary, the small number of registrations suggested that it was uncommon for restaurants and beer to use the same mark. The evidence indicated that there was not a substantial overlap between restaurant services and beer with respect to source but rather that the degree of overlap was *de minimis*. The Federal Circuit disagreed with the legal conclusion that applicant's beer and the registrant's restaurant services were sufficiently related to support a finding of likelihood of confusion. The decision was reversed and the case was remanded for further consideration.

## 2. Mere Descriptiveness

### *a. Mark Found to Be Descriptive*

The Federal Circuit affirmed a decision by the Board that found that MONTANA SERIES and PHILADELPHIA CARD were merely descriptive<sup>7</sup> of credit card services featuring the use of credit cards depicting scenes or subject matter related to the state of Montana or the city of Philadelphia.<sup>8</sup> The Board did not commit any legal error, and substantial evidence supported its factual findings. Applicant's services were essentially regional affinity credit card services that appealed to the users' regional pride and loyalties. The Federal Circuit reviewed the Board's legal conclusion without deference.<sup>9</sup> The Board's determination that a mark is merely descriptive is a factual finding, which the Federal Circuit upholds unless unsupported by substantial evidence.<sup>10</sup>

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6. *Jacobs v. National Multifoods Court*, 668 F.2d 1234, 212 U.S.P.Q. 641 (C.C.P.A. 1982).

7. 15 U.S.C. § 1052(e)(1).

8. *In re MBNA Am. Bank, N.A.*, 67 U.S.P.Q.2d 1778 (Fed. Cir. 2003).

9. *In re Hiromichi Wada*, 194 F.3d 1297, 53 U.S.P.Q.2d 1539 (Fed. Cir. 1999).

10. *In re Nett Designs, Inc.*, 236 F.3d 1339, 57 U.S.P.Q.2d 1564 (Fed. Cir. 2001).



Applicant contended that its marks were inherently distinctive. Suggestive or arbitrary marks are inherently distinctive and entitled to registration without proof of distinctiveness. A mark is merely descriptive if it immediately conveys information concerning a quality or characteristic of the product or service. The perception of the relevant purchasing public is the standard for determining descriptiveness. If a mark requires imagination, thought and perception to arrive at the qualities or characteristics of the goods or services, the mark is suggestive. The most inherently distinctive marks are arbitrary and do not even suggest any of the qualities or characteristics of the goods or services.

Affinity credit card services are fundamentally different in scope from ordinary credit card services. Applicant offered, advertised and provided affinity credit cards depicting subject matter appealing to groups with various geographic affinities. The association was the result of strategic business planning and promotion. Affinity credit cards provided credit card services and a feeling of social pride or connection with words and images identifying a particular city or state. Substantial evidence supported the finding that MONTANA SERIES and PHILADELPHIA CARD were merely descriptive of significant features or characteristics of the affinity credit card services. The marks immediately conveyed information about the specific regional affinity or user group to which the services were being directed. The evidence of descriptiveness was conclusive.

The Federal Circuit's conclusion that substantial evidence supported the Board's finding of mere descriptiveness was not based on the fact that the marks contained regional designations, but rather on the fact that the regional designations merely described a feature or characteristic of the services. Descriptiveness must be determined in relation to the specific goods or services described in the application. The Board correctly found that the applicant's emphasis on the regional scene through marketing promotions and picture designs provided circumstantial evidence of how the relevant public perceived the marks in a commercial environment. Advertising that promoted the association of the credit card services with regional affiliations was relevant to a determination of descriptiveness. The Board did not indicate that it entertained any doubt about the mere descriptiveness of the marks, and therefore the rule of resolving doubt in favor of the applicant did not apply.

The Federal Circuit also stated in a footnote that the applicant had not been obligated to amend the description of services in the applications and could have appealed the examining attorney's decision instead of making the amendment. By amending instead

of appealing, applicant waived any issue of the propriety of the requirement for the amendment.

In another case, the word NET, as part of the mark SAVIN NET, was found to be merely descriptive of a computer software system for processing parts and supply orders via a real-time online system and for computerized online ordering services. Therefore, the Board's decision sustaining a requirement for a disclaimer of NET on the ground of mere descriptiveness was affirmed.<sup>11</sup>

The Board had found that the term NET, when applied to applicant's goods and services, signified "Network" and described without conjecture or speculation the online feature of the goods and services. The word NET conveyed the idea that the goods and services were net- or network-based and that they were connected to, or accessible by, a computer network, irrespective of whether the network was global or was a private network. SAVIN NET did not result in a meaning independent of the constituent elements or project a single or distinct commercial impression. The Board also rejected the argument that SAVIN NET was a unitary mark, which made a disclaimer inappropriate.

The Federal Circuit accepts factual findings of the Board if they are supported by substantial evidence. The determination of whether a mark is descriptive or suggestive is a question of fact. A mark is merely descriptive when it immediately conveys knowledge of ingredients, qualities, or characteristics of the goods, but is suggestive when imagination, thought or perception is required to reach a conclusion on the nature of the goods. A term may move between being descriptive and suggestive depending on its use, the context and other factors affecting the purchasing public's perception of the term.

Substantial evidence supported the Board's determination that NET was descriptive. The record included dictionary references and definitions that defined "net" as a network, specifically a network of computers connected to each other, and which also defined "online" as "connected to a computer network" or "accessible via a computer or computer network." Prospective customers would immediately understand that the goods and services related to a system of interconnected computers. Other meanings of the word "net" were irrelevant. NET was descriptive and should be disclaimed.<sup>12</sup>

SAVIN NET was not a unitary mark. In a unitary mark, the elements are inseparable, creating a single and distinct commercial impression, and the mark has a meaning of its own

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11. *In re Savin Corp.*, 67 U.S.P.Q.2d 1377 (Fed. Cir. 2003) (unpublished).

12. 15 U.S.C. § 1057(a).

independent of the meaning of the constituent elements. A unitary mark has no unregistrable components, but instead is an inseparable whole. Customers would view the mark SAVIN NET as connoting a network for dealers and retailers of SAVIN office machinery and equipment. SAVIN and NET were not indivisible elements of the mark. The requirement of the entry of a disclaimer of NET was affirmed.

### 3. Geographical Deceptive Misdescriptiveness

#### *a. TTAB Decision Denying Registration Vacated and Remanded*

The Federal Circuit vacated a decision by the Board sustaining the refusal of an application to register LE MARAIS for restaurant services because the Board used an outdated standard for evaluating the mark under 15 U.S.C. § 1052(e)(3).<sup>13</sup> The services were restaurant services provided by a restaurant in New York that served French kosher cuisine. The Board concluded that the mark was primarily geographically deceptively misdescriptive because the primary significance of LE MARAIS, as least to an appreciable segment of applicant's patrons, would be the name of the Jewish quarter in Paris.

A determination by the Board that a mark is primarily geographically deceptively misdescriptive is a factual finding.<sup>14</sup> A factual finding is upheld unless unsupported by substantial evidence.<sup>15</sup> The Federal Circuit had concluded in a recent case that the test of geographical deceptive misdescriptiveness in the past had overlooked the fact that the registration of a mark was prohibited by Section 2(e)(3) of the Act only when it deceived the public with a geographical misdescription.<sup>16</sup> The North American Free Trade Agreement<sup>17</sup> placed the emphasis on the statutory requirement to show deception by imposing the same restrictions on marks refused under Section 2(e)(3) that were applied to other deceptive marks, *i.e.*, that a mark refused registration under Section 2(e)(3) of the statute is not eligible for registration on the basis of a showing of acquired distinctiveness.

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

14. *In re Compagnie Generale Maritime*, 993 F.2d 841, 26 U.S.P.Q.2d 1652 (Fed. Cir. 1993).

15. *Recot, Inc. v. M.C. Becton*, 214 F.3d 1322, 54 U.S.P.Q.2d 1894 (Fed. Cir. 2000).

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

17. December 17, 1992 art. 1712, I.L.M. 605, 698, implemented by Nafta Implementation Act, Pub. L. No. 103-182, 107 Stat. 2057 (1993).

To ensure that the deceptiveness of the mark of an application has been shown, the USPTO may not deny registration without a showing that the goods-place association made by the customer is material to the decision to purchase the goods or services. Under Section 2(e)(3), a mark is primarily geographically deceptively misdescriptive if (1) the primary significance of the mark is a generally-known geographical location, (2) the consuming public is likely to believe the place identified by the mark indicates the origin of the goods or services bearing the mark when they do not in fact come from that place, and (3) the misrepresentation is the material factor in the consumer's decision to purchase the goods or services. The analysis under Section 2(e)(3) applies to service marks as well as to trademarks. Application of the second part of the test, the services-place association, required some consideration. A customer typically receives services, particularly from restaurants, at the location of the business. The customer is well aware of the geographic location of the service. This necessarily implies that the customer is less likely to associate the service with the geographic location invoked by the mark rather than the geographic location of the service. The customer was less likely to identify the restaurant services with the region of Paris when sitting in a restaurant in New York.

The case law permits an inference that the consumer associates the product with a geographic location in the mark because that place is known for producing the product. However, a mere showing that the geographic location named in the mark is known for the service is not sufficient. The second part of the test requires some additional reason for the consumer to associate the service with the geographic location invoked by the mark. Thus, a services-place association in a case dealing with restaurant services requires a showing that the patrons of the restaurant are likely to believe that the restaurant services have their origin in the location indicated by the mark. The USPTO must show that the patrons were likely to be misled to make some meaningful connection between the restaurant (the service) and the relevant place. The Federal Circuit recognized that the standard for refusing an application under Section 2(e)(3) is more difficult to satisfy for service marks than for trademarks. Geographical marks used for services are less likely to mislead the public than are geographical marks used on goods.

Beyond the services-place association, the misleading association must be a material factor in the customer's decision to patronize the provider of the service. This materiality requirement provides some measure for the statutory requirement of deception. For goods, the USPTO may raise an inference in favor of materiality with evidence that the place is famous as a source of the goods. To raise an inference of deception of materiality for a

service mark, the USPTO must show some heightened association between the services and the relevant geographical denotation. An inference of materiality arises in the event of a very strong services-place association. Without a particularly strong services-place association, an inference would not arise, which would leave the USPTO to seek direct evidence of materiality.

The Board's decision did not show that a services-place association existed or the materiality of that association to a patron's decision to patronize the restaurant. At best, the evidence showed that the restaurant conjured up memories or images of the Le Marais quarter of Paris. This scant association fell far short of showing a material services-place association. The Federal Circuit vacated the Board's decision and remanded the case for application of the appropriate standard.

The Federal Circuit, by this decision, has set a very rigorous standard of proof for the examining attorney to satisfy to permit the Board to sustain a refusal of registration of a service mark on the ground that it is geographically deceptively misdescriptive. If a service mark is in use when the application is examined, the examining attorney may be able to obtain the kind of evidence demanded by the Federal Circuit by using Rule 2.61<sup>18</sup> to obtain promotional and information literature on the basis of which an argument could be made that the applicant, itself, is promoting a close association between the services it provides and the known name of a place from which those services do not come. However, when a service mark application is filed and prosecuted under the intent-to-use provisions of the Act,<sup>19</sup> there may be no evidence available until such time as an amendment to allege use or a statement of use is filed with specimens of use, at which time the examiner would have to demand information or material under Rule 2.61 to determine whether the mark should be refused as being geographically deceptively misdescriptive. Other sources of information available to examining attorneys include Internet websites and extracts of news reports in the LEXISNEXIS database, all of which are available for examining attorneys to use while determining the registrability of marks. An application filed under Section 1(b) of the Act<sup>20</sup> may, in fact, seek the registration of a mark already in use, which may have begun after the application was filed. However, if there is no use and no literature and no news report, it is difficult to imagine where an examining attorney would find information sufficient to refuse an application under the criteria established in this case.

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18. 37 C.F.R. § 2.61.

19. 15 U.S.C. § 1051(b).

20. *Id.*

#### 4. Scandalous Matter

##### *a. Matter Found to Be Scandalous*

Agreeing with the Board that the matter proposed for registration was vulgar and offensive, the Federal Circuit affirmed the refusal of a registration application under Section 2(a) of the Trademark Act<sup>21</sup> that, among other grounds, provides for the refusal of registration if a proposed mark is scandalous.<sup>22</sup> The mark was used for adult-oriented conversations by telephone. The Board held that the examining attorney had correctly determined that the term was offensive to a substantial composite of the general public and that it was therefore precluded from registration under Section 2(a) of the statute on the evidence presented by the examining attorney and because of the insufficiency of the evidence presented by the applicant.

To justify refusing to register a trademark under the first clause of Section 2(a), the USPTO must show that the mark consists of or comprises immoral, deceptive or scandalous matter.<sup>23</sup> A showing that a mark is vulgar is sufficient to establish that it consists of or comprises immoral or scandalous matter within the meaning of the statute.<sup>24</sup> The USPTO must consider the mark in the context of the marketplace as applied to the goods described in the application. The consideration of whether a mark consists of or comprises scandalous matter must be determined from the standpoint of a substantial composite of the general public, although not necessarily a majority, in the light of contemporary attitudes. The Federal Circuit reviewed the Board's findings for substantial evidence.<sup>25</sup> The personal opinion of the examining attorney cannot be the basis for a determination that a mark is scandalous, but dictionary definitions represent an effort to distill the collective understanding of the community and constitute more than a reflection of the individual views of either the examining attorney or the dictionary editors.

In *Mavety*,<sup>26</sup> the Federal Circuit reversed a refusal to register a mark under Section 2(a) where the USPTO relied solely on dictionary definitions because the evidence in that case showed the mark at issue had multiple meanings, including a non-vulgar meaning. The dictionary evidence offered in *Mavety* was insufficient to support the finding that the mark was unregistrable

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21. 15 U.S.C. § 1052(a).

22. *In re Boulevard Entertainment Inc.*, 67 U.S.P.Q.2d 1475 (Fed. Cir. 2003).

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

24. *In re McGinley*, 660 F.2d 481, 211 U.S.P.Q. 668 (C.C.P.A. 1981).

25. *In re Save Venice N.Y., Inc.*, 259 F.3d 1346, 59 U.S.P.Q.2d 1778 (Fed. Cir. 2001).

26. *Mavety*, 33 F.3d at 1367, 31 U.S.P.Q.2d at 1923.

on the ground of vulgarity. In this case, the Federal Circuit held that, in a case where the evidence showed that the mark has only one pertinent meaning, dictionary evidence alone could be sufficient to satisfy the USPTO's burden. Although there was another definition of the word, it was clear that the mark used by applicant in connection with its services referred only to a sexual connotation. In this case, in which multiple dictionaries, including at least one standard dictionary, uniformly indicated that the word was vulgar, and in which the applicant's use of the word was clearly limited to its vulgar meaning, the Federal Circuit held that the USPTO had sustained its burden of showing that the mark comprised or consisted of scandalous matter by reference to dictionary definitions alone.

In order to mount a convincing challenge to a dictionary on the ground that it is outdated and therefore does not reflect current community standards, the opponent of the evidence (the applicant for registration) should be expected either to present another authoritative dictionary from a later date that takes a different view of the meaning or acceptability of the word in question, or to make a persuasive argument showing through other evidence that the dictionary characterization of the term no longer accurately reflects commonly-held views. Declarations from academics and business persons that consisted mainly of the personal opinions of the declarants about the offensiveness of the term in issue did not provide strong factual support for the applicant's assertion that a substantial composite of the general public did not consider the term to be scandalous.

Applicant's objection that the examining attorney discussed only a minority of the 85 references she found in her search of the LEXISNEXIS database was not persuasive. The Federal Circuit found that, to the extent that it was an error for the examining attorney not to provide a more thorough account of the search, any error was harmless. First, the examining attorney conducted the search in response to applicant's submission of evidence from the same database and used the results of the search to put the applicant's evidence into perspective rather than to rely on it as a principle ground for her decision. The Board did not rely on the examining attorney's conclusion that the limited number of references to the term that she encountered indicated that it was unacceptable. The Board found that no such conclusion could be drawn without substantially more evidence. The examining attorney's description of her search was sufficient to enable applicant to replicate it, and if the database for the search contained any relevant evidence other than what the examining attorney reported, applicant's attorneys were free to raise it. Even if the evidence from the LEXISNEXIS database was disregarded altogether, the dictionary evidence alone would be sufficient to

satisfy the burden of showing that the mark was scandalous to a substantial composite of the general public.

Applicant contended that the invocation of Section 2(a) to refuse the registration of the mark on the ground of vulgarity violated the Fifth Amendment. The Federal Circuit reiterated its previous finding that a refusal to register a mark does not proscribe any conduct or suppress any form of expression because it does not affect the applicant's right to use the mark in question, and it rejected the First Amendment challenge. Marks that projected double entendres were distinguishable from the mark at issue in this case. Furthermore, the USPTO must decide each application on its own merits and decisions regarding other registrations do not bind either the USPTO or the courts. Previous decisions would not give the applicant an equal protection right to have its mark registered unless the USPTO had acted pursuant to some impermissible or arbitrary standard. The fact that, whether because of error or otherwise, some marks had been registered even though they may have been in violation of the statutory standard did not mean that the USPTO must forego applying that standard in all other cases.

## 5. Mark Not Distinctive

### *a. Configuration of Container*

An application sought to register a cap of a container as a trademark for adhesives and bonding agents. The cap had a pointed crown from which four flat wings extended. The refusal of the application was affirmed.<sup>27</sup>

The examining attorney referred to eleven United States design patents showing drawings of various adhesive container caps, of which all had a crown and some had four or six evenly-spaced wings around the crown. The Board affirmed the refusal of registration on a finding that the design patents were probative of the fact that consumers were not likely to find the claimed feature to be unique, original or peculiar in appearance and that the ownership of several of the design patents by applicant's competitors showed that the configuration did not serve as an identification of source for consumers. The Federal Circuit reviewed the Board's legal conclusions *de novo* and the factual findings for substantial evidence. Substantial evidence is more than a mere scintilla and is such relevant evidence as a reasonable mind would accept as adequate to support a conclusion.<sup>28</sup> Inherent distinctiveness of an asserted mark is a factual determination by

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27. *In re Pacer Technology*, 338 F.3d 1348, 67 U.S.P.Q.2d 1629 (Fed. Cir. 2003).

28. *Consol. Edison v. NLRB*, 305 U.S. 197 (1938).



the Board.<sup>29</sup> The examining attorney has the burden to establish a *prima facie* case that a mark is not inherently distinctive.<sup>30</sup> Once the examining attorney established a sufficient *prima facie* case, the burden shifted to the applicant to present evidence to rebut the *prima facie* case. The sole issue presented on appeal was whether the design patents constituted substantial evidence to support the Board's finding of no inherent distinctiveness.

The question of inherent distinctiveness depended on whether the public in the relevant market would view the adhesive container cap as an identification of source. A mark is inherently distinctive if its intrinsic nature serves to identify a particular source.<sup>31</sup> Trade dress is inherently distinctive if it is of such a design that a buyer will immediately rely on it to differentiate the product from those of competing manufacturers.<sup>32</sup> The court considers whether a configuration is a common basic shape or design, whether it is unique or unusual in a particular field, whether it is a refinement of a commonly adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods, or whether it is capable of creating a commercial impression distinct from the accompanying words.<sup>33</sup> The USPTO's position was that the design patents were sufficient evidence from which one could conclude the design was not unique or unusual in the relevant field and therefore not inherently distinctive. The Federal Circuit agreed that the USPTO need not show that the patented designs were actually used in the relevant marketplace. The USPTO was required only to establish a reasonable predicate for its conclusion. The Federal Circuit's standard of review was to look only for substantial evidence, or more than a scintilla of evidence, in support of the USPTO's *prima facie* case. The design patents were probative of the fact that consumers would not find applicant's adhesive container cap design to be unique or unusual. The Federal Circuit is mindful of the reality that the USPTO is an agency of limited resources. The practicalities of the limited resources available to the USPTO are routinely taken into account in reviewing its administrative actions. The USPTO cannot be expected to undertake the burden of conducting market research.

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29. *Hoover Co. v. Royal Appliance Mfg. Co.*, 238 F.3d 1357, 57 U.S.P.Q.2d 1720 (Fed. Cir. 2001).

30. *In re Gyulay*, 820 F.2d 1216, 3 U.S.P.Q.2d 1009 (Fed. Cir. 1987).

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

32. *Tone Bros., Inc. v. Sysco Corp.*, 28 F.3d 1192, 31 U.S.P.Q.2d 1321 (Fed. Cir. 1994).

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

The *prima facie* case was established with substantial evidence in the form of the design patents.

The applicant had the burden of rebutting the *prima facie* case with competent evidence, for example, a showing that the container caps shown in the design patents were not actually being sold in the relevant market. Because the applicant could more easily access and compile information requiring market research, it was appropriate, once the USPTO made out its *prima facie* case, to place the burden on the applicant to come forward with relevant evidence of distinctiveness to overcome the USPTO's refusal. Alternatively, applicant could have provided evidence showing that, even if one accepted the design patents as evidence of use in the relevant market, the relevant public nevertheless viewed applicant's container cap as unique or unusual. Applicant's rebuttal consisted of five affidavits from individuals in the business of marketing and applying artificial nail products to customers. The five affidavits were nearly identical and merely stated that, upon seeing the applicant's adhesive container cap, each affiant identified the source of the product to be applicant. The affidavits, conclusorily worded, failed to explain what it was about applicant's adhesive container cap that was unique or unusual or distinct from those of its competitors. The affidavits were not the kind of competent evidence that would carry applicant's burden of rebutting the USPTO's *prima facie* case. Moreover, the affidavits, all signed by individuals in the artificial nail business, at most purported to represent only part of the relevant market, which was much broader because the cap was part of a container holding adhesives and bonding agents generally and not only those for artificial nails.

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

### **1. Likelihood of Confusion**

#### ***a. Likelihood of Confusion Not Found***

The trademark AK AMERICAN KHAKIS & Star Design for men's and women's pants, jeans, shorts and shirts was found not likely to cause confusion with AK & Circle Design for a line of clothing and athletic clothing, and with AK & Oval Design for a line of athletic clothing.<sup>34</sup> The Board acknowledged that its determination under Section 2(d) of the Trademark Act<sup>35</sup> is based on an analysis of all the facts in evidence that are relevant to the

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34. *In re TSI Brands, Inc.*, 67 U.S.P.Q.2d 1657 (T.T.A.B. 2002).

35. 15 U.S.C. § 1052(d).

issue of likelihood of confusion.<sup>36</sup> Two key considerations are the similarity of the goods and the similarity of the marks.<sup>37</sup>

The Board held that the goods of the application were so closely related to the goods of the cited registrations that their marketing under the same or substantially similar marks would be likely to cause confusion. Goods need not be identical or even competitive to support a finding of likelihood of confusion. It is sufficient that the goods are related in some manner or that the circumstances surrounding their marketing are such that they would be likely to be encountered by the same persons under conditions that would give rise, because of the marks, to the mistaken belief that the goods of the applicant originate from or are in some way associated with the owner of the cited registration.<sup>38</sup> It is also established that the issue of likelihood of confusion must be determined on the basis of the goods as they are described in the application and the cited registrations.<sup>39</sup> When the goods in the application and in the cited registrations are broadly described, it is presumed that they encompass all goods of the nature and type described in the application and registrations and that the goods move in all channels of trade that would be normal for such goods and would be purchased by all potential buyers.<sup>40</sup> The examining attorney made of record copies of 30 use-based third-party registrations of marks that, in each instance, were registered for various items of sportswear and articles of athletic clothing. The evidence did not establish that the marks were in use or that the public was familiar with them, but had some probative value to suggest that the goods were of a kind that may emanate from a single source and may be sold through the same retail outlets.<sup>41</sup>

Even if the goods were actually sold through different avenues of distribution, as asserted by applicant, ordinary customers of applicant's goods and registrant's goods were the same and could be expected to cross-shop the various retail outlets that were normal for the goods. It is also common knowledge that athletic apparel is often purchased and worn as casual clothing or sportswear. The evidence of record, coupled with common experience, was sufficient to demonstrate that applicant's and

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36. *In re E. I. du Pont de Nemours & Co.*, 476 F.3d 1357, 177 U.S.P.Q. 563 (C.C.P.A. 1973).

37. *Federated Foods, Inc. v. Fort Howard Paper Co.*, 544 F.2d 1098, 102 U.S.P.Q. 24 (C.C.P.A. 1976).

38. *Monsanto Co. v. Enviro-Chem Corp.*, 199 U.S.P.Q. 590 (T.T.A.B. 1978).

39. *CBS Inc. v. Morrow*, 708 F.2d 1579, 218 U.S.P.Q. 198 (Fed. Cir. 1983).

40. *In re Elbaum*, 211 U.S.P.Q. 639 (T.T.A.B. 1981).

41. *In re Albert Trostel & Sons Co.*, 29 U.S.P.Q.2d 1783 (T.T.A.B. 1993).

registrant's goods were so closely related in a commercial sense that, if sold under the same or similar marks, confusion would be likely.

The examining attorney correctly argued that, apart from the disclaimed descriptive wording AMERICAN KHAKIS in applicant's mark, the mark of the application was virtually identical in sound, meaning and appearance to the marks of the cited registrations. Consequently the marks were very similar in overall commercial impression. The dominant portion of applicant's mark consisted of the same letters "AK" as the dominant part of registrant's two marks. The difference in typography did not alter the pronunciation of the marks, and the word portion was more dominant and more likely to be impressed upon a purchaser's memory and to be used in calling for the goods.<sup>42</sup> The examining attorney further argued that the significance of the different stylized forms of applicant's mark and registrant's two marks was diminished because purchasers do not normally have the opportunity for a side by side comparison of the marks and generally retain but a vague and overall recollection of marks of this type.<sup>43</sup> Accordingly, the examining attorney argued that potential consumers were highly unlikely to differentiate applicant's mark from registrant's marks, which were all highly similar in overall commercial impression.

Notwithstanding the examining attorney's cogent arguments, the Board conceded that it was a close question and felt constrained to agree with applicant that confusion was not likely on the record, noting that there was no evidence that the cited marks were famous, which fact is beyond the purview of an examining attorney to ascertain or prove. The Board rationalized its finding by accepting applicant's argument that the examining attorney simply had recited various mechanical rules of construction for comparing the marks. The Board concurred with the applicant that the generalizations were inappropriate because they failed to take account of the fact that visually the respective marks contained significant distinguishing design elements and the fact that a disclaimer does not remove disclaimed matter from a mark. The Board explained that it need not decide whether the letters "AK" formed the dominant part of applicant's AK AMERICAN KHAKIS & Design mark because the letters were visually prominent and also served as background for the display of the words AMERICAN KHAKIS, which were superimposed over the letters and were not subordinate matter. The Board agreed with applicant's contention that customers would recall and speak

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42. *Amoco Oil Co. v. Amerco, Inc.*, 192 U.S.P.Q. 729 (T.T.A.B. 1976).

43. *In re Instruteck Corporation*, 184 U.S.P.Q. 618 (T.T.A.B. 1974).

the words AMERICAN KHAKIS when looking for or asking about applicant's goods and that the letters AK would be seen and understood as standing for the words. The words AMERICAN KHAKIS, although disclaimed, were held to form a significant element of applicant's mark in terms of sound, appearance, meaning and overall commercial impression and could not be ignored. Registrant's marks, while likewise containing the letters AK, were held to be substantially different in sound, appearance, connotation and basic commercial impression. The circle and oval in registrant's marks had no corresponding elements in applicant's mark.

According to the Board, the appropriate analysis was that in a case<sup>44</sup> where the stylization of two marks, each containing the letters GP, resulted in a holding that the marks were essentially design marks rather than simply stylized displays of word marks. The Board found that each of the cited marks was so highly stylized that, at first sight, the mark projected the image of a distinctive design mark so that the "intricacies of the letters 'AK'" took on their significance only by reference to registrant's trade name<sup>45</sup> while applicant's letters AK were immediately recognizable as related to the descriptive words AMERICAN KHAKIS. Consequently, even when allowance was made for the fallibility of customers' memory of marks, applicant's and registrant's marks in their entireties were not so similar in sound, appearance, connotation or commercial impressions that confusion about origin or association was likely merely because the marks shared the letters "AK." Consequently, the refusal of registration was reversed.

This is perhaps one of the worst decisions on likelihood of confusion issued by the Board in recent memory. It brushed off well-established principles employed for decades in deciding the issue of likelihood of confusion by simply repeating applicant's assertion that the examining attorney had recited various mechanical rules of construction for comparing the marks. The Board's decision made a blatant misstatement of fact<sup>46</sup> that registrant's AK marks referred to its trade name, which was distinguished by the word Bernard, not by any word that began with the letter A. The Board took improper judicial notice that applicant's mark would be pronounced with the words AMERICAN KHAKIS when there was no evidence one way or the other recited in the opinion. The Board misstated another fact when it said that

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44. *Georgia-Pacific Corp. v. Great Paper Corp. of Pittsburgh*, 196 U.S.P.Q. 762 (T.T.A.B. 1977).

45. The cited registrations were issued to Bernard Athletic Knit & Enterprises Ltd.

46. *TSI Brands*, 67 U.S.P.Q.2d at 1663, n.12.

the intricacies of registrant's letter marks AK took on their significance only by reference to registrant's trade name. The letters AK were clearly and distinctly visible in registrant's two marks, unlike the GP monogram that was the mark of the application in the *Georgia-Pacific* case.<sup>47</sup> The Board also ignored the long-established rule that, when goods are closely related, a lesser similarity of marks is sufficient to find a likelihood of confusion.<sup>48</sup> Finally, the Board conceded that this was a close case, which meant that there must have been some doubt, but failed to follow the legal principle that, in a case of likelihood of confusion, doubt is resolved in favor of the prior registrant. This case is a paradigmatic example of how the issue of likelihood of confusion ought not to be decided.

### ***b. Likelihood of Confusion Found***

The use of OFFICE.NET for a wide range of computer software and hardware products was found likely to cause confusion with OFFICE NET for various items of computer hardware and software.<sup>49</sup>

The Board found that the goods of the application were in part identical and in part closely-related to the goods of the cited registration and was not persuaded by applicant's argument that consumers would visually perceive OFFICE.NET as a combination of two asserted marks of applicant, OFFICE and .NET. The argument presumed that each of the terms would individually be recognized as a Microsoft mark without any explanation why the average customer would conclude that OFFICE.NET was a combination of the other two marks. There was no claim that either OFFICE or .NET was registered and there was nothing in the record to indicate that Microsoft had sold a .NET product. To the extent that applicant's argument reflected anticipated use of OFFICE.NET with its house mark, it was well-settled that use of a house mark in conjunction with a product mark will not serve to prevent a finding of likelihood of confusion when the house mark is not included in the mark of the application. When neither the mark of an application nor a cited registered mark includes a house mark, the determination of likelihood of confusion must be based on the specific marks at issue.<sup>50</sup>

Applicant asserted that its family of OFFICE suites of business software applications were among the best selling

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47. *Georgia-Pacific Corp.*, 196 U.S.P.Q. at 762.

48. *Century 21 Real Estate Corp. v. Century Life of America*, 970 F.2d 874, 23 U.S.P.Q.2d 1698 (Fed. Cir. 1992).

49. *In re Microsoft Corp.*, 67 U.S.P.Q.2d 1195 (T.T.A.B. 2003).

50. *Interstate Brands Corp. v. McKee Foods Corp.*, 53 U.S.P.Q.2d 1910 (T.T.A.B. 2000).

software packages in the country. On the record, applicant had not shown the extent to which customers would recognize OFFICE, without contemporaneous use of the MICROSOFT house mark, as a well-known mark. Those who claim fame for product marks that are used in tandem with famous house marks can be put to the test to assure their entitlement to the benefits of fame for the product marks.<sup>51</sup> Furthermore, on the record, the Board could not assume that customers would perceive .NET as a Microsoft mark. Without any limitation of the goods in the application, the Board considered that the identified products would include those sold at a full range of prices to a wide range of prospective customers in all usual channels of trade for computer products. The evaluation of similarity of the goods mandates consideration of the goods or services as described in an application or registration.<sup>52</sup> Therefore, the Board's analysis of the similarities of OFFICE.NET and OFFICE NET focused on the average customer of a computer hardware or software product, not an information technology professional. The marks would be perceived as virtually identical in appearance. The examining attorney was correct in observing that it was impossible to control how consumers would pronounce the marks, which were likely to be pronounced in exactly the same manner by many customers. There was a likelihood of confusion for an average customer of computer software attempting to order registrant's products by phone or asking for them by name in a retail outlet. The visually identical look and sound of the marks dictated a finding that the marks were similar for likelihood of confusion purposes even assuming that applicant was correct that they had different meanings or connotations. The Board therefore affirmed the refusal of registration based on Section 2(d) of the Trademark Act.<sup>53</sup>

## 2. Mere Descriptiveness

### *a. Mark Found to Be Descriptive*

OFFICE.NET was found to be merely descriptive of computer software and hardware products.<sup>54</sup> The question whether a term is merely descriptive is determined in relation to the goods or services in the application. A proposed mark is considered to be merely descriptive within the meaning of Section 2(e)(1) of the

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51. *Bose Corp. v. QSC Audio Products Inc.*, 293 F.3d 1367, 63 U.S.P.Q.2d 1303 (Fed. Cir. 2002).

52. *In re Dixie Restaurant*, 105 F.3d 1405, 41 U.S.P.Q.2d 1531 (Fed. Cir. 1997).

53. 15 U.S.C. § 1052(d).

54. *In re Microsoft Corp.*, 67 U.S.P.Q.2d 1195 (T.T.A.B. 2003).

Trademark Act<sup>55</sup> if it immediately describes an ingredient, quality, characteristic, or feature of the goods or services or if it immediately conveys information regarding the nature, function, purpose, or use of the goods or services.<sup>56</sup> It is sufficient if a term describes one significant attribute or idea about the goods or services. To be merely descriptive it is not necessary that a term describe all of the properties or functions. A registration may be refused if the mark is merely descriptive of any of the goods or services in the application.<sup>57</sup>

The examining attorney bears the burden of establishing a *prime facie* case to support a descriptiveness refusal. There is no requirement to prove that the public would actually view a proposed mark as descriptive, but the examining attorney must establish a reasonable predicate for the refusal based on substantial grounds.<sup>58</sup>

The record showed that the word “office” is utilized in the computer software field as the descriptive term for certain types of software. .NET is a TLD. A TLD does not add source identifying significance when combined with another term. The Board found that .net or .NET designated a TLD. Web addresses do not depend on whether they are upper case or lower case letters.<sup>59</sup> The Board concluded, based on the record, that “office” is a word used by dictionaries and by applicant’s competitors to describe particular types of software. Applicant’s assertion that OFFICE is primarily associated with its OFFICE suite of software was necessarily arguing that the term had acquired distinctiveness for applicant’s products, but there was nothing in the record to support that conclusion.

Mere selection of a designation as a future brand name does not automatically result in the creation of trademark rights. There was no foundation for applicant’s claim that OFFICE.NET would be viewed as a mark by the average customer. The Board found that the average prospective purchaser would perceive the designation as describing “office”-type software. Nothing in the combination of a descriptive term and a TLD rendered the composite registrable on the Principal Register without a showing of acquired distinctiveness. The Board’s determination of whether the mark should be refused registration under Section 2(e)(1) of the Act was based on its consideration of the whole mark, not its

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55. 15 U.S.C. § 1052(e)(1).

56. *In re Gyulay*, 820 F.2d 1216, 3 U.S.P.Q.2d 1009 (Fed. Cir. 1987); *In re Abcor Development Corp.*, 588 F.2d 811, 200 U.S.P.Q. 215 (C.C.P.A. 1978).

57. *In re Quik-Print Copy Shop, Inc.*, 616 F.2d 523, 205 U.S.P.Q. 505 (C.C.P.A. 1980).

58. *In re Pacer Technology*, 67 U.S.P.Q.2d 1629 (Fed. Cir. 2003).

59. *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 50 U.S.P.Q.2d 1545 (9th Cir. 1999).



parts. The combination of OFFICE and .NET did not create any double entendre, incongruity, or any other basis upon which the Board could find the composite any more registrable than its separate elements.

In another case, ETHNIC ACCENTS was found to be merely descriptive of entertainment in the nature of television programs in the field of home décor.<sup>60</sup>

The Board reasoned that the mark was merely descriptive of the services because the applicant's television programs featured information, in part, on ethnic accents. In support, the examining attorney supplied excerpts from published articles from the LEXISNEXIS database showing use of "ethnic accents" in connection with home furnishings and excerpts retrieved from electronic databases of published articles, including an article about applicant's business. The Board found that the evidence clearly established that the words ETHNIC ACCENTS were merely descriptive in connection with decorations for the home, which reflected or evoked particular ethnic traditions or themes. The fact that one of the articles was about applicant did not negate the fact that the words were used in a descriptive sense, rather than as a service mark indicating the origin of service.

ETHNIC ACCENTS was merely descriptive in connection with entertainment services because it indicated that ethnic accents were significant features or the subject matter of the television programs. It was found unlikely that viewers or potential viewers of applicant's programs would discern a double entendre in the word "accents." To have a double entendre, both meanings must be readily apparent, but the meaning suggested by applicant was not apparent upon seeing the mark in connection with the services.

The fact that applicant could take the dictionary definitions of the individual words in the mark and come up with a meaning that made no sense in connection with the services of the application did not mandate a different conclusion. ETHNIC ACCENTS was merely descriptive because it identified a significant feature or characteristic of the services. "Ethnic accents" described both furnishings and décor and television programs related to those things.

GASBUYER was found to be merely descriptive of online risk management services in the field of pricing and purchasing decisions for natural gas.<sup>61</sup> The registration application was refused by the examining attorney under Section 2(e)(1) of the Trademark Act<sup>62</sup> because GASBUYER described the intended user

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60. *In re Ethnic Home Lifestyles Corp.*, 70 U.S.P.Q.2d 1156 (T.T.A.B. 2003).

61. *In re Planalytics Inc.*, 70 U.S.P.Q.2d 1453 (2004).

62. 15 U.S.C. § 1052(e)(1).

of the services. A mark can be descriptive if it describes the intended users of the goods or services.<sup>63</sup>

The examining attorney made of record numerous printouts from the Internet and from the LEXISNEXIS database showing that “gas buyer” or “gas buyers” were terms applied to people who purchase natural gas supplies. The evidence also showed that the terms “gas buyer” or “gas buyers” were used in conjunction with “risk management.” The absence of a space between GAS and BUYER was not significant. Whether appearing as GAS BUYER or GASBUYER, it would be understood by the relevant purchasers to have the same meaning. Slight variations in spelling did not change a descriptive term into a nondescriptive term. A misspelling consisting of a deletion of a space between words does not make the combined word nondescriptive.<sup>64</sup> The presence of a term in a dictionary is not a condition precedent for a finding that the term is merely descriptive.<sup>65</sup>

Applicant’s description of services made it clear that they were directed to people in the field of making purchasing decisions for natural gas. The evidence supported the conclusion that the people would be referred to as gas buyers. Applicant’s mark did not describe every feature or characteristic of its services, but there was no requirement that a mark must do this before it can be found to be merely descriptive.<sup>66</sup> Applicant’s mark described the feature or characteristic of its services to the extent that it immediately conveyed that its services were intended for individuals who purchased natural gas.

### ***b. Descriptiveness Not Found***

The Board overruled two prior decisions and held that ORLANDO MIRACLE & Design for publications and printed matter, namely basketball trading cards, magazines, etc., with a disclaimer of ORLANDO,<sup>67</sup> was not merely descriptive under Section 2(e)(1).<sup>68</sup>

ORLANDO MIRACLE was the name of applicant’s Women’s National Basketball Association franchise in Orlando, Florida. The examining attorney required applicant to disclaim ORLANDO MIRACLE apart from the mark as a whole on the ground that the

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63. *Shaw-Barton, Inc. v. John Baumgarth Co.*, 313 F.2d 167, 136 U.S.P.Q. 116 (7th Cir. 1963), *cert. denied*, 374 U.S. 831 (1963); *In re Hunter Publishing Co.*, 204 U.S.P.Q. 957 (T.T.A.B. 1979).

64. *In re Gould Paper Corp.*, 834 F.2d 1017, 5 U.S.P.Q.2d 1017 (Fed. Cir. 1987).

65. *In re Abcor Dev. Corp.*, 588 F.2d 811, 200 U.S.P.Q. 215 (C.C.P.A. 1978).

66. *In re Gyulay*, 820 F.2d 1216, 3 U.S.P.Q.2d 1009 (Fed. Cir. 1987).

67. 15 U.S.C. § 1052(e)(1).

68. *In re WNBA Enterprises LLC*, 70 U.S.P.Q.2d 1153 (T.T.A.B. 2003).

words were merely descriptive of the subject matter of the publications. The two precedents on which she relied, and on which the Board overruled in this case, were *In re San Diego National League Baseball, Inc.*<sup>69</sup> and *In re Wielinski*.<sup>70</sup> Those decisions had been predicated on the interpretation of Section 2(e)(1) of the Trademark Act as requiring refusal on the ground of descriptiveness if a mark names the subject matter of a publication.

Applicant made of record almost 50 registrations of marks for publications that consisted of, or incorporated, marks that were registered by the same registrants for their primary goods or services. The 50 registrations did not include disclaimers of the primary terms nor were they registered under Section 2(f) of the Act.<sup>71</sup> The Board concluded that the prior decisions had to be reconsidered. ORLANDO MIRACLE was applicant's trademark and service mark and identified the source of the goods and services of applicant. The primary use of the mark was to identify applicant's entertainment service, which was the presentation of women's basketball games. In the same manner that ORLANDO MIRACLE is an inherently distinctive service mark when used for applicant's entertainment services, it was an inherently distinctive trademark for applicant's publications. ORLANDO MIRACLE is not merely descriptive of applicant's publication because it does not name the subject matter of them. The subject matter of applicant's publications was characterized as news about applicant's entertainment services. ORLANDO MIRACLE is the mark by which applicant identifies the source of its publications in the same manner that it is the mark under which applicant renders its services. It is not the name of applicant's goods or services nor is it a term that merely describes them. *In re San Diego National League Basketball, Inc.* and *In re Wielinski* were expressly overruled to the extent that those decisions affirmed refusals of the registration of marks for publications on the ground of mere descriptiveness. Therefore, the requirement of the disclaimer of the combined term ORLANDO MIRACLE was reversed, but the disclaimer of the geographically descriptive word ORLANDO remained of record.

This was an eminently sensible decision that correctly recognized that a distinctive mark identifying an applicant's goods or services does not turn into a descriptive term simply because it is used for a magazine or other publications that promote and discuss applicant's goods and services.

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69. 224 U.S.P.Q. 1067 (T.T.A.B. 1983).

70. 49 U.S.P.Q.2d 1754 (T.T.A.B. 1998).

71. 15 U.S.C. § 1052(f).

### 3. Genericness

#### *a. Genericness Found*

CELL THERAPEUTICS, INC. was denied registration on the Supplemental Register on the ground that “cell therapeutics” is a generic term for pharmaceutical preparations, namely biochemical signaling pathway modulators of a nonliving nature and for laboratory research and development services in the field of biomedical and therapeutic project products that affect cellular signaling pathways.<sup>72</sup> The element “INC.” is recognized as having no source identifying or distinguishing capability. Therefore, the issue was whether CELL THERAPEUTICS was a generic phrase for applicant’s goods and services. The Board could not simply cite dictionary definitions and generic uses of the constituent terms of the mark, but had to inquire into the meaning of the disputed phrase as a whole in order to hold that a mark or a phrase within a mark is generic.<sup>73</sup>

The examining attorney made of record evidence showing that “cell therapeutics” is a generic phrase for applicant’s pharmaceutical preparations for use in all fields of medicine, medical research and pharmacology and for applicant’s laboratory research and development services in the field of therapeutic products that affect cellular pathways. Therefore, the examining attorney had established that the phrase is generic as applied to applicant’s goods and services. The evidence included a plethora of articles from the NEXIS database plus other articles from the Internet showing that the phrase “cell therapeutics” in its entirety is routinely used to name medical products and services designed to combat diseases of the cells.

Applicant argued that the excerpted articles largely comprised use of the words “cell therapeutics” as broad references to a general field of study or research but did not refer directly and unambiguously to applicant’s underlying research and development services. In essence, applicant argued that none of the numerous stories explicitly referred to applicant’s description of goods and services. Applicant was technically correct, but the Board rejected the argument because, if it were to adopt applicant’s test, then no word or term would be found to be generic provided that an applicant submitted a highly detailed description of its goods and services.

Applicant noted that a substantial number of the stories from the LEXISNEXIS database were from wire services and that, in the past, the Board had stated that such wire service news stories

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72. *In re Cell Therapeutics Inc.*, 67 U.S.P.Q.2d 1795 (T.T.A.B. 2003).

73. *In re American Fertility Society*, 188 F.3d 1341, 51 U.S.P.Q.2d 1832 (Fed. Cir. 1999).

were of limited probative value, citing *In re Professional Tennis Council*<sup>74</sup> and *In re Apetito Provisions Co.*<sup>75</sup> The Board remarked that both cases could be distinguished from the current application. In *Professional Tennis Council*, there was no evidence that the news releases appeared in any newspaper or magazine circulated in the United States. In the present appeal, the vast majority of the news releases came from United States sources.

In *Apetito Provisions*, the difficulty was that the stories from news services were not presumed to have been circulated among the general public, and therefore their probative value concerning attitudes among purchasers was limited. In *Apetito*, the goods and services were directed to the general public, who did not, as a group, have access to news wire stories. In the present appeal, the relevant public are highly sophisticated medical doctors and researchers who have access to news wire stories. In determining whether a word or a phrase is generic, the Board is required to determine whether the word or phrase is generic to the purchasing public.<sup>76</sup>

Taking a broader view, the Board said that *Professional Tennis Council* and *Apetito* were decided more than fifteen years ago and the Board would be blind if it did not recognize that during the past fifteen years there has been a dramatic change in the way Americans receive their news. It is not uncommon now for even ordinary consumers to receive news electronically through personal computers. It is much more likely that news wire stories will reach the public because they can be picked up and broadcast on the Internet. The Board held that the situation has changed such that news wire stories have decidedly more probative value than they did when the Board decided the *Professional Tennis Council* and *Apetito* cases.

Third-party registrations did not assist applicant. Many of them were for goods totally removed from applicant's goods and services. Furthermore, as a matter of law, even if some prior registrations had some characteristics similar to applicant's application, the USPTO's allowance of those prior registrations did not bind the Board, which must assess each mark on the record of public perceptions submitted with the application.<sup>77</sup>

This decision took proper account of changes in the way in which information is disseminated in the United States and gave appropriate weight to the evidence of genericness that had been made of record by the examining attorney.

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74. 1 U.S.P.Q.2d 1917 (T.T.A.B. 1986).

75. 3 U.S.P.Q.2d 1553 (T.T.A.B. 1987).

76. *Magic Wand, Inc. v. RDB, Inc.*, 940 F.2d 638, 19 U.S.P.Q.2d 1551 (Fed. Cir. 1991).

77. *In re Nett Designs, Inc.*, 236 F.3d 1339, 57 U.S.P.Q.2d 1564 (Fed. Cir. 2001).

#### 4. False Suggestion of a Connection

##### *a. Suggestion Was Not False*

An application to register the mark TO PROTECT AND TO SERVE for beverage glasses and for clothing, headwear and footwear, based on use of the mark, was refused by the examining attorney on the grounds that applicant falsely suggested a connection with the Los Angeles Police Department and that applicant was not the owner of the mark under Section 1 of the Trademark Act.<sup>78</sup> The Board reversed on both grounds.<sup>79</sup> Applicant was the main funding source of the police department's athletic program. Applicant's membership represented more than ninety-five percent of the active and retired members of the police department. A relationship developed between Los Angeles and applicant to provide training and recreational facilities for members of the police department. The city of Los Angeles took over all of the police officer training and applicant permitted the city to use all of applicant's available buildings, for which the city took on the responsibility of maintenance and security. The city had a voice in applicant's operations.

"To Protect and to Serve" became the official motto of the police academy in 1955. Applicant identified itself as the historical, the social outlet and the fitness arm of the Los Angeles Police Department. Applicant was also known as the Los Angeles Police Academy. The police department telephone directory had listings for applicant in the Training Division section. The police department website directed people to applicant to purchase shoulder patches and other memorabilia.

The test for determining the correctness of a refusal to register based on Section 2(a) of the Act<sup>80</sup> has four elements. The mark or part of the mark must be shown to be the same as, or a close approximation of, a different person's previously used name or identity. The mark must point uniquely to that person. The person in question must not be connected with the goods or services of the applicant. The name or identity must be of sufficient fame that, when it is used as a part or all of the mark for applicant's goods or services, a connection with that person would be presumed.<sup>81</sup> There was no dispute that applicant's mark was the same as the police department's official slogan or that the slogan was well

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78. 15 U.S.C. § 1051.

79. *In re Los Angeles Police Revolver and Athletic Club Inc.*, 69 U.S.P.Q.2d 1630 (T.T.A.B. 2003).

80. 15 U.S.C. § 1052(a).

81. *Buffett v. Chi-Chi's, Inc.*, 226 U.S.P.Q. 428 (T.T.A.B. 1985); *In re Sloppy Joe's International, Inc.*, 43 U.S.P.Q.2d 1350 (T.T.A.B. 1997).

known and associated with the Los Angeles Police Department. The essential matter in dispute was whether there was a connection between applicant and the police department.

The website and other literature of the applicant and police department demonstrated that the two entities had had a mutual relationship for decades. The police department's own website supported applicant's argument that the connection had been publicly acknowledged and endorsed by both parties. Both parties appeared to have accepted the arrangement because applicant operated its shop in facilities shared with the police department and the police department referred inquiries regarding merchandise to the applicant. The evidence did not support a conclusion that applicant's mark falsely suggested a connection with the police department.

The mere fact that applicant was the distributor of goods was not necessarily fatal to its claim of ownership of the mark. Applicant was the source of the goods and the party that the examining attorney alleged was the owner of the mark, the police department, denied that it was the source of the goods but sent purchasers to applicant. The examining attorney should accept an applicant's statement regarding ownership of a mark unless it is clearly contradicted by information in the record.<sup>82</sup> The Board was reluctant to resolve this question adverse to applicant in an *ex parte* proceeding where applicant had presented a plausible explanation that it was the owner of the mark for which it sought registration.

The Board could not say that applicant was not the owner of the mark or that the mark as used on the goods falsely suggested a connection with the Los Angeles Police Department.

## 5. Surnames

### *a. Mark Was Primarily Merely a Surname*

ROGAN was refused registration for jewelry, handbags and wallets, and items of wearing apparel on the ground that ROGAN was primarily merely a surname and ineligible for registration on the Principal Register under Section 2(e)(4) of the Trademark Act<sup>83</sup> absent proof of acquired distinctiveness under Section 2(f)<sup>84</sup> of the Act.<sup>85</sup>

Preliminarily, the Board rejected the examining attorney's submission of photocopies of pages from what appeared to be

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82. TMEP § 1201.01 (2003).

83. 15 U.S.C. § 1052(e)(4).

84. 15 U.S.C. § 1052(f).

85. *In re Gregory*, 70 U.S.P.Q.2d 1792 (T.T.A.B. 2004).

dictionaries accompanied by an implicit request that the Board take judicial notice of the facts because neither the photocopied pages nor the examining attorney's brief specified the dictionaries from which the copies were made. It was impossible for applicant to learn the source of the materials. The examining attorney's contributions to the record included evidence that a search of a computerized database of telephone listings returned 1,087 residential listings of individuals with the surname Rogan throughout the United States; 15 NEXIS database excerpts, each of which referred to an individual with a surname Rogan; a printout of the first ten website links from a search of the Internet for webpages with the term Rogan; printouts of approximately twelve pages featuring information on individuals with the surname Rogan; and a genealogy webpage with links to messages posted by numerous individuals regarding the name Rogan in their family histories.

Applicant submitted a declaration attesting to the fact that Rogan was his first name, and that it was not the surname of anyone connected with the design, manufacturing or production of ROGAN products; a declaration by applicant's attorney to introduce searches from a website illustrating the geographic distribution of the surnames Rogan, Hackler, Kelly and Smith in the United States; a search showing various place names, such as Rogan in the Ukraine, Rogana in Tennessee, Rogans Hill in Australia and Roganville in Texas; two webpages featuring recipes for an Indian dish named "rogan josh;" and a webpage featuring a variation on rogan josh listed as "chicken rogan."

The examining attorney has the burden of establishing a *prima facie* case that a term is primarily merely a surname.<sup>86</sup> The question whether a word sought to be registered is primarily merely a surname within the meaning of the statute can be resolved only on a case-by-case basis taking into account a number of various factual considerations.

There are five accepted factors. Is the word a common or rarely used surname? Does anyone connected with the applicant have that surname? Does the word have a meaning other than as a surname? Does the word look and sound like a surname? Is the word presented in use in a stylized form distinctive enough to create a non-surname impression?<sup>87</sup> The fifth factor was not present in this case because ROGAN was presented in typed form.

Applicant argued that the existence of nearly 1,100 listings of Rogan in telephone directories was evidence that it was a rare surname because that was a very small percentage of the asserted

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86. *In re Etablissements Darty et Fils*, 759 F.2d 15, 225 U.S.P.Q. 652 (Fed. Cir. 1985).

87. *In re Benthin Management GmbH*, 37 U.S.P.Q.2d 1342 (T.T.A.B. 1995).



90 million listings in the database of telephone directories and because applicant's searches of a website showed that individuals with the Rogan surname were scattered in small numbers around the United States. Applicant further argued that the Board previously found Hackler to be a rare surname despite the presence of a greater number of listings in the Phonedisc database than were found in the examining attorney's search for Rogan. The HACKLER mark was the issue in *In re United Distillers Plc.*<sup>88</sup> The Board did not view the *United Distillers* decision as setting a benchmark stating that unless there were many more than 1,300 listings in a database of telephone listings a surname must be found to be rare. The decision in *United Distillers* did not rely solely on the database figures but also relied on the absence of any significant number of Hackler listings in telephone directories for certain major metropolitan areas. Similarly, in the *Benthin* appeal, the conclusion regarding the rarity of the surname was based not only on a low number of database listings, but also on the absolute absence of *Benthin* listings from the Boston, Manhattan and Philadelphia directories. Whether or not a surname is rare is not to be determined only by comparing the number of listings of the name with the number of listings in a vast computerized database. Another issue is the media attention or publicity accorded public personalities with the name. A surname appearing routinely in news reports and articles is broadly exposed to the general public. Rogan was the surname of the former Director of the USPTO and there was a Congressman Rogan from Utah. There were also other public personalities with the surname in the past and at the present time. Hence, Rogan was not a rare surname.

Although applicant asserted that Rogan was his first name and not the surname of any individual connected with applicant's products, applicant did not claim that he promoted recognition of ROGAN as a first name. Where an individual applicant or an officer or employee of a corporate applicant actually has the surname proposed as a mark, that would weigh against the applicant. By contrast, the fact that a proposed mark is not the applicant's surname or the surname of an officer or employee does not tend to establish either way whether the mark would be perceived as a surname. Applicant did not introduce any evidence tending to show how commonly Rogan was used as a first name. The apparent existence of places with Rogan as the name or part of the name was not evidence of whether ROGAN would have a non-surname meaning. Little weight was accorded to the name of the Indian food "rogan josh." The clearly dominant meaning of

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88. 56 U.S.P.Q.2d 1220 (T.T.A.B. 2000).

ROGAN was as a surname and it would have only an obscure association with minor localities or Indian food.

When a term does not have the look and sound of a surname, it clearly aids an applicant. When a proposed mark does look and sound like a surname, that finding merely tends to reinforce a conclusion that the term's primary significance is as a surname. ROGAN would not be perceived as an initialism or acronym and did not have the appearance of having been coined by combining a root element, having a readily understood meaning in its own right, with either a prefix or a suffix. ROGAN appeared to be a cohesive term with no meaning other than as a surname. ROGAN's primary significance as a surname was not outweighed by other meanings.

The qualification placed by the TTAB in this decision on its use of the look and sound of a term as tending to indicate or not indicate that its primary significance is a surname is a welcome development. The "look and sound" test always had, in its raw form, a high degree of subjectivity and hence uncertainty. By adding to that factor the considerations of whether the term for which an applicant is contending has other possible derivations and by suggesting that the "look and sound" factor may weigh as much against a finding that a term is primarily merely a surname as in favor of the contrary conclusion, the Board has given more appropriate weight to that part of its surname analysis.

## 6. Certification Marks

### *a. Mark Not a Certification Mark*

The issue of what constitutes certifiable subject matter was considered again in the appeal from the refusal of an application to register a certification mark to certify that persons had passed a certifier's examination and had met the certifier's standards for software asset and licensing management.<sup>89</sup>

The Board quoted the unhelpful instruction in the TMEP<sup>90</sup> that "whether or not specific matter functions as a certification mark depends on whether the matter is used in connection with the goods or services in such a manner that the purchasing public will recognize it, either consciously or unconsciously, as a certification mark." More specifically, the TMEP states that "Matter that might appear to be simply a title or degree may function as a certification mark if used in the proper manner,"<sup>91</sup>

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89. *In re Software Publishers Association*, 69 U.S.P.Q.2d 2009 (T.T.A.B. 2003).

90. TMEP § 1306.03 (3d ed. 2002).

91. *Id.*

but that sentence adds very little or nothing to an understanding of what the proper manner is or should be.

Titles and degrees, such as professor, professional engineer, JD, CPA or MD are not used to certify goods or services but instead to convey personal information about the individual and certify some characteristic only about the individual's achievement rather than certifying the characteristics of services rendered by that individual. The question of whether a designation serves as a mark or a particular kind of mark must be determined on the basis of the manner and context in which the designation is used as revealed by the specimens and other literature of record and the significance that the designation is likely to have to members of the relevant public because of the manner in which it is used. It should be clear from the record that the circumstances surrounding the use and promotion of the mark will give certification significance to the mark in the marketplace. When an applicant seeks registration of a certification mark, it is the use by persons other than the owner of the mark, subject to the owner's control, that is the primary consideration in determining prospective purchasers' perceptions. In this case, the language on the specimen and the context of its use merely indicated that the holder had been awarded the title or degree of "Certified Software Management," which was not likely to be perceived by the purchasing public as a certification mark. Certified Software Management, as a whole, did not function as a certification mark.

In the course of the decision, the Board noted that, when an application is amended to seek registration on the Supplemental Register, the effective filing date of the application is the date of the amendment, which must follow an acceptable amendment to alleged use.

## **7. Foreign Registration as Basis of Application**

### ***a. Foreign Registration Must Exist up to Issuance of Registration***

The refusal of an application because the foreign applicant had not maintained its home country registration until the issuance of the U.S. registration was affirmed.<sup>92</sup> In this case, an application was filed, under 15 U.S.C. § 1126(d), with a claim to the priority date of an application in France. While the U.S. application was pending, the applicant submitted a certified copy of the French registration. However, the French registration expired while the U.S. application was still pending and the applicant could not

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<sup>92</sup> *In re Societe D'Exploitation de la Marque Le Fouquet's*, 67 U.S.P.Q.2d 1784 (T.T.A.B. 2003).

submit proof of the continued validity of the French registration to the examining attorney. Since the continued pendency of the U.S. application was dependent upon the validity of the foreign registration up until the time the U.S. registration based on the application was issued, the refusal of registration was affirmed. The Board cited the *Fioravanti* case.<sup>93</sup>

The Board reiterated that decisions that are not marked “citable as precedent” cannot be cited, either by an applicant or by an examining attorney (or for that matter by the Board itself).<sup>94</sup>

## 8. Failure to Provide Information to an Examining Attorney

### *a. Failure Resulting in Refusal of Application*

In two cases, the Board affirmed the refusal of an application because the applicant failed or refused to provide information in response to a request under 37 C.F.R. § 2.61(b).<sup>95</sup> In the *DTI Partnership* case, the applicant ignored the requirement to provide information in the form of samples of advertisements or promotional material or, if those materials were not available, photographs of similar goods and a description of the nature, purpose and channels of trade of the goods. Applicant had several options; it could have complied with the request by submitting the requested advertising or promotional material; it could have explained that it had no such material, but could have submitted material of its competitors for similar goods; or it could have provided information regarding the goods on which it used or intended to use the mark. Applicant could have even disputed the legitimacy of the request, for example, by arguing that because the goods identified in the application were such ordinary consumer items that responding to a request for information concerning them would be unnecessary and burdensome. Applicant ignored the request, which was not permissible. The Board pointed out that the Trademark Rules of Practice have the effect of law and failure to comply with a request for information is grounds for refusal of a registration.

There was a second refusal of the application, on the ground of descriptiveness, but the Board declined to reach the merits because its ability to assess fully and accurately the substantive merits of the mere descriptiveness issue had been hindered by

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93. *Fioravanti v. Fioravanti Corrado S.R.L.*, 230 U.S.P.Q. 36 (T.T.A.B. 1986), *recon. denied*, 1 U.S.P.Q.2d 1308 (T.T.A.B. 1986).

94. *General Mills Inc. v. Health Valley Foods*, 24 U.S.P.Q.2d 1270 (T.T.A.B. 1992).

95. *In re DTI Partnership L.L.P.*, 67 U.S.P.Q.2d 1699 (T.T.A.B. 2003); *In re Planalytics Inc.*, 70 U.S.P.Q.2d 1453 (T.T.A.B. 2004).

applicant's failure to submit the information and materials that were properly requested by the examining attorney.

In the *Planalytics* case, the examining attorney's request for information was answered by a referral of the examining attorney to applicant's website, which the Board characterized as, "Applicant's curt dismissal of the requirement for information by telling the examining attorney, in effect, 'to look it up herself,'" which was described as "inappropriate." An applicant has an obligation to produce the information that the examining attorney requested, whether it is on a website or not. It is not a technical requirement. If an applicant has relevant information, it is incumbent on the applicant to make this information of record. A mere reference to a website does not make the information of record.

### *C. Director of the Patent and Trademark Office*

#### **1. Filing Date**

##### *a. Earlier Filing Date Granted*

In a decision on a petition that would not have passed the giggle test had the issue not been of such importance, the Director, acting through the Deputy Commissioner for Trademarks, granted and approved a filing date as of the date on which two failed attempts had been made to file an application electronically. The application was successfully filed electronically on the following day.<sup>96</sup>

The important lessons to be learned from this case are that a petition to the Director must be filed within two months of the date of the action from which relief is requested<sup>97</sup> and that a petitioner should act conscientiously by attempting to refile the application and by notifying the TEAS<sup>98</sup> Help Desk immediately upon encountering the transmitting problems. It is incumbent upon a party requesting relief in cases like this to refile the application promptly in order to minimize the delay in receiving a filing date and to reduce the impact on third parties who may rely on the current filing information in the trademark database.

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96. *In re Henkel Loctite Corp.*, 69 U.S.P.Q.2d 1638 (Dir. USPTO 2003).

97. 37 C.F.R. § 2.146(d).

98. Trademark Electronic Application System.

## PART II. INTER PARTES CASES

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

#### 1. Proper Party to File Opposition

The Federal Circuit reversed a decision by the Board that dismissed an opposition on the ground that it was not filed in a timely manner.<sup>99</sup> The applicable rule<sup>100</sup> sets forth two disjunctive conditions under which an opposer may claim the benefit of an extension of time that was granted to another named entity: privity or misidentification by mistake. The USPTO's interpretation of the rule recognizes those conditions as being disjunctive. The evidence supported only one conclusion, that the mistake made by the opposer was in the form of an entity's name. The opposition was not filed by a different existing legal entity from the party that had obtained the extensions of time. This was a mistake within the meaning of the rule and a decision of the Board to the contrary lacked substantial evidence.

The Federal Circuit noted that it gives substantial deference to the Board's interpretation of 37 C.F.R. § 2.102(b), which is the USPTO's own regulation. The USPTO's interpretation must be given controlling weight unless it is plainly erroneous or inconsistent with the regulation. The USPTO's factual findings are reviewed for substantial evidence, which is such relevant evidence as a reasonable person might accept as adequate to support a conclusion. The possibility of drawing two inconsistent conclusions from the evidence does not prevent an administrative agency's finding from having been supported by substantial evidence.

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

#### 1. Likelihood of Confusion and Dilution

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

The NASDAQ Stock Market succeeded in an opposition against an application to register NASDAQ & Design of Fanciful Bird for safety helmets, sport clothing and sporting goods on the grounds of likelihood of confusion and dilution.<sup>101</sup> Applicant alleged as an affirmative defense that NASDAQ is an acronym for *Nuovi*

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99. *Custom Computer Services Inc. v. Paychex Properties Inc.*, 337 F.3d 1334, 67 U.S.P.Q.2d 1638 (Fed. Cir. 2003).

100. 37 C.F.R. § 2.102(b).

101. *NASDAQ Stock Market, Inc. v. Antartica S.r.l.*, 69 U.S.P.Q.2d 1718 (T.T.A.B. 2003). This is the only citable decision issued by the Board in an *inter partes* case where likelihood of confusion or dilution was the issue. For this reason, both issues will be treated in this portion of the report.

*Articoli Sportivi Di Alta Qualita*, which was translated as “new high quality sporting goods.” Applicant’s affirmative defenses of laches, estoppel and acquiescence were unsupported by evidence and were not discussed in the briefs and therefore were waived.

Opposer alleged two bases for its claim that applicant’s mark would cause a likelihood of confusion under Section 2(d) of the Trademark Act.<sup>102</sup> The first basis was opposer’s registration and use of NASDAQ for a variety of financial services, including the operation of The NASDAQ Stock Market for the listing and trading of corporate securities, which had operated continuously since 1968. Opposer owned a registration of NASDAQ for those services. Opposer also asserted that its promotional activities included the distribution and sale by opposer and its licensees of various items of athletic clothing and athletic equipment bearing the NASDAQ mark. Opposer asserted that NASDAQ became famous long prior to the filing date of the application. Priority was not an issue insofar as opposer’s case was based on the use and registration of NASDAQ for financial services because there was in the record a certified copy of its pleaded registration showing that it was valid and subsisting and that title was in opposer.<sup>103</sup> Opposer’s second basis was that it had superior proprietary rights in NASDAQ for athletic wear and equipment, which required proof of acquisition of a superior proprietary interest.<sup>104</sup> Opposer’s burden of proof was a preponderance of the evidence.<sup>105</sup>

Opposer failed to meet its burden in showing that it had made prior use of NASDAQ for goods such as those in the application or for collateral products that were closely related. The proofs did not fail because they dealt largely with giveaways and premiums, as opposed to the sale of goods, but because of the vague or imprecise nature of the testimony that was introduced to prove the use of NASDAQ on the merchandise. Nonetheless, the Board found the record established that opposer’s use of its mark for collateral goods and in connection with sponsorship of various events, including athletic events and broadcasts, had been a natural outgrowth of its business, had expanded over time, and had contributed to the finding of likelihood of confusion based on opposer’s pleaded registration. Likelihood of confusion was

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102. 15 U.S.C. § 1052(d).

103. *King Candy Company v. Eunice King’s Kitchen*, 496 F.2d 1400, 182 U.S.P.Q. 108 (C.C.P.A. 1974).

104. *Otto Roth & Company, Inc. v. Universal Foods Corporation*, 640 F.2d 1317, 209 U.S.P.Q. 40 (C.C.P.A. 1981).

105. *Eastman Kodak Co. v. Bell & Howell Document Management Products Co.*, 994 F.2d 1569, 26 U.S.P.Q.2d 1912 (Fed. Cir. 1993).

analyzed by using the factors of the *du Pont* case.<sup>106</sup> The likelihood of confusion analysis considers all of the *du Pont* factors for which there is evidence of record, but may focus on dispositive factors.<sup>107</sup>

Visually, opposer's mark and applicant's mark were virtually identical. The Board found that customers of applicant's products were not likely to place great emphasis on the amorphous stylized design of a winged creature that framed the bold letters NASDAQ. Opposer's and applicant's marks were likely to be perceived as arbitrary and as having no particular connotation. The overall commercial impressions would be the same. The identity in sound and the virtual identity in appearance and the connotative impressions they created were factors that weighed heavily against the applicant. The Board concluded that opposer's mark was famous for its stock market services. The fame was particularly significant and extended beyond the services identified in opposer's registration. Opposer's mark was accorded more protection precisely because it was more likely to be remembered and associated in the public mind.<sup>108</sup> The fame of opposer's mark was a strong point in its favor.

Another important *du Pont* factor is the relationship of the goods or services of the parties.<sup>109</sup> The greater the degree of similarity in the marks,<sup>110</sup> the lesser the degree of similarity that is required of the products or services in order to support a holding of likelihood of confusion.<sup>111</sup> The record clearly showed that opposer had engaged in extensive advertising and promotion of its mark, a great deal of which, and especially the television advertising, had involved associating opposer with companies that were listed on its stock market and, by derivation, the products and services of those companies. Opposer had sponsored or backed numerous sporting events or broadcasts and had maintained often-visited websites that offered information and software tools distinct from operating a stock market. Opposer had also widely distributed a magazine and had distributed and sold a wide variety of promotional products. Opposer's use of NASDAQ-branded promotional items or premiums to promote its business was a longstanding practice. The mere fact that a collateral

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106. *In re E. I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 U.S.P.Q. 563 (C.C.P.A. 1973); *Recot, Inc. v. M.C. Becton*, 214 F.3d 1322, 54 U.S.P.Q.2d 1894 (Fed. Cir. 2000).

107. *Hewlett-Packard Co. v. Packard Press, Inc.*, 218 F.3d 1261, 62 U.S.P.Q.2d 1001 (Fed. Cir. 2002).

108. *Kenner Parker Toys, Inc. v. Rose Art Industries, Inc.*, 963 F.3d 350, 22 U.S.P.Q.2d 1453 (Fed. Cir. 1992).

109. *Federated Foods, Inc. v. Fort Howard Paper Co.*, 544 F.2d 1098, 192 U.S.P.Q. 24 (C.C.P.A. 1976).

110. *In re Shell Oil Co.*, 992 F.2d 1204, 26 U.S.P.Q.2d 1687 (Fed. Cir. 1993).

111. *In re Concordia International Forwarding Corp.*, 222 U.S.P.Q. 355 (T.T.A.B. 1983).



product serves the purpose of promoting a party's primary goods or services does not necessarily mean that the collateral product is not a product in trade, where it is readily recognized as a product of its type.<sup>112</sup> The Board took judicial notice of the fact that the use of trademarks on collateral products had become quite common.<sup>113</sup> The Board concluded that countless individuals had been exposed to opposer's NASDAQ mark in conjunction with collateral products and as an indication of sponsorship of a wide variety of events and that individuals familiar with opposer, its services, collateral products, and sponsorship activities would consider goods bearing applicant's mark to be either promotional items of opposer or products branded with opposer's mark in conjunction with sponsorship of an event. The channels of trade in the application were not limited so the analysis of likelihood of confusion assumed that the goods would be marketed to all possible consumers.<sup>114</sup>

Opposer did not prove by a preponderance of the evidence that applicant had adopted its mark in bad faith. Mere prior knowledge of another's mark does not establish bad faith<sup>115</sup> and the presumption of the exclusive right to use a mark extends only to the goods or services that are listed in the registration<sup>116</sup> and those within the natural scope of expansion. On the other hand, it did not follow that applicant had acted entirely in good faith. The Board did, however, comment that applicant's choice of marks was curious and that the purported significance of its NASDAQ mark appeared to be concocted.

While the dissimilarity of marks can outweigh all other *du Pont* factors and result in the finding of no likelihood of confusion,<sup>117</sup> the mere fact that marks are the same or very similar does not dictate a conclusion of likelihood of confusion. Nonetheless, when the marks are virtually identical, resolution of a few significant *du Pont* factors in favor of the prior registrant will result in a finding of likelihood of confusion. In this case, the fame of opposer's mark was a significant factor. Opposer had moved into collateral merchandising and into sponsorship of various sporting events so when the general public encountered a NASDAQ mark on applicant's goods, they would likely be confused

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112. *In re Snap-On Tools Corp.*, 159 U.S.P.Q. 254 (T.T.A.B. 1968).

113. *Turner Entertainment Co. v. Nelson*, 38 U.S.P.Q.2d 1943 (T.T.A.B. 1996).

114. *Octocom Systems Inc. v. Houston Computers Services Inc.*, 918 F.2d 937, 16 U.S.P.Q.2d 1783 (Fed. Cir. 1990).

115. *Sweats Fashions Inc. v. Pannill Knitting Co., Inc.*, 833 F.2d 1560, 4 U.S.P.Q.2d 1793 (Fed. Cir. 1987).

116. *Mushroom Makers, Inc. v. R. G. Barry Corp.*, 580 F.2d 44, 199 U.S.P.Q. 65 (2d Cir. 1978), *cert. denied*, 439 U.S. 116 (1979).

117. *Kellogg Co. v. Pack'em Enterprises Inc.*, 951 F.2d 330, 21 U.S.P.Q.2d 1142 (Fed. Cir. 1991).

about the origin or sponsorship.<sup>118</sup> Given the renown of opposer's mark, the public may make decisions regarding the purchase of applicant's goods with less care.<sup>119</sup> The Board sustained the opposition under Section 2(d) of the Trademark Act<sup>120</sup> based on opposer's ownership of a registration of NASDAQ for stock market services.

The Board is required to consider claims of dilution in oppositions and cancellation proceedings under the Federal Trademark Dilution Act (FTDA)<sup>121</sup> and the Trademark Amendment Act (TAA).<sup>122</sup> The Board cited as support for its jurisdiction the *Toro* case<sup>123</sup> and the *Enterprise* case.<sup>124</sup> The FTDA and TAA protect any mark that is both distinctive and famous against the use and registration of third-party marks that would lessen the capacity of the famous mark to identify and distinguish the famous mark owner's goods or services.<sup>125</sup> *Moseley* raised a threshold issue as a result of the Supreme Court's holding that a plaintiff in a civil action under the FTDA must prove actual dilution, not merely a likelihood of dilution. In this opposition, the application was based on Section 44 of the Trademark Act,<sup>126</sup> which meant applicant was relying on a foreign application or registration as the basis for a registration in the United States. Applicant had not yet used its mark in the United States. Therefore, the Board could reach the claim of dilution only if it determined first that, in Board proceedings, it was sufficient to establish likelihood of dilution rather than actual dilution.

The Board concluded that there is a distinction between civil actions and Board proceedings and that, in a Board matter, a plaintiff that establishes ownership of a distinctive mark may prevail on a showing of likelihood of dilution. In *Toro* the Board had reached that same holding in an opposition against an application based on an intent to use a mark, and in the present case the Board extended that reasoning to an application based on

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118. *Philip Morris Incorporated v. K2 Corporation*, 555 F.2d 815, 194 U.S.P.Q. 81 (C.C.P.A. 1997).

119. *Specialty Brands, Inc. v. Coffee Bean Distribs, Inc.*, 748 F.2d 669, 223 U.S.P.Q. 1281 (Fed. Cir. 1984).

120. 15 U.S.C. § 1052(d).

121. 15 U.S.C. § 1125(c).

122. Codified in the Trademark Act as 15 U.S.C. §§ 1052(f), 1063, 1064, and 1092.

123. *Toro Co. v. ToroHead Inc.*, 61 U.S.P.Q.2d 1164 (T.T.A.B. 2001).

124. *Enterprise Rent-A-Car Co. v. Advantage Rent-A-Car*, 330 F.3d 1333, 66 U.S.P.Q.2d 1811 (Fed. Cir. 2003).

125. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 65 U.S.P.Q.2d 1801 (2003).

126. 15 U.S.C. § 1126.

Section 44 when the mark had not yet been put into use in the United States.<sup>127</sup>

The Board rejected applicant's argument that acronyms *per se* cannot be inherently distinctive because the authority cited by applicant<sup>128</sup> did not establish a *per se* rule and the Board declined to create one. Applicant also argued that NASDAQ was not distinctive because acronyms were frequently used in the securities business, but the Board found that the NASDAQ acronym is, in effect, a unique word that pointed to opposer's stock market and that NASDAQ is an inherently distinctive mark. The record did not reveal any use of NASDAQ except for the asserted use by applicant in Europe and the use by opposer. NASDAQ was the type of uniquely distinctive mark contemplated by the FTDA.

The Board conceded that an applicant cannot collaterally attack an opposer's registration in the absence of a counterclaim for cancellation.<sup>129</sup> The Board then went on to reason that, for its dilution claim, opposer must establish that its mark is not merely famous but is also distinctive, and that one factor to consider is the degree of inherent or acquired distinctiveness of the mark.<sup>130</sup> The inquiry is made even when plaintiff's mark is indisputably validly registered on the Principal Register. The Board, therefore, held that it is permissible for a defendant defending against a dilution claim to present arguments regarding the lack of distinctiveness of the plaintiff's mark even in the absence of a counterclaim for cancellation of the pleaded registration. Applicant had argued that opposer's NASDAQ mark lacked distinctiveness as a defense against the dilution claim but had not argued lack of distinctiveness in contesting the claim of likelihood of confusion.

The Board had no difficulty in finding that NASDAQ was a famous mark. Establishing fame for dilution purposes is a more rigorous endeavor than establishing fame for a likelihood of confusion analysis. Evidence of widespread recognition of a term is required from a dilution plaintiff. The record established that opposer's mark was famous prior to the filing date of applicant's registration application. The evidence showed a widespread recognition, beyond investors, and a great deal of the evidence was dated prior to the priority filing date of the application.

The final inquiry was whether applicant's NASDAQ mark would be likely to cause dilution of opposer's mark by blurring so as to lessen the capacity of opposer's mark to identify its stock

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127. *NASDAQ Stock Market, Inc.*, 69 U.S.P.Q.2d at 1734.

128. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 51 U.S.P.Q.2d 1882 (2d Cir. 1999).

129. 37 C.F.R. § 2.06(b); *Contour Chair-Lounge Co. v. The Englander Co.*, 324 F.2d 186, 139 U.S.P.Q. 285 (C.C.P.A. 1963); *Cosmetically Yours, Inc. v. Clairol, Inc.*, 424 F.2d 1385, 165 U.S.P.Q. 515 (C.C.P.A. 1970).

130. 15 U.S.C. § 1125(c)(1)(A).

market services. Three factors to be considered were the similarity of the marks, the renown of the mark of the party claiming fame and whether target customers were likely to associate two different products with the mark even if they were not confused about the different origins of those products. The Board stated it had no difficulty concluding that dilution would occur even without survey evidence regarding consumer perception. The marks were effectively identical, opposer's mark was famous prior to the filing date of the application, and the Board did not believe that prospective purchasers or users of applicant's goods would be likely to associate NASDAQ with any other entity besides opposer. The general public would wonder why another party could use a mark thought to be identified with a unique, singular or particular source. NASDAQ is not a common word and is a unique mark. Hence, the dilution claim was also sustained in favor of opposer.

The decision reached the correct conclusion on both the likelihood of confusion and the dilution claims. It did, however, perpetrate an illogical inconsistency in holding that a party could attack collaterally the "distinctiveness" of a mark as a defense to a dilution claim while being unable, in the same case, to attack collaterally the distinctiveness of the same mark as a defense against a claim of likelihood of confusion. The difficulty arose because of the ambiguity of the meaning of "distinctive" or "distinctiveness" in trademark law, particularly when dilution is the issue.

As argued in the Introduction to "The Fifty-Fifth Year of Administration of the Lanham Trademark Act of 1946,"<sup>131</sup> "distinctive" and "distinctiveness" mean, not the fundamental quality of a mark required for any protection of being able to distinguish a particular source of goods or services, but mean the quality of uniqueness or singularity of a mark, *i.e.*, the degree to which a mark is unusual and evokes only a single mental association. When this duality of the meaning of "distinctive" is recognized (and cured by using instead, for dilution, "singularity" or "uniqueness"), it will be possible to avoid the logically inconsistent position of the Board in this case on the availability of a collateral attack against the validity of the NASDAQ mark of the opposer. A mark does not have to be singular or unique to be valid, and therefore an attack, which must be allowed, against the singularity or uniqueness of an opposer's mark would not be a collateral attack against the distinctiveness of a mark in the sense of being able to distinguish a single source.

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131. 93 TMR 197 (2003).

## 2. Mere Descriptiveness

### *a. Mark Found to Be Descriptive*

INTELLIGENT was found to be merely descriptive of tires containing sensor devices that transmit information concerning condition and performance.<sup>132</sup> Applicant was developing tires with magnetized sidewalls. Sensors measured changes in the shape of the magnetic field during movements of the vehicle. The data rendered the monitoring and control of driving dynamics simpler and more reliable, resulting in a greater margin of safety.

The Board found that in this computer age the word “intelligent” has been applied to describe the ability of inanimate devices to store and process information. The inquiry should focus on whether the named device is a significant part of a larger system that has the ability to sense a condition and carry information about it to the world outside the device. The Board noted that recently published dictionaries place less emphasis on the presence of a specific component and more emphasis on the resulting capabilities or functionalities of the system in defining the word “intelligent.” It did not harm opposer’s position that none of the dictionary entries in the record contained a reference to the meaning of “intelligent” in the specific context of vehicle tires.

In an *ex parte* appeal from a refusal of a registration application on the ground of descriptiveness, the Board must resolve any doubt in favor of publication. However, in an *inter partes* proceeding, where two litigants have placed evidence in the record, the Board applies a different standard. It must determine whether opposer’s position is supported by a preponderance of the evidence. The intent of Section 2(e)(1) of the Trademark Act<sup>133</sup> is to protect the competitive needs of others.<sup>134</sup>

The record suggested that, within the next several years, enhanced tire systems would soon move beyond field testing of tires on heavy vehicles and limited availability on high-end automobiles and would be available on lower- and mid-priced passenger cars and small trucks. Opposer and another tire manufacturer had been working on intelligent transponders placed into tires for various uses. Opposer was continuing to work on the next generation of passive tire monitoring and display systems. Applicant was continuing to file patent applications relying on sophisticated technological systems having magnetized bands in the tire sidewalls. Applicant’s own press releases contained uses of

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132. *Goodyear Tire & Rubber Co. v. Continental General Tire Inc.*, 70 U.S.P.Q.2d 1067 (T.T.A.B. 2003).

133. 15 U.S.C. § 1052(e)(1).

134. *In re Colonial Stores, Inc.*, 394 F.2d 549, 157 U.S.P.Q. 382 (C.C.P.A. 1968).

the word “intelligent” that would clearly not be perceived as trademark references. Uses of the term “intelligent” by various reporters who were writing newspaper and magazine articles about applicant’s tire technology were probative of how effectively or ineffectively applicant had conveyed the term as a source indicator. The Board concluded that the term “intelligent” is merely descriptive because it readily conveyed understandable information about the characteristics of the tires about which the purchasing public was just becoming aware. There is nothing about the word “intelligent,” in the context of tires, that would be ambiguous or incongruous or would require the exercise of imagination, cogitation, mental processing or gathering of additional information for prospective customers to perceive readily the merely descriptive significance of the term. In reaching its decision, the Board disregarded the testimony of an expert witness called by opposer on the ground that he was not an expert in the design and manufacturing of vehicle tires.

### 3. Genericness

#### *a. Mark Not Generic*

A bold attack, on the ground of genericness, against the registrations of REALTOR and REALTORS by an individual who wanted to sell domain names that included those terms was rejected by the Board.<sup>135</sup> REALTOR and REALTORS were registered as collective marks for use in connection with a wide variety of real estate services offered by members of the respondent Association.

The parties stipulated that the entire record created in two earlier consolidated proceedings commenced by a different petitioner against the same respondent would be included as part of the record in the proceeding. The Board determined that any factual admission made by the previous plaintiff relating only to herself would not be admissible or relevant as applied to the current petitioner. Any admissions made by the previous plaintiff about respondent, the use of REALTOR and REALTORS, and like matters were binding on the current petitioner. Any admissions made by respondent about itself, its operations, its use of REALTOR and REALTORS and other facts in the previous proceeding would be binding upon respondent in this proceeding. This included admissions of any type, whether they came into the record through the pleadings or as admissions<sup>136</sup> that were made of

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135. *Zimmerman v. National Association of Realtors*, 70 U.S.P.Q.2d 1425 (T.T.A.B. 2004).

136. Fed. R. Civ. P. 36.

record by a notice of reliance.<sup>137</sup> The Board deemed as admitted the fact that respondent's two registered marks were collective marks. Respondent was a collective entity eligible to own a collective mark as defined in Section 45 of the Trademark Act.<sup>138</sup> The Board stated that there were indications in the record that respondent had long considered the marks to be collective membership marks whose purpose was merely to indicate that the user of the mark was a real estate agent who was a member of the collective organization and who had met the National Association of Realtor's standards for admission. While the decision would be no different even if the Board were to adopt respondent's arguments that its marks were solely collective membership marks, the weight of the evidence supported the conclusion that they were collective service marks consistent with the way the USPTO had long classified collective service marks. Starting at the time of the filing of the original applications to register REALTOR and REALTORS, respondent and its predecessor had consistently emphasized the brokerage, management, appraisal and planning services offered by its members. This use demonstrated the availability of real estate services offered by respondent's members or collective service mark use.

The test for genericness of a term is the term's meaning to consumers, not necessarily to professionals in a trade. There were two distinct populations of persons whose perceptions of REALTOR and REALTORS could well have been different. Any member of the general public who was in the market for real estate would be a prospective purchaser of brokerage services, but it was also clear that members of the real estate profession who were eligible for membership in respondent were a distinct population whose perceptions were also critical. The two step inquiry for genericness determination is first, determine the genus of goods or services in issue. Second, determine if the term sought to be registered is understood by the relevant public primarily to refer to that genus of goods or services.<sup>139</sup> Evidence of the relevant public's perception of a term may be obtained from any competent source.<sup>140</sup> It is petitioner's burden to prove the genericness of a term by a preponderance of the evidence.<sup>141</sup> The statutory authority for the cancellation of the registration of a mark found to be a generic term is Section 14(3) of the Trademark Act.<sup>142</sup>

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137. 37 C.F.R. § 2.120(j).

138. 15 U.S.C. § 1127.

139. *H. Marvin Ginn Corporation v. International Association of Fire Chiefs, Inc.*, 782 F.2d 987, 228 U.S.P.Q. 528 (Fed. Cir. 1986).

140. *In re Leatherman Tool Group, Inc.*, 32 U.S.P.Q.2d 1443 (T.T.A.B. 1994).

141. *Magic Wand, Inc. v. RDB, Inc.*, 940 F.2d 638, 19 U.S.P.Q.2d 1551 (Fed. Cir. 1991).

142. 15 U.S.C. § 1064(3).

The genus of services was described by respondent's recitation in the original applications to register REALTOR and REALTORS. They were real estate brokerage, management, appraisal, and planning services involving buildings and land, as delivered by members of a professional association.

The only evidence about competing associations of real estate professionals was that the National Association of Real Estate Brokers identified its members as "Realtists." Whenever any member of respondent terminated its membership, the use of the REALTOR marks had to be discontinued. Respondent policed the market and did not permit unauthorized uses to continue, and took affirmative steps to emphasize the proprietary status of its collective service marks. There was no evidence of generic use of REALTOR or REALTORS. There was no evidence of respondent's use of REALTOR or REALTORS in a generic manner. The marks were consistently used in a manner consistent with their proprietary nature. Substantially all the dictionary definitions in the record recognized the terms as marks. There were many instances in the record in which newspapers and magazines clearly used the term in a manner consistent with their proprietary nature. The records suggested that respondent and its affiliated organizations and members had generally succeeded in educating editors, journalists and some part of the public at large to recognize the terms as marks. Aggressive marketing and constant policing preserved proprietary meaning even among general news outlets.

Instances of generic use of "realtor" by federal courts over a period exceeding eighty years had little impact on the public's understanding of the REALTOR and REALTORS terms. The Board observed that even federal jurists may have been less than precise in their use of the collective service marks, particularly when they focused on substantive matters that were unrelated to whether the terms were source indicators.

Petitioner's survey was so deficient that it was given very little weight. Respondent's survey complied with the standards for admissibility.<sup>143</sup> The results of the survey demonstrated that, among real estate professionals, the REALTOR marks were perceived as strong source indicators. Substantial weight was given to the results of the respondent's survey. Real estate professionals made up a significant subgroup of relevant customers. Even petitioner's survey expert testified that he presumes that people in the real estate business would be likely to identify REALTOR as a mark. In this group, an overwhelming

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143. *Handbook of Recommended Procedures for the Trial of Protracted Cases*, 25 F.R.D. 399-403 (1958).



majority perceived REALTOR as being a strong source indicator. Members of the general public seeking real estate services from association professionals were within the relevant public. The flawed methodology of petitioner's survey kept the results from being factored into the decision. The Board found that petitioner had not shown by a preponderance of the evidence that REALTOR and REALTORS were perceived as generic terms by even a significant minority of purchasers of real estate professional's services. The record suggested that "realty agent," "real estate agent" or "real estate broker" were accepted generic alternatives.

The record supported a decision that protected the critical interests of the user of REALTOR and REALTORS within the real estate community. There was insufficient probative evidence on which the Board could base a finding about the perception of the REALTOR and REALTORS marks among members of the general public. The Board concluded that they functioned as collective service marks and had not become generic terms.

### ***b. Terms Found Generic***

TIA was found to be a generic designation for "investigation of problems experienced on construction projects using a technique that analyzes the effect of a particular event on scheduled activities."<sup>144</sup> Petitioner's two expert witnesses were found to qualify as experts in the construction management field, specifically with respect to claims analysis of time delays on construction schedules. The Board did not consider them to be experts in trademark law and any opinions related to the question of law were given no weight. The discovery depositions of applicant's president, executive vice president and the chairman of a subsidiary company introduced by opposer by notice of reliance<sup>145</sup> were accepted as evidence. Because of their intimate knowledge of applicant's business, it was appropriate to impute their knowledge to applicant. The fact that applicant did not call those individuals as witnesses did not undermine the probative value of their testimony during discovery depositions. Applicant was deemed to have waived objection to evidence upon which it relied.

Applicant's website, which was representative of other uses by applicant, stated: "Time Impact Analysis . . . TIA is a court-accepted schedule analysis technique created by MDCSystems." Both parties specialized in analysis of the impact of time delays on the schedules of construction projects. The category of services identified in the application is clearly scheduling analysis services

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144. *Capital Project Management Inc. v. IMDISI Inc.*, 70 U.S.P.Q.2d 1172 (T.T.A.B. 2003).

145. 37 C.F.R. § 2.120(j).

for construction projects. The relevant public is highly sophisticated, is comparatively small in size and is involved in some capacity with schedules and construction projects. Opposer proved its claim of genericness by a preponderance of the evidence. TIA is synonymous with “time impact analysis” and the relevant public knows what TIA meant.

It did not follow from the fact that “time impact analysis” is generic that the initial letters of the generic term are recognized as being substantially synonymous. Whether the initials TIA should also be deemed generic presented a separate but related issue. An abbreviation or initialism of a generic name, that conveys to the relevant public the original generic connotation of the abbreviated name, is also generic. Acronyms and initialisms are often used interchangeably with the full generic name and are recognized as equivalents.<sup>146</sup> There is a heavy burden on a trademark claimant seeking to show an independent meaning of initials apart from the descriptive words that are their source. Initials do not usually differ significantly in their trademark role from the descriptive words that they represent.<sup>147</sup> There was testimony to the effect that TIA was used interchangeably with “time impact analysis.” The record showed an almost complete failure by applicant, in the face of generic uses of TIA by others in the field, to police its purported rights in the designation. The only uses of TIA in printed materials were after the initial use of “Time Impact Analysis,” but that did not warrant a finding that the initials themselves were registrable. There was no doubt that the initials TIA were perceived as the generic equivalent of “time impact analysis.” TIA had fallen into the lexicon of the language utilized in the field to name a particular type or kind of schedule analysis. Different meanings of TIA in other fields were irrelevant. The Board concluded that TIA had become so generally understood as representing the generic term as to be accepted as substantially synonymous.

Applicant’s counsel acknowledged that, if TIA were found to be merely descriptive, but not generic, no registration would issue based on the present application because there was no evidence or claim of acquired distinctiveness under Section 2(f).<sup>148</sup>

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146. *Modern Optics, Inc. v. Univis Lens Co.*, 234 F.2d 504, 110 U.S.P.Q. 293 (C.C.P.A. 1956).

147. *G. P. Heileman Brewing Co. v. Anheuser-Busch, Inc.*, 873 F.2d 985, 10 U.S.P.Q.2d 1801 (7th Cir. 1989).

148. 15 U.S.C. § 1052(f).

## 4. Fraud

### *a. Fraud Found*

The Board found that an applicant had committed fraud by claiming in a Statement of Use that the mark had been used on all of the goods identified in the Notice of Allowance when in fact it had used the mark only on one of the two products described in the notice.<sup>149</sup> In this case, an application had been filed to register a mark for stents and catheters. When the Statement of Use was filed, the applicant erroneously checked the box that said that the mark was being used in commerce in connection with the goods identified in the Notice of Allowance. The applicant should have checked the box stating that the mark was in use in connection with the goods identified in the Notice of Allowance except for stents. The Board accepted the respondent's explanation for the misstatement as true but held that the explanation did nothing to undercut the conclusion that respondent knew or should have known that the Statement of Use was materially incorrect. Respondent's knowledge that its mark was not in use on stents, or its reckless disregard for the truth, was all that was required to establish intent to commit fraud in the procurement of a registration. The Board found that the material misrepresentation made in connection with the Statement of Use was fraudulent. Consequently, summary judgment was entered in petitioner's favor on the issue of fraud, and judgment would be issued if the petitioner proved its standing, *i.e.*, that petitioner's application had been refused because of a citation of the registration of respondent.

Respondent's effort to amend its registration by the deletion of stents and its motion for summary judgment dismissing the cancellation proceeding were both denied. The appropriate inquiry was not into the registrant's subjective intent, but rather into the objective manifestation of that intent. Proof of specific intent to commit fraud was not required. Fraud occurred when the registrant made a false material representation that it knew or should have known was false. Statements made with the degree of solemnity required by the Statement of Use should be investigated thoroughly prior to the signature and submission of the Statement of Use to the examining attorney. Respondent would not be heard to deny that it had not read what it had signed.

The Board held that the deletion of the goods upon which the mark had not been used did not remedy an alleged fraud, and if fraud can be shown in the procurement of a registration, the entire registration is void. The Board also observed that respondent's failure to point out its misstatement and to seek correction prior to

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149. *Medinol Ltd. v. Neuro Vasx Inc.*, 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003).

the filing of the petition for cancellation clearly supported the Board's finding that the misstatement was intentional.

This case is one of a number of recent cases in which the Board has found fraud because use of a mark was claimed for goods or services for which the mark had not been used at the time that the claim was made either in an application filed on the basis of use, or in a Statement of Use, or in a Declaration of Use filed to maintain a registration pursuant to 15 U.S.C. § 1058. In view of the very strict position adopted by the Board, it is incumbent upon all practitioners to be very careful in describing the goods or services on which a mark has been used in any paper filed at the USPTO in which use of a mark is claimed.

## 5. Evidence

In an unciteable decision that made various rulings on evidentiary matters and on an extension of a testimony period, the Board made the point that, when proceedings are consolidated, they may be presented on the same record.<sup>150</sup> Rules found in 37 C.F.R. §§ 2.121, 2.123., and 2.125 govern the taking and filing of evidence in a consolidated proceeding. Rule 37 C.F.R. § 2.122(f), which relates to using testimony from another proceeding, did not apply after the proceedings were consolidated.

## 6. Failure to State a Claim Upon Which Relief May Be Granted

### *a. Opposition Dismissed*

A notice of opposition that essentially pleaded a claim of copyright infringement failed to state a statutory basis for an opposition under the Trademark Act, and for that reason the notice of opposition was dismissed.<sup>151</sup> The Board reasoned that a Motion to Dismiss for failure to state a claim upon which relief may be granted is a test solely of the legal sufficiency of the complaint. In order to withstand such a motion, a pleading need only allege such facts as would, if proved, establish that the plaintiff has standing and that a valid ground exists for denying a registration. Copyright infringement, unfair competition and claims of violation of 15 U.S.C. § 1125(a) are not claims over which the Board has jurisdiction. Therefore, those claims fail to state actions upon which relief may be granted in an opposition or cancellation proceeding.

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150. *M.C.A. – Medical and Chemical Agency s.r.l. v. Zenna Chemical Industry Co.*, 68 U.S.P.Q.2d 1958 (T.T.A.B. 2003) (nonprecedential).

151. *Carano v. Concha y Toro S.A.*, 67 U.S.P.Q.2d 1149 (T.T.A.B. 2003).

## 7. Judgment on the Pleadings

### *a. Judgment for Respondent*

A petition that alleged that the respondent's mark was a surname combined with a generic term and therefore that the registration was issued in violation of 15 U.S.C. § 1052(e)(4) (which denies registration to words that are primarily merely surnames in the absence of proof of distinctiveness) was filed after the expiration of the five-year statute of limitations in 15 U.S.C. § 1064(1). Consequently, respondent's motion for judgment on the pleadings under Fed. R. Civ. P. 12(c) was granted.<sup>152</sup>

The petition for cancellation had referred to grounds that could be available under 15 U.S.C. § 1064(3), that is, a false suggestion of connection and misrepresentation of source. Consequently, petitioner was allowed thirty days to file and serve an amended petition for cancellation. Petitioner was reminded of the requirements of Fed. R. Civ. P. 11 and 37 C.F.R. § 10.18 that matters be pled in good faith.

## 8. Motion to Reopen Discovery

### *a. Motion Denied*

*Pro se* applicants' motion to reopen discovery was denied because the failure to take discovery was not the result of excusable neglect.<sup>153</sup> A determination of whether a party's neglect is excusable requires consideration of four factors.<sup>154</sup> The four factors are: the prejudice to the non-moving party; the length of the delay and its potential impact on judicial proceedings; the reason for the delay, including whether it was within the reasonable control of the moving party; and whether the moving party had acted in good faith. The most important factor is the reason for the delay and whether it was within the reasonable control of the moving party.

The explanation given by the applicants for reopening discovery was that they were representing themselves and were unfamiliar with the Rules of the Board. The Board's institution order had clearly informed the parties that the proceedings would be conducted in accordance with the Trademark Rules of Practice in Title 37, Part 2 of the Code of Federal Regulations, and the

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152. *Rickson Gracie LLC v. Gracie*, 67 U.S.P.Q.2d 1702 (T.T.A.B. 2003) (nonprecedential).

153. *DC Comics and Marvel Characters Inc. v. Margo*, 68 U.S.P.Q.2d 1319 (T.T.A.B. 2003) (nonprecedential).

154. *Pioneer Investment Services Company v. Brunswick Associate Limited Partnership*, 507 U.S. 380 (1993); *Pumpkin, Ltd. v. The Seed Corps.*, 43 U.S.P.Q.2d 1582 (T.T.A.B. 1997).

parties were advised where they could obtain copies of the Rules and of the *Trademark Trial and Appeal Board Manual of Procedure*, which is available on line at [www.uspto.gov](http://www.uspto.gov). The Board expects strict compliance with the Rules regardless of whether a party is or is not represented by counsel. The mere fact that the applicants decided to represent themselves did not relieve them of the responsibility to comply with the Rules and did not constitute excusable neglect. The motion was denied.

## **9. Dismissal of Notice of Opposition**

### ***a. Untimely Filed Opposition Dismissed***

An opposer erroneously filed a notice of opposition against the child case of a divided application, and the attempt to amend the notice of opposition to assert it against the parent case was dismissed as an untimely opposition.<sup>155</sup> This was not a case in which the serial number of the application being opposed was incorrect in the caption of the notice while the body of the notice correctly identified the application. In such a case there would be notice of which application was being opposed and an amendment could correct the minor discrepancy. In this case, the opposer attempted to oppose a different application whose opposition period had expired. The opposition was a nullity.

## ***C. Appellate Review of TTAB Decisions***

### **1. Likelihood of Confusion Not Found**

The Court of Appeals for the Sixth Circuit affirmed a decision by a district court dismissing a complaint for review of a Board decision that dismissed an opposition.<sup>156</sup> Kellogg's opposition was based on fanciful designs of toucans registered for breakfast cereals and clothing and the word mark TOUCAN SAM. Applicant's marks were TOUCAN GOLD (the mark in the application) and a design of a toucan holding a golf club for golf equipment. The district court, in dismissing the action for review and reversal of the Board's decision and in also dismissing claims of dilution and likelihood of confusion, found that applicant's marks were so different from opposer's marks and that applicant's golf clubs were so different from Kellogg's cereals that a likelihood of confusion did not exist and that there was no dilution.

The Sixth Circuit reviewed the district court's legal conclusions *de novo* and reviewed its factual conclusions for clear error. Kellogg's presence in the golf industry was insignificant and

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155. *Yahoo! Inc. v. Loufrani*, 70 U.S.P.Q.2d 1735 (T.T.A.B. 2004).

156. *Kellogg Co. v. Toucan Golf Inc.*, 337 F.3d 616, 67 U.S.P.Q.2d 1481 (6th Cir. 2003).

the Sixth Circuit found that no consumer would associate Kellogg with golf equipment based on Kellogg's extremely limited licensing of its characters for use on novelty items. The parties' products were completely unrelated and supported a conclusion that confusion was not likely to occur.

The Sixth Circuit said that, although the name TOUCAN SAM was itself fanciful and distinctive, use of the word "TOUCAN" for cereal was merely arbitrary. Kellogg had taken an everyday word and had applied it to a setting where it was not naturally placed. The Sixth Circuit went on to state that, as opposed to a fanciful mark, an arbitrary mark is distinctive only within its product market and is entitled to little or no protection outside of that area.

The Sixth Circuit found, on the dilution claim, that Kellogg had not demonstrated actual dilution as opposed to a likelihood of dilution. The mere fact that customers might see the applicant's mark and associate it with the famous mark of Kellogg did not establish dilution. Kellogg presented no evidence that the applicant's use of its TOUCAN marks had caused consumers no longer to recognize that TOUCAN SAM represented only Kellogg's FROOT LOOPS cereal. Kellogg had failed to present evidence that any segment of the population recognized TOUCAN SAM as the spokesperson only for FROOT LOOPS in lesser numbers than it did before applicant started using its TOUCAN marks. Accordingly, the denial of the dilution claim was affirmed.

It is a very questionable proposition that an arbitrary mark is distinctive only within its product market and is entitled to little or no protection outside of that area. Arbitrary marks have historically been recognized as very distinctive marks entitled to protection commensurate with the scope of the reputation enjoyed by a mark. There is little or no support for the legal proposition that the scope of protection of an arbitrary mark is limited to its own product market.

## 2. Cancellation

The Board's decision that ordered the cancellation of REDSKIN marks owned by Pro-Football, Inc., on the complaint of Harjo et al., pursuant to 15 U.S.C. § 1052(a), was reversed by the district court in an action for review of the Board's decision instituted by the registrant.<sup>157</sup> In the district court, the parties filed cross-motions for summary judgment. Pro-Football, Inc., in the position of plaintiff, had its motion granted. The defendants' motion was denied.

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<sup>157</sup> *Pro-Football Inc. v. Harjo*, 284 F. Supp. 2d 96, 68 U.S.P.Q.2d 1225 (D.C. DC 2003), *rev'g* 50 U.S.P.Q.2d 1705 (T.T.A.B. 1999).

The Board had ordered the cancellation of the REDSKINS marks on the ground that they were disparaging of Native Americans to a substantial composite of that group of people and “may bring Native Americans into contempt or disrepute.”

The court reviewed the findings of fact of the Board under the substantial evidence test derived from the Administrative Procedure Act.<sup>158</sup> The parties were permitted to offer new evidence, and at the conclusion of a trial, the court could have made new findings of fact based on the new evidence. However, at the summary judgment stage, the court was not permitted to make findings of fact and was only to determine whether there was any issue of material fact and whether either of the parties was entitled to judgment as a matter of law.

The court criticized the Board’s manner of deciding the case. First of all, according to the court, the Board had made minimal findings of fact on disputed evidence and had focused almost exclusively on the undisputed portion of the record. For the rest of the voluminous record, the Board, according to the court, simply cataloged the evidence introduced by both parties. The Board’s finding of disparagement was supported by an inferentially-based judgment unsubstantiated by concrete evidentiary proof.

None of the parties argued that the Board’s decision to treat “disparage” in the same manner as “contempt” or “disrepute” was in error. The court did not review that legal determination and, in assessing the Board’s decision, reviewed only whether the marks at issue may disparage Native Americans, which included whether the marks brought Native Americans into contempt or disrepute.

The testimony and exhibits of the record before the Board, when admitted, have the same effect as if originally taken and produced in the district court litigation without prejudice to the right of any party to take further testimony.<sup>159</sup> The court would reverse the Board’s findings of fact only if they were unsupported by substantial evidence.<sup>160</sup> Pro-Football had the burden of submitting evidence or argument to show that the Board’s decision on disparagement was not supported by substantial evidence. The court reviewed the Board’s conclusion on legal issues *de novo*. Disparagement required a fact-based judgment that depended heavily on the particular circumstances of this case.

The court found that the Board had made specific findings of fact in only two areas: the testimony of the linguists and the survey evidence. Those were the only two areas that were subject to the court’s scrutiny under the substantial evidence test. The

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158. 5 U.S.C. § 706.

159. 15 U.S.C. § 1071(b)(3).

160. 5 U.S.C. § 706; *Pro-Football, Inc.*, 68 U.S.P.Q.2d at 1239.



court found it impossible to say that the Board's specific findings of fact based on the linguists' testimony about the historical and current meaning of the term "redskins" were not supported by substantial evidence.

The court also agreed that there was substantial evidence to support the Board's finding that the methodology of the survey introduced by the cancellation petitioners was nothing more than a survey of current attitudes at the time the survey was conducted. However, the court found that there was not substantial evidence to support the conclusion that the methodology was proper to extrapolate the results of the survey to the Native American population at large. A review for substantial evidence involves examination of the record as a whole taking into account evidence that both justified and detracted from the Board's decision.<sup>161</sup> The Board had failed to discuss or rebut the criticism made by respondent's expert of the survey that had been done by petitioners' expert.

The Board had properly held the petitioners to a standard of prevailing by a preponderance of the evidence.

In view of the dearth of precedent and the absence of legislative history as guides to the interpretation of the disparagement clause of the Section 2(a) of the statute, the Board did not commit legal error in using the same framework that would be employed in a case where "scandal" was the ground for complaint. The Board appropriately concluded that it was correct to refer to dictionary definitions plus a consideration of the relationship between the subject matter in question and the other elements that make up such mark in its entirety, the nature of the goods or services, and the manner in which the marks were used. The test for disparagement was correctly stated and neither of the parties disputed the Board's approach. The meaning of "Redskins" and whether that meaning disparaged Native Americans had to be answered as of the dates of registration of the REDSKINS marks. The court concluded that the Board's findings that the marks "may disparage Native Americans" was unsupported by substantial evidence, was logically flawed and failed to apply the correct legal standard to the Board's finding of fact. Therefore, the decision of the Board had to be reversed.

In addition, the court found that laches was a defense that could be asserted in proceedings brought under Section 2(a) of the Act.<sup>162</sup> On the facts, the court found that the defendants in the action, who were the petitioners before the Board, were aware of the REDSKINS marks during the period of delay starting in 1967

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161. *In re Gartside*, 203 F.3d 1305, 53 U.S.P.Q.2d 1769 (Fed. Cir. 2000).

162. 15 U.S.C. § 1052(a).

when the first REDSKINS mark was registered, had known about the Washington Redskins franchise for many years and had no reasonable excuse for their delay in taking action. The court further found that the delay in bringing the cancellation proceeding prejudiced the plaintiff. An economic cost exists when a trademark registration is cancelled. That adversely affects prior investments in the brand. Therefore, laches barred the cancellation petition, and the plaintiff was entitled to summary judgment on the laches claim.

Early on in its decision,<sup>163</sup> the court commented that the Board had heard no live testimony and that the testimony cited in its opinion came merely from deposition transcripts. Apparently, the court was unaware, and was unadvised on the point by either party, that all testimony in a Board proceeding is introduced by way of deposition transcripts. The Board does not hear live testimony in any case. There is no provision in the Trademark Rules of Practice, 37 C.F.R. Part 2, for any live testimony before the Board in an *Inter Partes* proceeding. Consequently, any criticism of the Board on that count was misdirected.

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

#### ***A. Acquisition of Trademark Rights***

##### **1. What Can Qualify as a Protectable Mark?**

Inartfully drafted pleadings in what was primarily a copyright infringement action led one court to address the subject of whether the contents (as opposed to the titles) of plays about Marilyn Monroe and Aretha Franklin could qualify as protectable marks.<sup>164</sup> The plaintiff's theory apparently was that the defendants had passed off the plaintiff's original material as their own in violation of Section 43(a),<sup>165</sup> but the court was sidetracked by the theory that the plaintiff was asserting the infringement of unregistered marks. Not surprisingly, the court held on the defendants' motion for summary judgment that the plaintiff had failed to establish the *factual* prerequisites for protection. Going beyond this conclusion, however, it went on to erect a *legal* barrier as well: "The gravamen of plaintiff's complaint is one based in copyright [law] and recognizing plaintiff's ostensible 'marks' under the Lanham Act

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163. *Pro-Football, Inc.*, 68 U.S.P.Q.2d at 1230.

164. See *Whitehead v. CBS Viacom, Inc.*, 315 F. Supp. 2d 1 (D.D.C. 2004).

165. 15 U.S.C. § 1125(a) (2004).

would be ‘an unwarranted extension [by the Lanham Act] into an area already protected by copyright law.’”<sup>166</sup>

A similar result held in a case in which the plaintiff asserted that he was the creator of an “American Idol” concept, which he alleged had been misappropriated by the defendants for the hit television show of the same name.<sup>167</sup> Dismissing the plaintiff’s trademark-based causes of action, the court rejected the proposition that the concept or idea of the show could be protected under the Lanham Act. As it explained, “trademarks are devices intended to identify fully developed products and services, not ideas for products or services. . . . [A]n idea for a television show is neither a product nor a service within the purview of trademark law.”<sup>168</sup>

## 2. The Use in Commerce Requirement

### *a. The Nature and Quantity of Use Necessary to Establish Protectable Rights*

Some courts still are not quite clear on the concept of the “rights” created by the filing of a state or federal trademark application,<sup>169</sup> but three cases did get it right. In the first, the plaintiffs filed a federal intent to use application to register their mark for restaurant services *after* the defendants had opened their restaurant under a similar mark.<sup>170</sup> Inexplicably claiming priority of rights based on their *ex post* application, the plaintiffs met with a sharp rebuke by the court, which properly concluded that “[s]etting aside the questionable timing of plaintiffs’ application, [the owner of] a *pending* intent to use application, not a registration, cannot invoke the Lanham Act right of priority as a basis for an injunction.”<sup>171</sup> Although the plaintiffs asserted actual use as well, the court was convinced by testimony of one of their

166. *Whitehead*, 315 F. Supp. 2d at 14 (quoting *EMI Catalogue P’ship v. Hill, Holliday, Connors, Cosmopolos, Inc.*, 228 F.3d 56, 64, 56 U.S.P.Q.2d 1270, 1275 (2d Cir. 2000)) (second alteration in original).

167. See *Keane v. Fox Television Stations, Inc.*, 297 F. Supp. 2d 921 (S.D. Tex. 2004).

168. *Id.* at 933.

169. An example of a recent opinion confusing the concepts of use and registration even at this late date is *Miller v. Glenn Miller Prods.*, 318 F. Supp. 2d 923 (C.D. Cal. 2004), in which the court mistakenly observed that “[a]n individual may acquire trademark protection in a personal name in one of two ways. First, an individual may obtain a federal trademark registration from the Patent and Trademark Office. . . . Second, an individual may prove that through usage, a personal name has acquired a secondary meaning.” *Id.* at 936. Because no registration was involved, however, no harm resulted from the court’s apparent belief that registration and use were two alternative methods of acquiring rights.

170. See *Mkt. Corner Realty Assocs. v. CGM-GH LLC*, 317 F. Supp. 2d 485 (S.D.N.Y. 2004).

171. *Id.* at 486.

former employees that the claimed mark had not, in fact, appeared in the plaintiffs' restaurant prior to the defendants' use. What's more, the court noted, the plaintiffs' claimed mark consisted of a surname, and they had made no attempt to prove that the mark had acquired distinctiveness.<sup>172</sup>

In the second case, the original owners of the mark relied upon by the plaintiffs had used it in connection with a weekly radio program and live shows.<sup>173</sup> One of the plaintiffs' predecessors-in-interest had registered the mark with the Louisiana Secretary of State, but his default on a promissory note secured by the mark and registration led to their purchase by the plaintiffs at a sheriff's auction. Unfortunately, the plaintiffs did little to perfect their rights after the purchase other than to license photographs of musicians performing on prior shows and to execute "option contracts" allowing third parties to use recordings of past shows.<sup>174</sup> On these facts, the court upheld the dismissal of the plaintiffs' claims. As it explained, "substantive property rights in a trademark arise from use of the mark, not merely from registration of the trademark with the state."<sup>175</sup> Because "[t]he plaintiffs have not alleged that they placed or displayed [the] trademark on any goods they were selling or services they were performing in this state," the plaintiffs had failed to state a claim for infringement.<sup>176</sup>

In the third case, the plaintiff sought to establish the rights to its claimed mark by brandishing a California state registration and by describing its plans to market a race car under the mark.<sup>177</sup> Unfortunately, the plaintiff was forced to admit in discovery that it never actually had produced such a vehicle. Granting the defendants' motion for summary judgment, the court observed that "[t]rademark ownership is not acquired by federal or state registration."<sup>178</sup> Rather, "[o]wnership rights flow only from prior use in the market."<sup>179</sup> As a consequence, "[the plaintiffs'] goals and dreams of selling a high-end passenger car do not demonstrate evidence of valid trademark rights in the [claimed] mark."<sup>180</sup>

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172. *Id.* at 486-87.

173. *See Bobby & Ray Williams P'ship, LLP v. Shreveport La. Hayride Co.*, 873 So. 2d 739, 741 (La. Ct. App. 2004).

174. *See id.* at 744.

175. *Id.* at 745.

176. *Id.*

177. *See Matrix Motor Co. v. Toyota Jidosha Kabushiki Kaisha*, 290 F. Supp. 2d 1083 (C.D. Cal. 2003).

178. *Id.* at 1088.

179. *Id.*

180. *Id.* at 1089.

Three cases not involving federal applications or registrations took similarly dim views of plaintiffs' claims of prior use. In the first, Tiger Woods' licensing agent, following in footsteps created by Elvis Presley's blue suede shoes,<sup>181</sup> similarly failed to establish protectable trademark rights "for any and all images" of Woods.<sup>182</sup> The subject of the agent's ire was a painting distributed by the defendant that depicted three presentations of Woods in the course of his victory at the 1997 Masters Tournament. (The painting also depicted six other winners of the tournament, although less prominently than Woods.) Seeking to enjoin sales of prints of the painting, the agent filed suit under a variety of causes of action, including the theory that the images violated Woods' trademark rights. Although acknowledging the breadth of the definition of "trademark" under the Lanham Act,<sup>183</sup> the Sixth Circuit nevertheless held that in the absence of a discrete image of Woods used in connection with discrete goods or services, no trademark existed:

[Woods] asks us, in effect, to constitute . . . himself as a walking, talking trademark. Images and likenesses of Woods are not protectable as a trademark because they do not perform the trademark function of designation. They do not distinguish and identify the source of goods. They cannot function as a trademark because there are undoubtedly thousands of images and likenesses of Woods taken by countless photographers, and drawn, sketched, or painted by numerous artists, which have been published in many forms of media, and sold and distributed throughout the world. No reasonable person could believe that merely because these photographs or paintings contain Woods's likeness or image, they all originated with Woods.<sup>184</sup>

In the second case, a husband-and-wife team charged with infringement sought to establish their priority of rights over the plaintiff by demonstrating their longstanding actual use of the challenged mark.<sup>185</sup> This use, however, was admittedly "sporadic" and "off and on," and the court faulted them for having failed to provide specific information on the volume of their sales and the identities of their customers. Moreover, the defendants also failed to produce "any invoices from the business's sale, business cards,

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181. See *In re Elvis Presley Enters.*, 50 U.S.P.Q.2d 1632 (T.T.A.B. 1999) (refusing registration to alleged mark consisting of "the likeness and image of Elvis Presley").

182. See *ETW Corp. v. Jireh Publ'g Inc.*, 332 F.3d 915, 922, 67 U.S.P.Q.2d 1065, 1069 (6th Cir. 2003).

183. See 15 U.S.C. § 1127 (2004).

184. *ETW Corp.*, 332 F.3d at 922, 67 U.S.P.Q.2d at 1069.

185. See *Garden of Life, Inc. v. Letzer*, 318 F. Supp. 2d 946 (C.D. Cal. 2004).

tax returns, copies of business plans or advertisements, or any other documentation that would substantiate [their] claim that [their business] engaged in substantial and continuous business activities” during the disputed period.<sup>186</sup> Under the circumstances, the court held that the defendants had failed to rebut the presumption of priority attaching to the plaintiff’s federal registration.<sup>187</sup>

Finally, the plaintiff in the third case sought to assert his alleged prior rights to the AMERICAN IDOL mark against the producers of the television series of the same name.<sup>188</sup> The flaw underlying the plaintiff’s claims was the limited nature of his use of the claimed mark, most notably his failure to demonstrate that he actually had done business under the name. Rather, his case was based on the mailing of a “descriptive sales packet” describing his idea, the placement of Internet advertising seeking investors, and discussions with an investor. In granting the defendants’ motion to dismiss on the ground that these uses did not rise to the level required to create protectable trademark rights, the court noted that “[w]inning the race to the marketplace is not accomplished by being the first in time to use a mark, but requires both appropriation of the mark and use of the mark in trade.”<sup>189</sup> Moreover, “[j]ust as a ‘product’ is distinct from an ‘idea for a product,’ an attempt to sell an idea to potential investors is not analogous to the sale of a trademarked good or service to the public at large.”<sup>190</sup>

Notwithstanding general judicial skepticism of plaintiffs’ use-based claims of priority, not all allegations of use fell short. In a case in which the plaintiff’s sales apparently had been made only to consumers with personal relationships with the plaintiff’s principal (including the plaintiff’s attorney), the defendants claimed that the absence of conventional promotional efforts precluded the plaintiff from claiming priority.<sup>191</sup> The court acknowledged that the plaintiff’s actual sales had been “less than thoroughgoing,” but nevertheless noted that the plaintiff had established a website on which it promoted its mark in a conventional manner.<sup>192</sup> Because the website “place[d] the mark in the public domain, and it attache[d] the mark to [the plaintiff’s] services in a readily accessible manner,” the court ultimately held

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186. *Id.* at 958.

187. *See id.* at 960.

188. *See Keane v. Fox Television Stations, Inc.*, 297 F. Supp. 2d 921 (S.D. Tex. 2004).

189. *Id.* at 936.

190. *Id.* at 937.

191. *See Halo Mgmt., LLC v. Interland, Inc.*, 308 F. Supp. 2d 1019 (N.D. Cal. 2003).

192. *See id.* at 1033.

that the plaintiff “ha[d] used the mark in commerce sufficiently extensively to merit some manner of trademark protection.”<sup>193</sup>

### *b. Use-Based Geographic Territorial Rights*

Although hardly breaking new ground, the Fourth Circuit had the opportunity to confirm that common-law rights extend only into those areas in which the underlying mark has been used.<sup>194</sup> In doing so, the court vacated a nationwide injunction granted to an unregistered user whose use did not reach the entirety of the country. As it explained:

[T]he owner of common-law trademark rights in an unregistered mark is not entitled to injunctive relief in those localities where it has failed to establish actual use of the mark. . . . Accordingly, even though the senior user of an unregistered mark has established priority over a junior user through prior appropriation, injunctive relief is appropriate only in those areas where the senior user can show sufficient actual use.<sup>195</sup>

Because the record failed to establish the extent of the plaintiff’s actual use, the court remanded the action for a determination of the appropriate scope of the injunction.<sup>196</sup>

Another opinion demonstrated that mere accessibility of a plaintiff’s website will not create rights in geographic areas in which the plaintiff has never actually done business.<sup>197</sup> The plaintiff owner of the ECHO DRAIN mark was a Texas band whose music tended towards “progressive funk and groove with elements of heavy metal.”<sup>198</sup> Although lacking “a booking agent, promoter, personal manager, business manager, fan club, or roadies,” and notwithstanding an absence of performances outside of Texas, the band ambitiously set up a website at which its fans could access news and images and could post messages.<sup>199</sup> The website notwithstanding, however, the band’s challenge to a California-based group’s use of the ECHOBRAIN mark fell short when the court found that the band had “offer[ed] no evidence that it took affirmative steps or entertained realistic plans of expansion

193. *Id.* at 1034.

194. *See Emergency One, Inc. v. Am. Fire Eagle Engine Co.*, 332 F.3d 264, 67 U.S.P.Q.2d 1124 (4th Cir. 2003).

195. *Id.* at 269, 67 U.S.P.Q.2d at 1128.

196. *See id.* at 274, 67 U.S.P.Q.2d at 1132.

197. *See Echo Drain v. Newsted*, 307 F. Supp. 2d 1116, 68 U.S.P.Q.2d 1203 (C.D. Cal. 2003).

198. *Id.* at 1204.

199. *Id.* at 1205.

beyond the Dallas-Fort Worth area.”<sup>200</sup> With even the band’s members admitting that it was a local and not a national act, its rights did not extend beyond central Texas.<sup>201</sup>

Nevertheless, one opinion served as a useful reminder that, under certain circumstances, a plaintiff’s rights can extend into markets that it does not actually occupy.<sup>202</sup> Specifically, the “zone of natural expansion” can offer a plaintiff “breathing room” if it can demonstrate an imminent expansion into a disputed territory. As the court summarized the test governing this inquiry:

Considerations include: 1) the geographic distance from the senior user’s actual location to the perimeter of the claimed zone; 2) the nature of the business and the size of the senior user’s zones of market penetration and reputation; 3) the history of the senior user’s expansion and assessment as to when the senior user could potentially reach the zone he claims; and 4) whether it would take a “great leap forward” for the senior user to enter the zone (i.e., whether expansion into the claimed zone is the next logical step).<sup>203</sup>

Applying these factors, the court concluded that, although the plaintiff had plans for expansion, they did not include increasing its presence in the territory in question. Under these circumstances, the fact that the plaintiff actually had customers in the territory did not defeat the defendant’s entitlement to summary judgment.<sup>204</sup>

### 3. Distinctiveness

#### *a. Distinctiveness of Word Marks*

##### (1) Generic Terms

The leading opinion on genericism over the past year came in litigation that not only held the incontestably registered FREEBIES mark generic for “magazines and newspapers with information about mail order offerings,” but did so as a matter of law.<sup>205</sup> Rejecting the registrant’s claim that its registration in and of itself created a justiciable issue of fact, the Fourth Circuit further explained that:

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200. *Id.* at 1212.

201. *See id.*

202. *See Commerce Bancorp, Inc. v. BankAtlantic*, 285 F. Supp. 2d 475 (D.N.J. 2003).

203. *Id.* at 501.

204. *See id.* at 501-03.

205. *See Retail Servs. Inc. v. Freebies Publ’g*, 364 F.3d 535, 539, 70 U.S.P.Q.2d 1603, 1606 (4th Cir. 2004).



Evidence offered to rebut the presumption of validity may come from any number of sources, including purchaser testimony, consumer surveys, listings and dictionaries, trade journals, newspapers, and other publications. Other common sources include evidence of generic use by competitors, generic use of the term by the mark's owners, and use of the term by third parties in trademark registrations.<sup>206</sup>

Applying this standard, the court held that the district court properly had relied on extensive evidence of generic dictionary definitions of the registered mark, the registrant's own generic use of it, and massive third-party generic use. Against this backdrop of "one-sided" evidence,<sup>207</sup> the court rejected the registrant's argument that the products actually offered by the registrant were not "freebies" themselves, but instead publications about freebies. As it explained, "[e]ven though [the registrant] do[es] not directly distribute free products, or 'freebies,' [its] business nonetheless revolves around 'freebies' in the generic sense of the word."<sup>208</sup>

Another noteworthy opinion served as a useful reminder that trade dress can be as generic and therefore unprotectable as word marks.<sup>209</sup> The plaintiff was a manufacturer of fish-shaped gummy candy that sought to enjoin competing candy manufactured by the defendants. Rejecting the plaintiff's claims of distinctiveness, the court held on the defendants' motion for summary judgment that "animal-shaped gummy candy is common in the candy industry."<sup>210</sup> Moreover, the plaintiff had failed for three decades to police use of its claimed design, with the result that there was "voluminous evidence showing that numerous third-party manufacturers and distributors in the industry have sold gummyfish-shaped candy that is virtually indistinguishable" from that sold by the plaintiff.<sup>211</sup> As a consequence, the claimed design was generic as a matter of law.<sup>212</sup>

A California district court offered additional guidance on the nature of the inquiry into whether a mark is generic.<sup>213</sup> The court's focus was the relevant point in time at which to examine whether the plaintiff's claimed mark was generic: The plaintiff argued that the term's significance should be measured at the present time,

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206. *Id.* at 544, 70 U.S.P.Q.2d at 1610 (internal quotation marks and citations omitted).

207. *See id.* at 546, 70 U.S.P.Q.2d at 1612.

208. *Id.* at 547, 70 U.S.P.Q.2d at 1613.

209. *See Malaco Leaf AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355 (S.D.N.Y. 2003).

210. *Id.* at 364.

211. *Id.*

212. *See id.* at 365.

213. *See Microsoft Corp. v. Lindows.com Inc.*, 69 U.S.P.Q.2d 1863 (W.D. Wash. 2004).

while the defendant argued that the proper point of reference was the date on which the plaintiff had first used the term. Siding with the defendant, the court refused to instruct the jury that the plaintiff's claimed mark could have achieved protectability even if it had been generic when first adopted.<sup>214</sup>

Three opinions rejected the theory that the genericness of marks can be determined on early motions to dismiss. In the first, the court properly noted that where a mark should be placed on the spectrum of distinctiveness is a question of fact.<sup>215</sup> Because resolution of this question would require consideration of materials beyond the scope of the complaint, the defendants' motion was an inappropriate vehicle to place the issue before the court.<sup>216</sup> Indeed, the defendants' attempt to rely on extraneous Internet search results in support of their motion proved the point.<sup>217</sup>

The second case reached the identical result.<sup>218</sup> As the court explained of the categories of evidence that properly should be taken into account in the genericness analysis:

The[] factors include: (1) generic use of the term by competitors which plaintiff has not challenged or generic use by plaintiff himself; (2) dictionary definitions, which may be relevant while not dispositive; (3) generic usage in trade journals or newspapers; (4) testimony of persons in the trade; and (5) consumer surveys. . . . [B]ecause they require the evaluation of evidence beyond the pleadings, these factors are not helpful in the context of the instant Rule 12(b)(6) motion [to dismiss].<sup>219</sup>

Although ultimately not resolving the issue of whether a plaintiff's claimed stylized IMARKETING NEWS mark was generic for a newspaper about Internet marketing, the Second Circuit in the third opinion offered some observations on the proper treatment of composite marks on the spectrum of distinctiveness.<sup>220</sup> As the appellate court saw the matter, the district court erred when it dismissed the plaintiff's complaint on a Rule 12 motion without considering the effect of the stylized elements of the mark: "[w]hether a composite mark, which must be treated as a whole for classification purposes, is generic presents

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214. *See id.* at 1864.

215. *See Educ. Tours Inc. v. Hemisphere Travel Inc.*, 70 U.S.P.Q.2d 1797, 1798 (N.D. Ill. 2004).

216. *See id.* at 1798.

217. *See id.*

218. *See Novak v. Overture Servs.*, 309 F. Supp. 2d 446 (E.D.N.Y. 2004).

219. *Id.* at 457-58 (citation omitted).

220. *See Courtenay Communications Corp. v. Hall*, 334 F.3d 210, 67 U.S.P.Q.2d 1210 (2d Cir. 2003).

an issue of fact that cannot be resolved on the pleadings.”<sup>221</sup> In reaching this conclusion, the court relied heavily on Trademark Trial and Appeal Board jurisprudence, from which it drew “many examples of legally protected marks that combine generic words with distinctive lettering, coloring, or other design elements.”<sup>222</sup>

Consistent with the difficulty in evaluating claims of genericness on motions to dismiss, several courts displayed a reluctance to do so on defendants’ motions for summary judgment. For example, one set of defendants in a trade dress dispute alleged that the plaintiff had allowed its design to become generic through its failure to police third-party imitations of the design.<sup>223</sup> The court acknowledged that “[c]ommon usage may render trade dress that was once distinctive generic if, by virtue of the use, the dress can no longer be understood to represent a source of the product.”<sup>224</sup> Although the defendants therefore were entitled to advance their claim of genericness, it necessarily was linked to their ability to show that the trade dress lacked secondary meaning: “[S]imply pointing to the existence of other [imitators] is not sufficient to establish that there is no question that the trade dress is generic.”<sup>225</sup>

## (2) Descriptive Marks

Findings of descriptiveness were few and far between over the past year. Perhaps the most dubious classification of a mark as descriptive came in a case in which rights to the MARCH MADNESS mark for high school and college basketball tournaments were at issue.<sup>226</sup> In rejecting the defendants’ genericness-based attack on the plaintiff’s mark, the court first explained that “[p]utting march and madness together, it is reasonable to assume that the phrase would refer to something mad in March.” It then concluded, however, that “there is nothing inherent in the phrase . . . which would lead one who had never heard the term before to understand that it relates to basketball tournaments. . . . Comprehension of the meaning of the phrase . . . requires imagination. . . .”<sup>227</sup> Assuming that imagination was indeed necessary to understand the meaning of the mark, of

221. *Id.* at 215, 67 U.S.P.Q.2d at 1214.

222. *Id.* at 216, 67 U.S.P.Q.2d at 1214.

223. *See New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195 (D. Conn. 2004).

224. *Id.* at 210 (internal quotation marks omitted).

225. *Id.*

226. *See March Madness Athletic Ass’n v. Netfire, Inc.*, 310 F. Supp. 2d 786 (N.D. Tex. 2003).

227. *Id.* at 802.

course, the better course of action would have been to find the mark suggestive.

In a more easily justifiable outcome, the Sixth Circuit upheld a finding as a matter of law that the LAWOFFICES.NET mark was merely descriptive of an online database of attorneys.<sup>228</sup> The plaintiff argued that the absence of a physical law office associated with the plaintiff's services rendered the mark an inherently distinctive one, but the appellate court was unconvinced:

When potential clients think of the services that they would obtain from a lawyer in a law office, they certainly envision referrals to specialists, advice on lawyers in other jurisdictions, and other legally-related advice. The fact that Plaintiff (and Defendant) can now provide the same service without a client actually going to a physical office does not change the meaning of the term "law office."<sup>229</sup>

That the plaintiff provided such non-legal services as domain name sales, website hosting, and vanity email under its mark did not affect the court's analysis.<sup>230</sup>

Some findings of descriptiveness were straightforward and merited little discussion by the courts making them. For example, hearing a dispute between two restaurants operating under the BRENNAN surname, the Second Circuit held that "[a] proper name . . . is descriptive because it does not by itself identify a product. . . ."<sup>231</sup> A district court in that jurisdiction similarly held that a sake room named after the last name of the restaurant's resident chef, Mr. Ono, also was unprotectable in the absence of secondary meaning.<sup>232</sup> Likewise, another court hearing an action brought by the owner of the federally registered MONTHLY PRESCRIBING REFERENCE mark concluded that it was "a weak descriptive mark, particularly when used to describe a monthly publication of drugs that are prescribed by doctors."<sup>233</sup> The SPACE BALLS mark for thermoplastic spheres used in the cabinetry business was similarly found descriptive after it became apparent that the spheres' function was to occupy space in wooden door expansion joints.<sup>234</sup> Finally, one court found the mark USA 2003 to

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228. *See DeGidio v. West Group Corp.*, 355 F.3d 506, 69 U.S.P.Q.2d 1538 (6th Cir.), *cert. denied*, 124 S. Ct. 2842 (2004).

229. *Id.* at 511-12, 69 U.S.P.Q.2d at 1542.

230. *See id.* at 512, 69 U.S.P.Q.2d at 1542.

231. *Brennan's Inc. v. Brennan's Rest. LLC*, 360 F.3d 125, 131, 69 U.S.P.Q.2d 1939, 1943 (2d Cir. 2004).

232. *See Mkt. Corner Realty Assocs. v. CGM-GH LLC*, 317 F. Supp. 2d 485, 486-87 (W.D.N.Y. 2004).

233. *Med. Econs. Co. v. Prescribing Reference Inc.*, 294 F. Supp. 2d 456, 463, 70 U.S.P.Q.2d 1130, 1135 (S.D.N.Y. 2003).

234. *See Lopes v. Int'l Rubber Distribs.*, 309 F. Supp. 2d 972, 983 (N.D. Ohio 2004).

be merely descriptive of various goods and services associated with the 2003 Women's World Cup soccer competition held in the United States: As the court explained, "USA 2003' simply identifies the country in which the World Cup is being played along with the year in which the event is taking place."<sup>235</sup>

### (3) Suggestive Marks

Discussions of the suggestiveness of particular marks increased in number over the past year.<sup>236</sup> One opinion reaching such a conclusion was a scholarly tome that dissected the rule that personal names necessarily are descriptive terms and held it inapplicable to situations in which they are applied to inanimate objects not connected to anyone having that particular name.<sup>237</sup> The plaintiff's mark was NILES, used in connection with a camel-shaped plush toy. Reversing the district court's requirement that the plaintiff show secondary meaning for its mark, the appellate court held that the mark was, in fact, suggestive. The court's analysis focused on the absence of any evidence that the toy camel would go into business: "[The plaintiff's] appropriation of the name 'Niles' for its camel is not preventing some hapless camel in the Sahara Desert who happens to be named 'Niles' from going into the water-carrier business."<sup>238</sup> Accordingly, "the rationale of the personal-name rule is wholly inapplicable to this case."<sup>239</sup>

With less analysis, another opinion reached the same conclusion about the distinctiveness of the SVETLANA mark for vacuum tubes that glowed faintly when used.<sup>240</sup> As pointed out on a website operated by the plaintiff's predecessor in interest, the mark was a woman's name derived from the Russian word for light. This led the court to observe that "[w]ith some imagination, the consumer may connect the suggestion of light with vacuum tubes. . . . These tubes appear to be made of a clear material with an interior that glows when power is attached, vaguely resembling

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235. See *Fed'n Internationale de Football Ass'n v. Nike Inc.*, 285 F. Supp. 2d 64, 69, 68 U.S.P.Q.2d 1849, 1852 (D.D.C. 2003).

236. See, e.g., *Deal LLC v. Korangy Publ'g Inc.*, 69 U.S.P.Q.2d 1775, 1781 (S.D.N.Y. 2004) (finding the federally registered THE DAILY DEAL and THE DEAL marks for business publications suggestive because they "do not immediately convey to the purchaser that the product is a news publication dedicated to the coverage of financial and legal news").

237. See *Peaceable Planet Inc. v. Ty Inc.*, 362 F.3d 986, 70 U.S.P.Q.2d 1386 (7th Cir.), cert. denied, 125 S. Ct. 275 (2004).

238. *Id.* at 990, 70 U.S.P.Q.2d at 1389.

239. *Id.*, 70 U.S.P.Q.2d at 1390.

240. See *New Sensor Corp. v. CE Distrib. LLC*, 303 F. Supp. 2d 304 (E.D.N.Y. 2004).

a light bulb.”<sup>241</sup> Thus, “the mark is not entirely arbitrary or fanciful, but suggestive.”<sup>242</sup>

In another case, the suggestiveness of the WET ONES mark for premoistened wipes was fiercely disputed in one case on the parties’ cross-motions for summary judgment.<sup>243</sup> Although the plaintiff owned an incontestable registration, the defendant sought to establish the mark’s descriptiveness in the course of questioning its strength in the likelihood of confusion analysis. The court was unimpressed with this strategy, holding instead that the mark was suggestive “in that it does not name the product in any way, but merely suggests the qualities of wipes. While the phrase WET ONES is logically related to the wipes it names, it conjures up any number of other products and requires some thought to realize the nature of the product.”<sup>244</sup>

Faced with the need to place the ECHO DRAIN mark for a rock group on the spectrum of distinctiveness, another court relied heavily on the testimony of the group’s members in finding the mark suggestive.<sup>245</sup> According to one member, the band’s name was intended to invoke “[t]he image of swirling sounds, of echoing the various styles of music we create, and maybe a drain that kind of pulls it all together.”<sup>246</sup> This and similar observations, the court held, established “an intrinsic connection” between the mark and the music that rendered the mark a suggestive one.<sup>247</sup>

Etymology came into play in an opinion finding the mark JUVA to be suggestive of spa services.<sup>248</sup> Acknowledging that “the word ‘Juva’ by itself has no dictionary meaning, nor does it describe a health and beauty spa,” the court saw the issue as whether the mark was suggestive or fanciful.<sup>249</sup> It observed that:

the prefix “juv” appears in words derived from the Latin “juvenis,” meaning “youth,” including “rejuvenate” and “juvenile.” Therefore, the term “Juva” can be said to bear some relationship to the rejuvenating qualities associated with a spa. Connecting the name to the spa services requires imagination, but the Juva mark is not sufficiently fanciful to

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241. *Id.* at 311.

242. *Id.*

243. *See Playtex Prods. Inc. v. Ga.-Pac. Inc.*, 67 U.S.P.Q.2d 1923 (S.D.N.Y. 2003), *aff’d*, 390 F.3d 158, 73 U.S.P.Q.2d 1127 (2d Cir. 2004).

244. *Id.* at 1928.

245. *See Echo Drain v. Newsted*, 307 F. Supp. 2d 1116, 68 U.S.P.Q.2d 1203 (C.D. Cal. 2003).

246. *Id.* at 1124, 68 U.S.P.Q.2d at 1208.

247. *See id.*, 68 U.S.P.Q.2d at 1208.

248. *See Katz v. Modiri*, 283 F. Supp. 2d 883 (S.D.N.Y. 2003).

249. *Id.* at 893.

be classified as such. Therefore, the Court finds the mark to be suggestive. . . .<sup>250</sup>

If a mark's constituent words are individually suggestive, their combination may be even more so.<sup>251</sup> In an action to protect the mark BOWFLEX for exercise machines using resilient rods, the court noted that "'Bow' suggests the resilient rods, and 'Flex' suggests an exercise machine."<sup>252</sup> Not surprisingly, it ultimately held that "BowFlex is a suggestive mark" because "'BowFlex' certainly does not 'describe' the [plaintiff's] exercise machine like the term 'Rod Exerciser' would."<sup>253</sup>

Perhaps the most strained finding of suggestiveness over the past year came in a case brought by the owner of the 1-800-CONTACTS mark for contact lenses available through a toll-free telephone number.<sup>254</sup> The court might well have concluded that the mark was descriptive, but the plaintiff's identification of alternative definitions of the word "contacts" saved the day: Because "it . . . take[s] some imagination to grasp that what Plaintiff markets is contact lenses (as opposed to electrical contacts or business contacts), the mark suggests Plaintiff's product."<sup>255</sup>

#### (4) Arbitrary or Fanciful Marks

Consistent with the trend over the past few years, relatively few courts expressly found marks before them to be arbitrary or fanciful. One court that did reach such a finding was presented with the plaintiffs' use of a horse design described as a "rampant colt" in connection with several models of revolvers they manufactured and sold.<sup>256</sup> Taking issue with the plaintiffs' claims of inherent distinctiveness, the defendants argued that horse designs were frequently used by participants in the western style firearm industry. The court was unconvinced, concluding that "this is a mark that is in no way descriptive and taken on its own is arbitrary or fanciful" and that "[t]he mere use of a horse in a mark is not sufficient to weaken all other marks that involve horses."<sup>257</sup>

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250. *Id.*

251. See *Nautilus Group v. Icon Health & Fitness, Inc.*, 308 F. Supp. 2d 1208 (W.D. Wash. 2003), *aff'd*, 372 F.3d 1330, 71 U.S.P.Q.2d 1173 (9th Cir. 2004).

252. *Id.* at 1212.

253. *Id.*

254. See *1-800 Contacts Inc. v. WhenU.com*, 309 F. Supp. 2d 467, 69 U.S.P.Q.2d 1337 (S.D.N.Y. 2003).

255. *Id.* at 495, 69 U.S.P.Q.2d at 1358.

256. See *New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195 (D. Conn. 2004).

257. *Id.* at 229.

Other findings of arbitrariness or fancifulness were made without extended analysis. For example, one court attempting to place the plaintiff's HALO mark for Internet- and computer-related goods and services on the spectrum of distinctiveness concluded that "the 'HALO' mark would seem to fall within the category of 'arbitrary or fanciful' marks, i.e., the 'strongest' of all mark categories."<sup>258</sup>

## *b. Distinctiveness of Trade Dresses*

### (1) Colors

Although the Supreme Court has held that individual colors cannot qualify as inherently distinctive brand signals,<sup>259</sup> the Court's failure to indicate whether this rule applies to *combinations* of colors led to two courts adopting divergent approaches to the issue. In one opinion, the court declined to accept a plaintiff's claim of inherent distinctiveness for a combination of the colors green and yellow for farm equipment.<sup>260</sup> Rather, and without extended analysis, it required the plaintiff to show that the combination had acquired secondary meaning.<sup>261</sup>

Another opinion was more sympathetic to claims of inherent distinctiveness for a color combination.<sup>262</sup> The plaintiff was Gateway, a computer manufacturer that made extensive use of a stylized black-and-white design deliberately reminiscent of cattle. Although the design was covered by an incontestable registration, the court nevertheless saw fit to address its distinctiveness. No harm was done, however, as the court concluded that "[a] combination of colors together with a distinctive arbitrary design . . . may serve as a trademark."<sup>263</sup> On appeal, the Eighth Circuit dodged the issue altogether, choosing instead to affirm the district court's finding that the combination was protectable because it had acquired secondary meaning.<sup>264</sup>

### (2) Product Designs

In the wake of the Supreme Court's decision in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*,<sup>265</sup> claims of inherent distinctiveness

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258. *Halo Mgmt., LLC v. Interland, Inc.*, 308 F. Supp. 2d 1019, 1037 (N.D. Cal. 2003).

259. *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 34 U.S.P.Q.2d 1161 (1995).

260. *See Deere & Co. v. MTD Holdings Inc.*, 70 U.S.P.Q.2d 1009 (S.D.N.Y. 2004).

261. *See id.* at 1018.

262. *See Gateway Inc. v. Companion Prods. Inc.*, 68 U.S.P.Q.2d 1407 (D.S.D. 2003), *aff'd*, 384 F.3d 503 (8th Cir. 2004).

263. *Id.* at 1410.

264. *See Gateway Inc. v. Companion Prods. Inc.*, 384 F.3d 503, 508 (8th Cir. 2004).

265. 529 U.S. 205, 54 U.S.P.Q.2d 1065 (2000).



for product designs (understandably) have been rare.<sup>266</sup> In a case involving allegations of the copying of an “undulating curve” feature of the decorative front for an air conditioning unit, the plaintiff argued that the front was in reality the packaging for the product, rather than the product itself.<sup>267</sup> The court had little difficulty disposing of this improbable theory, holding instead that the plaintiff was required to demonstrate secondary meaning for the feature to qualify for relief.<sup>268</sup>

Nevertheless, one court appeared to uphold the protectability of a product feature on the theory that the feature was inherently distinctive.<sup>269</sup> The claimed design was the hook on a hanger of lingerie products, which was covered by a federal trademark registration. Although the plaintiff had applied to register its design prior to *Wal-Mart*, the registration itself issued several months after the decision. Curiously, the United States Patent and Trademark Office (USPTO) issued the registration without a showing of secondary meaning, and this led the court to conclude that horizontal grooves incorporated into the hook “are an arbitrary flourish that are inherently distinctive and properly the subject of a valid trademark.”<sup>270</sup>

### (3) Packaging

The distinctiveness of packaging-based trade dress claims was an infrequently litigated issue over the past year. One court to address the issue found without extended analysis that a cigar band featuring a yellow field, a black-and-white checkerboard field, and the plaintiff’s verbal brand straddling the two was inherently distinctive.<sup>271</sup>

### (4) *Tertia Quid*

Since the Supreme Court’s refusal to disturb a finding of inherent distinctiveness for the pedestrian restaurant trade dress at issue in *Two Pesos, Inc. v. Taco Cabana, Inc.*,<sup>272</sup> findings that building interiors are *not* inherently distinctive have been the exceptions to the rule. Nevertheless, an opinion entered summary

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266. See *Malaco Leaf AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355, 363 (S.D.N.Y. 2003) (“As opposed to other types of trade dress, such as packaging trade dress, a trade dress based on the design of a product can never be inherently distinctive.”).

267. See *Fedders Corp. v. Elite Classics*, 67 U.S.P.Q.2d 1169 (S.D. Ill. 2003).

268. See *id.* at 1175.

269. See *Spotless Enters. v. A & E Prods. Group*, 294 F. Supp. 2d 322 (E.D.N.Y. 2003).

270. *Id.* at 351.

271. See *Empresa Cubana Del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1651, 1689 (S.D.N.Y. 2004).

272. 505 U.S. 763, 23 U.S.P.Q.2d 1081 (1992).

judgment of nonliability on the plaintiff's claims to the trade dress protection of a deli-style food center when the plaintiff was unable to prove secondary meaning.<sup>273</sup> The plaintiff's alleged trade dress consisted of such routine items as (1) a front counter, (2) photographs of its products on the menu boards, (3) the design and content of the menu itself, (4) a deli table with adjustable legs and a sneeze guard, (5) an AMANA microwave, (6) table tents, (7) posters, (8) frequent buyer cards, (9) awnings and exterior signage, and (10) uniforms consisting of polo shirts, baseball hats, sweatshirts, and aprons.<sup>274</sup> In rejecting the proposition that even the combination of these elements could constitute inherently distinctive trade dress, the court noted that "we are compelled to find that [the plaintiff's] product identifies itself. The total look . . . was created with the type of products to be sold and the locations of those sales, in mind."<sup>275</sup>

### *c. Secondary Meaning Determinations*

#### **(1) Cases Declining to Find Secondary Meaning**

Although the title of a single artistic work may become protectable as a mark once it achieves secondary meaning, the rules governing the inquiry into acquired distinctiveness in this context are no less strict than they are where word marks are concerned. In one case demonstrating this principle, the producers of a motion picture entitled *Brotherhood* challenged the defendants' national broadcast of a television series under the name *The Brotherhood of Poland, New Hampshire*.<sup>276</sup> In evaluating the plaintiffs' claims of secondary meaning, the court applied a multi-factor test, examining: (1) the length and meaning of the mark's use; (2) the nature and extent of advertising featuring the mark; (3) the plaintiffs' efforts to promote a conscious connection between the mark and the product's source; (4) the place of the associated goods in the marketplace; and (5) proof of intentional copying of the mark.<sup>277</sup>

Under an application of this test, the plaintiffs' claims were singularly deficient. Although the plaintiffs sought to rely upon a series of affidavits, the court declined to accept the affidavits as substitutes for survey evidence, particularly as the documents were conclusory in nature and featured suspiciously similar testimony. The court was equally unconvinced by the plaintiffs'

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273. See *Goddard, Inc. v. Henry's Foods, Inc.*, 291 F. Supp. 2d 1021 (D. Minn. 2003).

274. See *id.* at 1043-44.

275. *Id.* at 1044.

276. See *MJM Prods. v. Kelley Prods. Inc.*, 68 U.S.P.Q.2d 1131 (D.N.H. 2003).

277. See *id.* at 1136.

allegations of intentional copying, which were grounded in the defendants' failure to discontinue their use upon receiving the plaintiffs' objections, rather than any demonstrated actual imitation of the plaintiffs' mark. Most compelling, however, were the facts that the plaintiffs' film had been finished for only six months before the defendants chose the name for their series and had been screened only twice during that time—what's more, both the screenings had been free.<sup>278</sup>

A multi-factor test also played a role in the Sixth Circuit's affirmance of a finding that the plaintiff's mark lacked secondary meaning as a matter of law.<sup>279</sup> The court identified seven factors that merited consideration in the evaluation of the plaintiff's claims of distinctiveness: (1) direct consumer testimony; (2) consumer surveys; (3) exclusivity, length, and manner of the mark's use; (4) the amount and manner of the plaintiff's advertising; (5) the amount of the plaintiff's sales and number of customers; (6) the plaintiff's established place in the market; and (7) proof of intentional copying by the defendant.<sup>280</sup> To address the first of these factors, the plaintiff submitted affidavits of three consumers who had visited its website, but this testimony failed to state that the affiants associated the claimed mark exclusively with the plaintiff's services. With the plaintiff able to muster evidence of only \$2,500 in advertising expenditures and only \$200 in revenue, and in the absence of any documentation of the plaintiff's market share, its allegations of acquired distinctiveness fell far short of the mark.<sup>281</sup>

In another case, the plaintiff unsuccessfully relied on its past uses of other marks in lieu of evidence of sales and consumer recognition of the particular mark it actually was asserting.<sup>282</sup> The organizer of the 2003 Women's World Cup soccer competition, the plaintiff sought to protect the USA 2003 mark for various goods and services against the defendant's use of USA 03 for apparel and in connection with an Internet website. The plaintiff approached the issue of distinctiveness in somewhat cavalier fashion, failing to introduce evidence of sales, advertising, or consumer recognition of the mark at issue. Instead, it apparently relied on its past use of other "country-name-plus-year-of-event marks," but failed to introduce evidence that even those marks had achieved secondary meaning. Not surprisingly, the court was unimpressed, holding

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278. *See id.* at 1136-37.

279. *See DeGidio v. West Group Corp.*, 355 F.3d 506, 69 U.S.P.Q.2d 1538 (6th Cir.), *cert. denied*, 124 S. Ct. 2842 (2004).

280. *See id.* at 513, 69 U.S.P.Q.2d at 1542.

281. *See id.* at 513-14, 69 U.S.P.Q.2d at 1543.

282. *See Fed'n Internationale de Football Ass'n v. Nike Inc.*, 285 F. Supp. 2d 64, 68 U.S.P.Q.2d 1849 (D.D.C. 2003).

that “because [the plaintiff] has offered nothing to show that these previous efforts actually have created secondary meanings, this historical practice does little to demonstrate the success of its efforts to do so here.”<sup>283</sup>

Likewise, summary judgment of nonliability resulted in another case in which the plaintiff failed to offer evidence bearing on consumers’ actual perception of the plaintiff’s claimed trade dress.<sup>284</sup> Instead, the plaintiff relied on circumstantial evidence of acquired distinctiveness, but its showing was considerably weakened by its failure to present a uniform image to consumers. Specifically, the court discounted the plaintiff’s sales and advertising figures because the lack of uniformity made it impossible to tie those figures to any particular iteration of the claimed trade dress. As the court explained, “[the plaintiff’s] failure to consistently employ its own claimed trade dress fatally undermines any such finding [of secondary meaning].”<sup>285</sup>

A claim of acquired distinctiveness for the configuration of a dental implant similarly fell short as a matter of law when the plaintiff was unable to adduce evidence of “look for” advertising encouraging consumers to rely upon the design’s features as indicators of origin.<sup>286</sup> Although the plaintiff had the benefit of ten years’ worth of use of its design and \$12.1 million worth of advertising expenses, the court noted that “[a]dvertising and marketing expenses are truly probative of secondary meaning only when they encourage consumers to make the connection between a product feature and the origin of the product, i.e., when a manufacturer’s promotion of its device tells consumers to ‘look for’ a specific feature as indicative of source.”<sup>287</sup> The court was even less impressed with the plaintiff’s allegations that the defendant had deliberately imitated the plaintiff’s design, as “[i]ntent to copy plays a negligible role in a product *design* case. . . .”<sup>288</sup> Summary judgment in the defendant’s favor resulted.<sup>289</sup>

Although geography rarely enters into most disputes over the distinctiveness of the plaintiff’s mark, it did so in the attempt of one plaintiff to enforce its rights in a region of the country in which it historically had not been active.<sup>290</sup> The plaintiff operated primarily in the four states of New Jersey, New York, Delaware,

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283. *Id.* at 70, 68 U.S.P.Q.2d at 1853.

284. *See Goddard, Inc. v. Henry’s Foods, Inc.*, 291 F. Supp. 2d 1021 (D. Minn. 2003).

285. *Id.* at 1049.

286. *See Straumann Co. v. Lifecore Biomedical Inc.*, 278 F. Supp. 2d 130 (D. Mass. 2003).

287. *Id.* at 139.

288. *Id.*

289. *See id.* at 140.

290. *See Commerce Bancorp, Inc. v. BankAtlantic*, 285 F. Supp. 2d 475 (D.N.J. 2003).

and Pennsylvania, while the defendant was located in eight counties of Florida. Notwithstanding the presence of some 3,500 of the plaintiff's customers in Florida, the court was unwilling to accord probative weight to evidence of distinctiveness accruing outside of the state. Rather, in entering summary judgment in the defendant's favor, it observed that "[t]here is no evidence that plaintiff made meaningful or purposeful advertising efforts [in] the Florida region, where defendant began using [the challenged mark] and primarily conducts business and promotes its services in connection with the mark."<sup>291</sup>

One case declined to find secondary meaning for the plaintiff's claimed packaging trade dress without an extended discussion of the evidence before it.<sup>292</sup> Nevertheless, it did identify generally the considerations it took into account when reaching its decision:

Factors considered in assessing whether trade dress has acquired secondary meaning include length and manner of use, nature and extent of advertising and promotion, efforts to promote a conscious connection in the public's mind between the trade dress and the product, and the extent to which the public actually identifies the trade dress with the product.<sup>293</sup>

## (2) Cases Finding Secondary Meaning

Four noteworthy opinions found secondary meaning following full trials on the merits. In the first, a Second Circuit district court identified the following categories of evidence as relevant to the evaluation of claims of acquired distinctiveness in that jurisdiction: (1) the plaintiff's advertising expenditures; (2) consumer studies linking the mark to the plaintiff; (3) unsolicited media advertising; (4) the plaintiff's sales success; (5) attempts to plagiarize the mark; and (6) the length and exclusivity of the plaintiff's use of the mark.<sup>294</sup> The court's application of these factors was novel in light of the plaintiff's absence from the U.S. market as a result of the Cuban trade embargo, a consideration that the court concluded rendered sales and advertising evidence "of minimal relevance"—an analysis that inexplicably placed the plaintiff in a better position than if it had enjoyed an actual, but modest, presence in this country. More convincing was reliance by the court on the plaintiff's evidence of widespread brand recognition (much of it compiled by the defendants), and unsolicited media coverage of the

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291. *Id.* at 491.

292. *Hi-Tech Pharms., Inc. v. Herbal Health Prods., Inc.*, 311 F. Supp. 2d 1353, 1357 (N.D. Ga. 2004).

293. *Id.* at 1357.

294. *See Empresa Cubana Del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650 (S.D.N.Y. 2004).

plaintiff, as well as the defendants' clear intent to misappropriate the goodwill associated with the plaintiff's mark.<sup>295</sup>

In the second opinion, the court reached a finding of secondary meaning for a personal name mark by examining: (1) the length and manner of the mark's use; (2) the nature and extent of the mark's advertising and promotion; (3) efforts by the mark's owner to promote a conscious connection in the public's mind between the mark and the owner's goods; and (4) the extent to which the public actually identifies the mark with the plaintiff's goods.<sup>296</sup> The court did not review the evidence under each factor *seriatim*; nevertheless, the record apparently included over two decades worth of the mark's use, substantial advertising expenditures, favorable publicity, and testimony from other industry participants of the mark's fame.<sup>297</sup> Consequently, although the mark was unregistered, it was a strong one entitled to broad protection.<sup>298</sup>

The third opinion finding that the plaintiffs' mark had acquired distinctiveness noted that there was "no definitive list of criteria used to determine secondary meaning."<sup>299</sup> Nevertheless, it went on to consider the plaintiffs' showing under the following factors: (1) the duration and continuity of use of the claimed mark; (2) the extent of advertising and promotion of the mark; (3) sales figures for the plaintiffs' goods or the numbers of individuals otherwise viewing them; and, rather oddly, (4) the identification of the parties' respective markets.<sup>300</sup> Applying this standard, the court explained that "[t]he relevant inquiry is not whether the general public associates a name with a product or a source, but rather whether the relevant buyer class does."<sup>301</sup>

In the fourth case, the plaintiff was able to rely on survey evidence of distinctiveness that the court found credible.<sup>302</sup> Going beyond this, however, the plaintiff also introduced "many media uses" of the mark as a mark, including uses in crossword puzzles in both the *New York Times* and *USA Today*. When coupled with

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295. *See id.* at 1679-82.

296. *See Turner Greenberg Assocs. v. C & C Imports, Inc.*, 320 F. Supp. 2d 1317, 1331 (S.D. Fla. 2004).

297. *See id.* at 1321, 1331.

298. *See id.* at 1331.

299. *Partido Revolucionario Dominicano (PRD) Seccional Metropolitana de Washington-DC, Md. y Va. v. Partido Revolucionario Dominicano Seccional de Md. y Va.*, 312 F. Supp. 2d 1, 12 (D.D.C. 2004).

300. *Id.* at 12-13.

301. *Id.* at 13 (internal quotation marks omitted).

302. *See March Madness Athletic Ass'n v. Netfire, Inc.*, 310 F. Supp. 2d 786 (N.D. Tex. 2003).

testimony by a third party of the public's association of the claimed mark with the plaintiff, these showings carried the day.<sup>303</sup>

Not all cases required full trials on the merits to accept plaintiffs' claims of acquired distinctiveness<sup>304</sup> and, indeed, one state appellate court opinion reversed a trial court finding of no secondary meaning as a matter of law.<sup>305</sup> The counterclaim plaintiff's unregistered mark was a surname that, as the court properly noted, required a showing of acquired distinctiveness to be protected. Holding that the trial court had erred in entering summary judgment in the counterclaim defendant's favor, the appellate court noted that the counterclaim plaintiff had enjoyed millions of dollars worth of sales in multiple locations over a three-decade period. Moreover, the counterclaim plaintiff's advertising expenditures averaged \$450,000 each year. With the counterclaim defendant failing to show the existence of a material factual dispute over the distinctiveness of the counterclaim plaintiff's mark, judgment as a matter of law was appropriate in favor of the counterclaim plaintiff, and not the counterclaim defendant.<sup>306</sup>

### (3) Secondary Meaning Yet to Be Determined

Because the existence (or nonexistence) of secondary meaning is a question of fact, conflicting record evidence often leads courts to defer resolution of whether a claimed mark has acquired distinctiveness until a full trial on the merits.<sup>307</sup> In one case in which the plaintiff sought to protect the overall design of a revolver, the court looked to the following factors when evaluating the parties' cross-motions for summary judgment: (1) the plaintiff's advertising expenditures; (2) consumer studies linking the appearance of the plaintiff's product to the plaintiff; (3) sales success; (4) unsolicited media coverage of the product; (5) attempts to plagiarize the product's appearance; and (6) the length and exclusivity of use of the product's appearance.<sup>308</sup> Although the plaintiff had allegedly been selling its weapon since 1872, its evidence of advertising was surprisingly modest, leading the court to conclude that the first factor was in dispute. Moving on through

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303. *See id.* at 803-04.

304. *See, e.g., Deere & Co. v. MTD Holdings Inc.*, 70 U.S.P.Q.2d 1009, 1017-18 (S.D.N.Y. 2004) (finding secondary meaning in context of plaintiffs' motion for preliminary injunction).

305. *See Alexander Ave. Kosher Rest. Corp. v. Dragoon*, 762 N.Y.S.2d 101 (App. Div. 2003).

306. *See id.* at 103-04.

307. *See, e.g., Go Med. Indus. v. Inmed Corp.*, 300 F. Supp. 2d 1297, 1313 (N.D. Ga. 2003); *Yurman Design, Inc. v. Golden Treasure Imports, Inc.*, 275 F. Supp. 2d 506, 514 (S.D.N.Y. 2003).

308. *See New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195, 206 (D. Conn. 2004).

the list of remaining factors, the court adopted a restrictive view of the record, concluding, *inter alia*, that the plaintiff's evidence of actual confusion was not relevant to its claims of secondary meaning, and that third-party imitations of the plaintiff's design placed into dispute the significance of the plaintiff's sales success and exclusivity of use.<sup>309</sup> Most interesting of all, however, was the court's conclusion that unsolicited media coverage of the plaintiff's design dating back six decades was less probative than more recent coverage.<sup>310</sup> In any case, however, the court concluded that the issue of secondary meaning could not be decided as a matter of law.<sup>311</sup>

Evaluating one plaintiff's attempt to protect the configurations of doll "sculpts" of baby hands, feet and heads, another court noted that:

Factors such as direct consumer testimony, consumer surveys, length and manner of use, amount and manner of advertising, volume of sales, place in the market and proof of intentional copying have been utilized by courts as a guide in determining whether or not a product should be accorded a secondary meaning.<sup>312</sup>

Applying this standard in the context of the defendant's motion for summary judgment, the court was disturbed by the plaintiff's failure to offer direct evidence of consumers' perceptions of the doll parts. Nevertheless, the court held that the plaintiff had created a justiciable issue of fact through showings of its advertising and sales figures, recognition of the designs within the trade, and intentional copying by the defendant. Accordingly, the court held that the plaintiff was entitled to present its evidence of distinctiveness to the jury.<sup>313</sup>

Another court hearing a product design trade dress case was even less demanding.<sup>314</sup> The product in question was an electrical ground fault interrupting system, a device unlikely to be regarded as a brand signal and, indeed, the plaintiff apparently had never promoted it as one. Rather, it simply relied on evidence of alleged copying in response to the defendant's motion for summary judgment. The court was convinced that this created a justiciable issue of fact as to the distinctiveness of the plaintiff's design. As it

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309. *See id.* at 207-09.

310. *See id.* at 208.

311. *See id.* at 209.

312. *Lee Middleton Original Dolls Inc. v. Seymour Mann Inc.*, 299 F. Supp. 2d 892, 900, 70 U.S.P.Q.2d 1115, 1122 (E.D. Wis. 2004).

313. *See id.* at 899-900, 70 U.S.P.Q.2d at 1121-22.

314. *See Leviton Mfg. Co. v. Universal Sec. Instruments, Inc.*, 304 F. Supp. 2d 726 (D. Md. 2004).



explained, “evidence of intentional direct copying establishes a prima facie case of secondary meaning sufficient to shift the burden of persuasion to defendants on that issue.”<sup>315</sup>

A similar result held in a case in which parties to a written license agreement disputed whether the licensor had had any trademark rights to a personal name to convey to the licensee at the time of the license’s execution.<sup>316</sup> Applying Ninth Circuit authority, the court observed:

In determining whether a mark has obtained secondary meaning, courts consider: (1) whether actual purchasers of the product bearing the mark associate the mark with the producer; (2) the degree and manner of advertising under the mark; (3) the length and manner of use of the mark; and (4) whether use of the mark has been exclusive. Whether a claimed mark has obtained a secondary meaning is a question of fact to be determined by a jury.<sup>317</sup>

Seeking to defeat the licensee’s motion for summary judgment, the licensor’s successors in interest introduced evidence that the name had been used in connection with “radio shows, advertisements for agents, record labels, cigarettes, transcription services, concerts, record compilations, musical instruments, commemorative clothing, photographs, and specialty items.”<sup>318</sup> Although the court did not address the critical issue of whether this use had occurred under the authority of the licensor, it nevertheless held that “[t]his evidence is sufficient to permit a reasonable jury to conclude that by [the time of the license], consumers associated the name . . . with a particular source or quality of product, and thus that the . . . name had acquired a secondary meaning.”<sup>319</sup>

#### (4) Survey Evidence of Distinctiveness

Plaintiffs often commission secondary meaning surveys during the pendency of litigation, but one court found surveys conducted by the defendants prior to the outbreak of hostilities to be probative of the distinctiveness of the plaintiff’s mark.<sup>320</sup> The case was even more unique because it was brought by a Cuba-based cigar producer barred by the U.S. trade embargo from selling its well-known products in the United States against a domestic

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315. *Id.* at 736.

316. *See Miller v. Glenn Miller Prods.*, 318 F. Supp. 2d 923 (C.D. Cal. 2004).

317. *Id.* at 936 (citation omitted).

318. *Id.*

319. *Id.*

320. *See Empresa Cubana Del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650 (S.D.N.Y. 2004).

owner of an identical mark for the same goods that itself had modest sales. Despite the marginal nature of the defendants' activities under the mark, its own surveys of cigar smokers demonstrated unaided brand awareness ranging between 14.5% and 17.1% of respondents.<sup>321</sup> With the defendants unwilling to argue that these responses were the result of their own use of the mark, the court had little difficulty concluding that the surveys actually documented awareness of the plaintiff's mark and had been generated by extensive favorable publicity of the plaintiff's products, notwithstanding the products' unavailability in the United States.<sup>322</sup>

Likewise, another plaintiff succeeded in proving the secondary meaning of its mark through a "Teflon" survey.<sup>323</sup> The survey was a double-blind one, in which neither the survey takers nor respondents were aware of what the survey was intended to demonstrate. After respondents were screened for those who understood the difference between "trade names" and "common names," they were presented with a variety of terms to place into one of the two categories. Of the 150 respondents who associated the plaintiff's mark with the field in which it was used, over 60 percent classified it as a trade name. With the defendants having failed to introduce their own survey, the court found the plaintiff's study probative evidence of secondary meaning.<sup>324</sup>

Other surveys met with less-receptive judicial audiences. These included survey responses introduced by one plaintiff seeking to prove secondary meaning for the design of a dental implant.<sup>325</sup> Although the court found much of the claimed design functional, it did allow the plaintiff the opportunity to demonstrate the acquired distinctiveness of the only two features of the implant that could be considered nonfunctional. Reviewing the responses of the 146 dental practitioners participating in the survey, the court found that only four referred to the nonfunctional features. This led the court to observe that "[n]o reasonable jury could infer from identification figures as low as 0 to 2.73 % that consumers identify the non-functional features of [the plaintiff's] implant as indicating a single source of origin for the . . . implant."<sup>326</sup> Rejecting the plaintiff's argument that 40 percent of respondents were able to identify the origin of the implant's overall design, the court further

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321. *See id.* at 1661-63.

322. *See id.* at 1679-80.

323. *See March Madness Athletic Ass'n v. Netfire, Inc.*, 310 F. Supp. 2d 786 (N.D. Tex. 2003).

324. *See id.* at 803-04.

325. *See Straumann Co. v. Lifecore Biomedical Inc.*, 278 F. Supp. 2d 130 (D. Mass. 2003).

326. *Id.* at 137.

held that “the study does not filter out the non-functional features from those that are functional to evaluate which features consumers use to identify the source of the product.”<sup>327</sup> It then additionally faulted the study for asking “*What company* do you think puts out these products? If you do not know, please feel free to say so.” According to the court, “[t]hese questions presume the existence of the key element in a secondary meaning inquiry, namely the association of the design with a *single* source.”<sup>328</sup>

Although taking place in the court’s discussion of the likelihood of confusion analysis, the Sixth Circuit similarly took issue with a survey intended to demonstrate the strength of the plaintiff’s AUTOZONE mark, used in connection with the retail sale of automotive parts and equipment.<sup>329</sup> As part of their explanation of the survey, the surveyors informed the 110 respondents at the outset that the study was intended to test their knowledge of retail chains. Not surprisingly, when presented with a stimulus consisting of “AUTO ----” and asked to fill in the blank, 48% of the respondents responded with the word “zone.” Taking issue with both the statistically small number of respondents and the leading nature of the instructions, the Sixth Circuit declined to disturb the district court’s finding that the plaintiff’s mark was a weak one.<sup>330</sup>

#### ***d. Effect of Federal Registrations on the Distinctiveness Inquiry***

Under both Section 7(b) and Section 33(a) of the Act, a registration on the Principal Register less than five years old constitutes “prima facie” evidence of the underlying mark’s validity,<sup>331</sup> including its distinctiveness.<sup>332</sup> Therefore:

Because the PTO may not register a generic mark, the fact that a mark is registered is strong evidence that the mark satisfies the . . . distinctiveness [prerequisite] necessary for trademark protection. . . . This is a significant procedural advantage for the registrant. Without a certificate of registration, the owner would be required to establish that the disputed mark was sufficiently distinctive to warrant

327. *Id.* at 137-38.

328. *Id.* at 138.

329. *See AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786 (6th Cir. 2004).

330. *See id.* at 799 & n.2.

331. *See* 15 U.S.C. §§ 1057(b), 1115(a) (2004); *see also Microsoft Corp. v. Computer Serv. & Repair, Inc.*, 312 F. Supp. 2d 779, 784 (E.D.N.C. 2004) (accepting plaintiff’s certificate of registration as evidence of validity of underlying mark).

332. *See, e.g., Roto-Rooter Corp. v. O’Neal*, 513 F.2d 44, 46, 186 U.S.P.Q. 73, 74 (5th Cir. 1975).

trademark protection in the first place. The effect of the presumption is to satisfy that burden in the absence of rebutting evidence.<sup>333</sup>

Nevertheless, a defendant faced with such a registration can rebut this presumption of distinctiveness “by demonstrating that the purchasing public fails to view the mark as inherently distinctive.”<sup>334</sup>

As have other jurisdictions in recent years, the Fourth Circuit had the opportunity to address whether ownership of a registration shifts the ultimate burden of proof or merely the burden of production, concluding that “[t]he burden shifted by the presumption is one of production rather than persuasion.”<sup>335</sup> According to the court, “[i]f sufficient evidence of genericness is produced to rebut the presumption, the presumption is ‘neutralize[d]’ and essentially drops from the case, although the *evidence* giving rise to the presumption remains.”<sup>336</sup> Applying this rule to the case before it, the court rejected the counterclaim-plaintiff’s claim that ownership of a registration in and of itself precluded entry of summary judgment in the counterclaim-defendants’ favor on genericness grounds. The court acknowledged that “*as a general rule*, the introduction of a certificate of registration will create enough of a factual dispute to render summary judgment inappropriate on the basis that the mark is generic”<sup>337</sup> but nevertheless declined to apply this proposition as an inflexible rule, ultimately concluding that the district court properly had held the mark underlying the registration generic as a matter of law.

## 4. Functional Features

### *a. Utilitarian Functionality*

Relying on the disclosure and file wrapper history of two expired utility patents to hold functional the claimed product design trade dress at issue in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*,<sup>338</sup> the Supreme Court nevertheless left open the possibility of successful claims “[I]n a case where a manufacturer seeks to protect arbitrary, incidental, or ornamental aspects of

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333. *Retail Servs. Inc. v. Freebies Publ’g*, 364 F.3d 535, 542, 70 U.S.P.Q.2d 1603, 1609 (4th Cir. 2004) (citations omitted).

334. *See Deal LLC v. Korangy Publ’g Inc.*, 69 U.S.P.Q.2d 1775, 1781 (S.D.N.Y. 2004).

335. *Retail Servs.*, 364 F.3d at 542, 70 U.S.P.Q.2d at 1609.

336. *Id.* at 543, 70 U.S.P.Q.2d at 1609 (second alteration in original).

337. *Id.*, 70 U.S.P.Q.2d at 1610.

338. 532 U.S. 23, 58 U.S.P.Q.2d 1001 (2001).

features of a product found in the patent claims.”<sup>339</sup> Although affirming one district court’s denial of a preliminary injunction on functionality grounds, the Seventh Circuit added a novel gloss to the *TrafFix* Court’s observation: Because the trade dress claimant’s patent had issued over fifty years earlier, the probative value of its contents might not be what it once was.<sup>340</sup> As the court explained, “what was once functional may half a century later be ornamental. Passage of time diminishes a utility patent’s significance.”<sup>341</sup>

Likewise, although not playing the temporal angle, another court found on the defendant’s motion for summary judgment that the plaintiff had sufficiently distinguished the disclosure of an expired utility patent to create a justiciable issue of fact as to the functionality of its product design.<sup>342</sup> The product at issue was a ground fault circuit interrupting system, and the plaintiff alleged that the system’s outward design constituted protectable trade dress. According to the court, however, the “central advance” of the patent was its “unique switching mechanism and ability to fit into a wall receptacle,” rather than the product’s appearance.<sup>343</sup> As a consequence, the patent’s mere existence did not defeat the plaintiff’s claims.<sup>344</sup>

Other courts were far less sympathetic to plaintiffs’ efforts to distinguish prior or extant utility patents that actually related to designs claimed as trade dress.<sup>345</sup> Faced with a putative trade dress addressed by the disclosure of the plaintiff’s utility patents, one court quite properly adopted Professor McCarthy’s criticism of *TrafFix* that:

“[N]on-functional elements should not appear and do not appear in patent *claims*. The ‘specification’ of a patent discloses and describes; the ‘claims’ define the scope of the invention. . . . [N]on-functional elements cannot properly delineate the scope of a utility patent. However, such things are commonly disclosed in the specification of a patent. . . .

339. *Id.* at 34, 58 U.S.P.Q.2d at 1007.

340. *See Eco Mfg. LLC v. Honeywell Int’l Inc.*, 357 F.3d 649, 653, 69 U.S.P.Q.2d 1296, 1299 (7th Cir. 2003).

341. *Id.*

342. *See Leviton Mfg. Co. v. Universal Sec. Instruments, Inc.*, 304 F. Supp. 2d 726 (D. Md. 2004).

343. *Id.* at 736.

344. *Id.*

345. For a case in which the defendants unsuccessfully invoked a utility patent bearing on an entirely different product, see *Yurman Design, Inc. v. Golden Treasure Imports, Inc.*, 275 F. Supp. 2d 506, 511-12 (S.D.N.Y. 2003).

[T]he Supreme Court confused a patent claim with a patent disclosure.”<sup>346</sup>

Assuming for purposes of argument that nonfunctional elements could appear in the patents’ claims, however, the court concluded as a matter of law that the plaintiff had failed to demonstrate that the claimed feature—a “stripe design” on an athletic shoe—fell into that category. The patents themselves were compelling evidence of the design’s unprotectability, but their significance was augmented by the plaintiff’s advertising, which touted the functional advantages of the design. Although the plaintiff sought to distinguish the patents and the advertising by arguing that developments in technology had rendered the originally-functional design nonfunctional, the court was unconvinced and ultimately denied preliminary injunctive relief to the plaintiff.<sup>347</sup>

One court applying *TrafFix* was faced with a plaintiff that not only had secured utility patents bearing on the features of its clothes hangers it claimed as protectable trade dress, but a federal trademark registration and design patents as well.<sup>348</sup> It offered the following distinction between the definitions of functionality for purposes of design patent and trade dress law:

[A]lthough the general considerations of functionality are of course similar, the functionality doctrine in trademark law is quite distinct from the functionality determination in design patents. Although functionality will invalidate a design patent only when the design is *dictated* by the function, a lesser showing of functionality is necessary to invalidate trademarks. Functionality will invalidate 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>349</sup>

Ultimately, the court found that the plaintiff’s design was functional not only on the basis of the disclosure of the related utility patents, but also because of the utilitarian advantages that attached to it.<sup>350</sup>

Likewise, and also taking a cue from *TrafFix*, the Eleventh Circuit invoked the file wrapper history of a process patent covering a method of making flash-frozen ice cream to affirm a holding that the appearance of the plaintiff’s ice cream pellets was

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346. *ASICS Corp. v. Target Corp.*, 67 U.S.P.Q.2d 1835, 1839 (D. Minn. 2003) (emphasis in original) (quoting 1 J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 7:89 (4th ed. 2003)).

347. *See id.* at 1840-41.

348. *See Spotless Enters. v. A & E Prods. Group*, 294 F. Supp. 2d 322 (E.D.N.Y. 2003).

349. *Id.* at 350 (internal quotation marks and citation omitted).

350. *See id.*

functional as a matter of law.<sup>351</sup> The court noted that the plaintiff's founder had sworn out a declaration during the prosecution of the patent touting the superior taste, texture, and dispensability of ice cream using the method. That the patent did not specify particular dimensions for the pellets did not save their design from a finding of functionality as a matter of law: As the court properly concluded, although the appearance of a feature in the disclosure of a related utility patent may be strong evidence of functionality, its absence does not establish the feature's nonfunctionality.<sup>352</sup>

Not content to claim protection in the size and shape of its ice cream, the plaintiff also improbably sought to exclude the defendant from the use of such colors as pink and white. As the defendant apparently failed to adduce evidence on this point, the district court took judicial notice that the color of ice cream communicates its flavor to consumers. On appeal, the Eleventh Circuit agreed that this fact was generally known within the district court's jurisdiction, and that the district court had not committed reversible error by taking judicial notice of it:

In order to judicially notice that color is indicative of flavor, it is not necessary that consumers generally notice that color is indicative of flavor, it is not necessary that consumers generally know that, for example, pink coloring denotes strawberry ice cream. Rather, it is necessary that consumers generally know that pink coloring denotes some flavor of ice cream, for example, strawberry, bubble gum, or cherry.<sup>353</sup>

Although the appellate court acknowledged the concept of aesthetic functionality, it nevertheless held the plaintiff's colors functional under the "traditional" test for utilitarian functionality. According to this analysis, "color is functional in this case because it is essential to the purpose of the product and affects its quality."<sup>354</sup>

Consistent with this analysis, another court addressing a trade-based claim to colors did so within a utilitarian functionality framework, although an aesthetic functionality analysis might well have been more appropriate.<sup>355</sup> The plaintiff's trade dress consisted of a black-and-white pattern designed to resemble the spots on a cow, which it used in connection with various computer-related products, while the defendant sold cows featuring the same

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351. See *Dippin' Dots, Inc. v. Frosty Bites Distrib., LLC*, 369 F.3d 1197, 70 U.S.P.Q.2d 1707 (11th Cir. 2004).

352. See *id.* at 1207, 70 U.S.P.Q.2d at 1713.

353. *Id.* at 1205 n.8, 70 U.S.P.Q.2d at 1711 n.8.

354. *Id.* at 1206, 70 U.S.P.Q.2d at 1712.

355. See *Gateway Inc. v. Companion Prods. Inc.*, 68 U.S.P.Q.2d 1407 (D.S.D. 2003), *aff'd*, 384 F.3d 503 (8th Cir. 2004).

pattern, which were intended to wrap around computer monitors. In reaching a finding of nonfunctionality, the court noted that: (1) “there is no evidence that [the defendant’s] use of black and white spots on a plush cow that wraps around a computer monitor . . . is essential to the use or purpose of a stretch pet”; (2) the design was not necessary for the defendant to compete effectively in the marketplace; and (3) products featuring the design were not more economical to manufacture.<sup>356</sup> Affirming, the Eighth Circuit explained that “[s]urely, no consumer believes that the presence of this design affects the operation of electronic components and peripherals associated with [the plaintiff].”<sup>357</sup>

An overlap of aesthetic and utilitarian concerns also came into play in an action to protect jewelry designs as trade dress.<sup>358</sup> The designs featured and incorporated cable elements, which the defendants argued rendered the designs functional as a matter of law. Unfortunately, apart from a utility patent bearing on an entirely different design from the one at issue, the defendants were unable to muster much in the way of record evidence to support their argument. This failure led the court to conclude that “the aesthetic value of the cable design is arguably more important than any marginal functional benefit and therefore the defendants’ motion for summary judgment on the basis of functionality is denied.”<sup>359</sup>

*TrafFix*’s treatment of utility patents obviously attracted the most attention when the case was decided, but another issue lingering in the wake of that case is whether the Court meant what it said when it suggested that alternative designs need not be considered if the plaintiff’s design “is essential to the use or purpose of the device or [if] it affects the cost or quality of the device.”<sup>360</sup> Some courts took this language seriously, and rejected trade dress claimants’ attempts to demonstrate the nonfunctionality of their designs by invoking competitive alternatives. Thus, for example, the Sixth Circuit upheld a finding of functionality as a matter of law for a claimed scrapbook design, noting that “a court is not *required* to examine alternative designs when applying the traditional test for functionality.”<sup>361</sup> Applying that traditional test, the court held that the district court properly

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356. *See id.* at 1421-22.

357. *Gateway Inc. v. Companion Prods. Inc.*, 384 F.3d 503, 508 (8th Cir. 2004).

358. *See Yurman Design, Inc. v. Golden Treasure Imports, Inc.*, 275 F. Supp. 2d 506 (S.D.N.Y. 2003).

359. *Id.* at 512.

360. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33, 58 U.S.P.Q.2d 1001, 1006 (2001).

361. *Antioch Co. v. W. Trimming Corp.*, 347 F.3d 150, 156, 68 U.S.P.Q.2d 1673, 1677 (6th Cir. 2003).



had relied on such factors as the tendency of the scrapbook's pages to lie flat and the pages' strength to find an absence of material dispute as to the design's functionality.<sup>362</sup>

Nevertheless, other courts continued to consider alternative designs probative evidence of nonfunctionality.<sup>363</sup> For example, one district court distinguished *TrafFix* in an opinion addressing the plaintiff's claim to trade dress protection of an entire line of pants.<sup>364</sup> In doing so, the court agreed with a prior holding from the Federal Circuit<sup>365</sup> that *TrafFix* actually stands only for the proposition that once a claimed feature is found functional based on other considerations, there is no need to consider alternative designs, and *not* that alternative designs cannot be probative evidence of whether the claimed feature is functional in the first place.<sup>366</sup> On the basis of this determination, the court held that the plaintiff had adduced enough evidence of available alternatives that summary judgment in the defendant's favor on functionality grounds was inappropriate.<sup>367</sup>

Another court hearing a trade dress case involving the configurations of revolvers nevertheless paid lip service to *TrafFix*, but still concluded that "under the present circumstances and given the nature of the product, the existence of design alternatives is helpful for determining whether a particular design is truly necessary to the way the revolver works."<sup>368</sup> As the plaintiffs soon discovered, however, the court was unwilling to accord their proffered alternative designs significant weight in light of the plaintiffs' failure to explain why the alternatives were probative evidence of nonfunctionality. Accordingly, although the court was unwilling on the parties' cross-motions for summary judgment to find the designs functional as a matter of law, so too was it unwilling to enter summary judgment of nonfunctionality.<sup>369</sup>

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362. *See id.* at 157, 68 U.S.P.Q.2d at 1678.

363. *See, e.g., Eco Mfg. LLC v. Honeywell Int'l Inc.*, 357 F.3d 649, 69 U.S.P.Q.2d 1296 (7th Cir. 2003) (referring to alternative designs when considering the validity of the claimant's trade dress, but not expressly identifying their significance to the functionality analysis); *Gibson Guitar Corp. v. Paul Reed Smith Guitars, L.P.*, 311 F. Supp. 2d 690, 720, 70 U.S.P.Q.2d 1911, 1913 (M.D. Tenn. 2004) (relying solely on alternative designs in finding plaintiff's registered trade dress nonfunctional as a matter of law).

364. *See Maharishi Hardy Blechman Ltd. v. Abercrombie & Fitch Co.*, 292 F. Supp. 2d 535, 69 U.S.P.Q.2d 1493 (S.D.N.Y. 2003).

365. *See Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 61 U.S.P.Q.2d 1422 (Fed. Cir. 2002).

366. *Maharishi Hardy Blechman*, 292 F. Supp. 2d at 546-48, 69 U.S.P.Q.2d at 1501-03.

367. *See id.* at 548-49, 69 U.S.P.Q.2d at 1503.

368. *New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195, 214 (D. Conn. 2004).

369. *See id.* at 213-19.

Alternative designs also played a significant role in a finding that a “five-stripe” shoe design was nonfunctional.<sup>370</sup> Other factors weighing in favor of this conclusion included expert testimony that the stripes did not add to the support provided by the shoe, the fact that the plaintiff apparently had never advertised the design’s functional advantages, and the absence of any evidence that the design was cheaper or more economical to manufacture than competing models.<sup>371</sup> The court applied much the same analysis in finding another shoe design claimed as trade dress by the plaintiff, this one featuring a “toe box,”<sup>372</sup> nonfunctional as well. That one element of the overall design sought to be protected by the plaintiff—a “reversible tongue” feature—may have been functional standing alone did not preclude its protection as part of the overall design of the shoes.<sup>373</sup>

Still another court also considered alternative designs, but reached the opposite conclusions: The alternatives did not save the plaintiff’s trade dress from a finding of functionality, and the elements found to be functional could not be protected as part of the plaintiff’s overall design.<sup>374</sup> The plaintiff was a manufacturer of a video golf arcade game, which it alleged the defendant had copied. The court evaluated the functionality of the plaintiff’s design in the context of the plaintiff’s copyright claims, but then incorporated its findings of functionality into its evaluation of the plaintiff’s trade dress causes of action. Although considering the plaintiff’s evidence of alternative designs, the court was unconvinced that the plaintiff had done anything other than design its product for the convenience of users. Because the layout of the plaintiff’s product was “closely related to a potentially patentable . . . process for operating a video game,” a finding of functionality was appropriate.<sup>375</sup>

One additional aspect of *TrafFix* made an appearance in the case law.<sup>376</sup> The defendant was accused of infringing an alleged trade dress consisting of the configuration of a dental implant. Entering summary judgment in the defendant’s favor, the court noted that the plaintiff’s evidence related only to whether the claimed features were essential to the functioning of the implant.

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370. See *K-Swiss Inc. v. USA Aisiqui Shoes Inc.*, 68 U.S.P.Q.2d 1340, 1343 (C.D. Cal. 2003).

371. See *id.* at 1342-43.

372. See *id.* at 1343-44.

373. See *id.* at 1346 n.2.

374. See *Incredible Techs. v. Virtual Techs. Inc.*, 284 F. Supp. 2d 1069, 68 U.S.P.Q.2d 1877 (N.D. Ill. 2003).

375. *Id.* at 1078, 68 U.S.P.Q.2d at 1884.

376. See *Straumann Co. v. Lifecore Biomedical Inc.*, 278 F. Supp. 2d 130 (D. Mass. 2003).

Focusing in particular on testimony offered by the plaintiff's expert, the court noted that:

To the extent that [the expert] focuses solely on the question of whether the feature is necessary, he uses a standard that only partially reflects the Supreme Court's holding in *TrafFix* that a feature is functional when it is essential to the use or purpose of the device *or* when it affects the cost or quality of the device. . . . Because [the expert's] opinion is addressed to only half of the functionality question, that is whether the design is essential, it is based on an erroneous legal standard, and the opinion cannot defeat summary judgment.<sup>377</sup>

Finally, one court reaching a finding of functionality as a matter of law did not address the issue of utility patents or alternative designs at all, but instead applied a commonsense analysis.<sup>378</sup> The case involved the claimed trade dress of a deli-style food center, which, as characterized by the court, included "cooking equipment, counter tops, awnings, menus, sneeze guards, utensils, and uniforms."<sup>379</sup> Rejecting the plaintiff's averments of nonfunctionality, the court noted that "[c]learly, there needs to be counter tops, upon which to prepare, and present a customer's food order, menu boards allow a customer to see what food offerings are available, and sneeze guards protect food, that is exposed to the public, from contamination."<sup>380</sup> The court was even less impressed with the plaintiff's attempt to protect its centers' appliances and utensils, which it properly noted, were necessary for the heating and consumption of food provided by the plaintiff. Finally, the plaintiff's claims to trade dress protection of its awnings failed because the awnings were intended to direct consumers to the food service areas, an important consideration "in view of the competing areas of a convenience store which could draw the attention of the customer, and which might distract, or frustrate, a potential sale of food goods."<sup>381</sup>

### ***b. Aesthetic Functionality***

Substantive discussions of aesthetic functionality arose infrequently over the past year.<sup>382</sup> In one opinion that did address

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377. *Id.* at 134 (citations omitted).

378. *See Goddard, Inc. v. Henry's Foods, Inc.*, 291 F. Supp. 2d 1021 (D. Minn. 2003).

379. *Id.* at 1049.

380. *Id.* at 1050.

381. *Id.*

382. For an example of an opinion acknowledging the viability of the aesthetic functionality doctrine, but ultimately not resolving the issue of the functionality of the trade dress before it, see *Eco Mfg. LLC v. Honeywell Int'l Inc.*, 357 F.3d 649, 654, 69 U.S.P.Q.2d

the issue, the court held as a matter of law that the plaintiff's fish-shaped gummy candy was impermissibly functional.<sup>383</sup> One aspect of the plaintiff's design—the flat back of the candy—was functional in the utilitarian sense, in that it resulted from the manufacturing process. The court addressed the remaining elements of the plaintiff's fish under an aesthetic functionality rubric, concluding that “the other product design features such as the head, tail, scale pattern and eye are necessary attributes to portray any fish. Notably, nearly every third party marketing gummy fish-shaped candy portrays identical features.”<sup>384</sup> Because protection of the elements therefore would put the competitors at a significant non-reputation-related disadvantage, summary judgment of functionality was appropriate.<sup>385</sup>

Other claims of aesthetic functionality were less successful. In a fairly cursory treatment of the issue, one court declined to reach a holding of aesthetic functionality in the context of evaluating the defendant's motion for summary judgment.<sup>386</sup> Making all applicable inferences in the plaintiff's favor, the court held that a reasonable jury could conclude that an extension of protection to the plaintiff's military-style pants would not necessarily prevent the defendant from producing a distinguishable line of pants. Accordingly, the court declined to dismiss the plaintiff's claims.<sup>387</sup>

Another defense motion for summary judgment on aesthetic functionality grounds fell short in a case brought to protect the configurations of the plaintiffs' revolvers.<sup>388</sup> The defendants manufactured imitations of the plaintiffs' considerably more expensive products and claimed that the aesthetic functionality doctrine entitled them to do so because, as the court characterized their argument, “they and other replica makers would no longer be able to make replicas of the revolvers in question and they would no longer be able to meet the ‘consumer need’ of those . . . who seek historically accurate revolvers but cannot afford to purchase Plaintiffs' revolvers.”<sup>389</sup> Describing this position as “baseless,” the court explained that “[a]ssuming that Plaintiffs' trade dress is

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1296, 1299 (7th Cir. 2003) (“Aesthetic appeal *can* be functional; often we value products for their looks.”).

383. See *Malaco Leaf AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355 (S.D.N.Y. 2003).

384. *Id.* at 366-67.

385. See *id.* at 367.

386. See *Maharishi Hardy Blechman Ltd. v. Abercrombie & Fitch Co.*, 292 F. Supp. 2d 535, 69 U.S.P.Q.2d 1493 (S.D.N.Y. 2003).

387. See *id.* at 549, 69 U.S.P.Q.2d at 1540.

388. See *New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195 (D. Conn. 2004).

389. *Id.* at 219.

otherwise protectable, the fact that such protection would shut down a replica industry that is infringing Plaintiffs' trade dress is not a reason to find aesthetic functionality."<sup>390</sup> Accordingly, the court reserved judgment on the defendants' claims until a full trial on the merits.<sup>391</sup>

Finally, whatever significance (or lack thereof) the existence of alternative designs may have in the utilitarian functionality context, one court accorded them nearly dispositive weight in the aesthetic functionality inquiry.<sup>392</sup> The plaintiffs claimed trade dress protection in a line of jewelry that incorporated cable wire. Rejecting the defendants' argument that the plaintiffs' designs were aesthetically functional, the court explained that:

The defendants have failed to identify which elements of the specific designs of plaintiffs are of a kind that preclude effective market competition. In addition, they have failed to come forward with any evidence that extending trade dress protection to the combination of the elements of the plaintiffs' designs, including use of the cable element, prevents the creation of other jewelry designs that would be competitive. In contrast, the plaintiffs have produced evidence . . . that there are multiple alternative designs available to the defendants that do not require the combination of the elements in the plaintiffs' designs.<sup>393</sup>

### *c. Effect of Federal Registrations on the Functionality Inquiry*

In 1998, Congress amended Sections 14 and 33(b)<sup>394</sup> expressly to recognize functionality as a basis for the cancellation of registrations that had passed their fifth anniversary of issuance and to include functionality in the list of permissible defenses in actions to protect incontestably registered marks.<sup>395</sup> In a case involving the incontestably registered design of a round thermostat cover, the Seventh Circuit became the latest court to address the issue of whether these revisions apply with full force to registrations that became incontestable prior to the amendments'

390. *Id.*

391. *See id.* at 219-20.

392. *See Yurman Design, Inc. v. Golden Treasure Imports, Inc.*, 275 F. Supp. 2d 506 (S.D.N.Y. 2003).

393. *Id.* at 512.

394. 15 U.S.C. §§ 1064, 1114(b) (2004).

395. *See Trademark Law Treaty Implementation Act*, Pub. L. No. 105-330, § 201(b), 112 Stat. 3064, 3070 (1998).

effective date of October 30, 1998.<sup>396</sup> Rejecting the registrant's argument that its trade dress was immune to functionality-based challenges, the court first observed that it was an open question whether Congress actually had changed the law, or whether it simply had memorialized the existing rule.<sup>397</sup> It then noted that "[a] law is retroactive when it alters the legal consequences of completed acts," and that the registrant was seeking prospective relief against imitation.<sup>398</sup> Under these circumstances, application of the statutory revisions to the registrant's case was not retroactive: "Congress could repeal the Lanham Act without infringing anyone's rights, or abolish the difference between incontestable and other marks, or increase to 25 years the time before a mark has the benefits of incontestability. The actual change worked by [the revisions] was more modest. . . ."<sup>399</sup>

## *B. Establishing Liability*

### **1. Establishing Defendants' Use in Commerce**

Consistent with the trend over the past few years, a number of courts concluded that defendants' conduct did not rise to the "use in commerce" required by the Lanham Act's statutory causes of action for infringement and unfair competition. For example, one court concluded that use of the name of a political candidate as part of the electronic address for a website critical of the candidate was not an actionable commercial use within the meaning of Section 43.<sup>400</sup> Likewise, another court rejected the proposition that a defendant's posting of false job vacancies at an art school constituted a use in commerce of the school's service mark.<sup>401</sup>

The confused nature of jurisprudence in this area was perhaps best reflected in three opinions involving the same defendant, an online provider named WhenU.com. When consumers signed up for WhenU.com's services, they (whether wittingly or not) authorized the appearance of "pop-up" ads on their computers when they accessed websites operated by the advertisers' competitors. Not surprisingly, some of the competitors sued WhenU.com, alleging a variety of causes of action grounded in the theory that the use of their marks as triggers for the pop-up advertising constituted uses of the marks in commerce. In two of the three cases, the courts

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396. *See Eco Mfg. LLC v. Honeywell Int'l Inc.*, 357 F.3d 649, 69 U.S.P.Q.2d 1296 (7th Cir. 2003).

397. *See id.* at 652, 69 U.S.P.Q.2d at 1298.

398. *Id.*

399. *Id.*

400. *See Ficker v. Tuohy*, 305 F. Supp. 2d 569, 572 (D. Md. 2004).

401. *See Sch. of Visual Arts v. Kuprewicz*, 771 N.Y.S.2d 804, 811-12 (Sup. Ct. 2003).

concluded that no such use had occurred, and WhenU.com prevailed in one case as a matter of law on its motion for summary judgment<sup>402</sup> and in another successfully defeated a motion for a preliminary injunction.<sup>403</sup>

In contrast, the third court held that WhenU.com and other similarly situated defendants had indeed made actionable use of the marks owned by the plaintiff in that case.<sup>404</sup> The court concluded that the defendants had done so in two different ways. First, because the defendants' advertisements appeared when consumers ran Internet searches for the plaintiff's websites, the defendants were "using" the consumers' knowledge of the plaintiff's reputation and goodwill. Second, the defendants had included variations on the plaintiff's marks in their proprietary directory of terms that would trigger the appearance of competitors' advertisements. In reaching these conclusions, the court expressly rejected the defendants' argument that "use" for purposes of the Lanham Act's causes of action necessarily meant use to identify or to distinguish products or services.<sup>405</sup>

## 2. Likelihood of Confusion

### a. Factors Considered

#### (1) The First Circuit

The First Circuit test for measuring the likelihood of confusion between two marks remained unchanged, and focused on: (1) the strength of the plaintiff's mark; (2) the degree of similarity between the parties' marks; (3) the similarity between the parties' goods or services; (4) the relationship between the parties' channels of trade; (5) the relationship between the parties' advertising; (6) the classes of prospective purchasers; (7) evidence of actual confusion; and (8) the defendant's intent in adopting its mark.<sup>406</sup>

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402. See *U-Haul Int'l v. WhenU.com Inc.*, 279 F. Supp. 2d 723, 68 U.S.P.Q.2d 1038 (E.D. Va. 2003).

403. See *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003).

404. See *1-800 Contacts Inc. v. WhenU.com*, 309 F. Supp. 2d 467, 69 U.S.P.Q.2d 1337 (S.D.N.Y. 2003).

405. See *id.* at 488-89, 69 U.S.P.Q.2d at 1352-54.

406. See, e.g., *Beacon Mut. Ins. Co. v. OneBeacon Ins. Group*, 290 F. Supp. 2d 241, 244-45, 68 U.S.P.Q.2d 1915, 1918 (D.R.I. 2003), *rev'd*, 376 F.3d 8 (1st Cir. 2004); *Anheuser-Busch, Inc. v. Caught-On-Blue*, 288 F. Supp. 2d 105, 114 (D.N.H. 2003), *aff'd without op.*, 2004 WL 1718357 (1st Cir. Aug. 02, 2004), *petition for certiorari filed*, No. 04-793, 72 U.S.L.W. (Dec. 4, 2004); *Perfumania, Inc. v. Perfulandia, Inc.*, 279 F. Supp. 2d 86, 98 (D.P.R. 2003); *MJM Prods. v. Kelley Prods. Inc.*, 68 U.S.P.Q.2d 1131, 1138 (D.N.H. 2003).

## (2) The Second Circuit

The *Polaroid* test<sup>407</sup> continued to hold sway 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 of the senior user "bridging the gap" into the junior user's product service line; (5) evidence of actual confusion between the parties' marks; (6) whether the defendant adopted its mark in good faith; (7) the quality of the defendant's goods or services; and (8) the sophistication of the parties' customers.<sup>408</sup>

## (3) The Third Circuit

The Third Circuit test for likely confusion continued to mandate consideration of: (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

407. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495, 128 U.S.P.Q.2d 411, 413 (2d Cir. 1961).

408. See, e.g., *Brennan's Inc. v. Brennan's Rest. LLC*, 360 F.3d 125, 129, 69 U.S.P.Q.2d 1939, 1942 (2d Cir. 2004); *New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195, 220 (D. Conn. 2004); *Car-Freshener Corp. v. Big Lots Stores Inc.*, 314 F. Supp. 2d 145, 149, 70 U.S.P.Q.2d 1758, 1761 (N.D.N.Y. 2004); *Empresa Cubana Del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1651, 1683 (S.D.N.Y. 2004); *Pfizer Inc. v. Y2K Shipping & Trading Inc.*, 70 U.S.P.Q.2d 1592, 1595 (E.D.N.Y. 2004); *Deal LLC v. Korangy Publ'g Inc.*, 69 U.S.P.Q.2d 1775, 1781 (S.D.N.Y. 2004); *New Sensor Corp. v. CE Distrib. LLC*, 303 F. Supp. 2d 304, 310 (E.D.N.Y. 2004); *Spotless Enters. v. A & E Prods. Group*, 294 F. Supp. 2d 322, 351 (E.D.N.Y. 2003); *Malaco Leaf AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355, 368 (S.D.N.Y. 2003); *Gucci Am. v. Duty Free Apparel, Ltd.*, 286 F. Supp. 2d 284, 287 (S.D.N.Y. 2003); *Med. Econ. Co. v. Prescribing Reference Inc.*, 294 F. Supp. 2d 456, 462, 70 U.S.P.Q.2d 1130, 1134 (S.D.N.Y. 2003); *Deere & Co. v. MTD Holdings Inc.*, 70 U.S.P.Q.2d 1009, 1019 (S.D.N.Y. 2004); *1-800 Contacts Inc. v. WhenU.com*, 309 F. Supp. 2d 467, 494, 69 U.S.P.Q.2d 1337, 1357 (S.D.N.Y. 2003); *Savin Corp. v. Savin Group*, 68 U.S.P.Q.2d 1893, 1897 (S.D.N.Y. 2003), *aff'd in part and rev'd in part*, 391 F.3d 439, 73 U.S.P.Q.2d 1273 (2d Cir. 2004); *Echo Design Group v. Zino Davidoff S.A.*, 283 F. Supp. 2d 963, 966 (S.D.N.Y. 2003); *Katz v. Modiri*, 283 F. Supp. 2d 883, 891 (S.D.N.Y. 2003); *Ramada Franchise Sys., Inc. v. Boychuk*, 283 F. Supp. 2d 777, 788 (N.D.N.Y. 2003); *24 Hour Fitness USA Inc. v. 24/7 Tribeca Fitness LLC*, 68 U.S.P.Q.2d 1031, 1033 (S.D.N.Y. 2003); *Playtex Prods. Inc. v. Ga-Pac, Inc.*, 67 U.S.P.Q.2d 1923, 1926 (S.D.N.Y. 2003), *aff'd*, 390 F.3d 158, 73 U.S.P.Q.2d 1127 (2d Cir. 2004).



suggesting that the consuming public might expect the prior owner to expand into the defendant's market.<sup>409</sup>

#### (4) The Fourth Circuit

The Fourth Circuit did not alter its *Pizzeria Uno* test,<sup>410</sup> and Fourth Circuit courts therefore continued to examine: (1) the strength or distinctiveness of the senior mark; (2) the similarity of the two marks; (3) the similarity of the goods or services that the marks identify; (4) the similarity of the facilities employed by the parties to transact their business; (5) the similarity of the advertising used by the parties; (6) the defendant's intent in adopting the same or a similar mark; and (7) the extent of any actual confusion.<sup>411</sup>

#### (5) The Fifth Circuit

Courts in the Fifth Circuit continued to apply that jurisdiction's seven-part test for likely confusion, and therefore examined: (1) the type of mark allegedly infringed; (2) the similarity between the two marks; (3) the similarity of the products or services; (4) the identity of retail outlets and purchasers; (5) the identity of any media used by the parties; (6) the defendant's intent in adopting its mark; and (7) any evidence of actual confusion.<sup>412</sup>

#### (6) The Sixth Circuit

The test for likely confusion in the Sixth Circuit did not change over the past year. It continued to take into account: (1) the strength of the plaintiff's mark; (2) the relatedness of the parties' goods; (3) the similarity of the marks; (4) any evidence of actual confusion; (5) the parties' marketing channels; (6) the likely degree of purchaser care; (7) the defendant's intent in selecting its mark; (8) the likelihood of expansion of the parties' lines.<sup>413</sup>

409. See *Video Pipeline Inc. v. Buena Vista Home Entm't Inc.*, 67 U.S.P.Q.2d 1887, 1908 (D.N.J. 2003); *Commerce Bancorp, Inc. v. BankAtlantic*, 285 F. Supp. 2d 475, 491-92 (D.N.J. 2003).

410. See *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527, 224 U.S.P.Q. 185, 187 (4th Cir. 1984).

411. See, e.g., *Mid-S. Bldg. Supply of Md., Inc. v. Guardian Door & Window, Inc.*, 847 A.2d 463, 472 (Md. Ct. App. 2004).

412. See, e.g., *March Madness Athletic Ass'n v. Netfire*, 310 F. Supp. 2d 786, 804 (N.D. Tex. 2003).

413. See, e.g., *AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786, 792-93 (6th Cir. 2004); *Kellogg Co. v. Toucan Golf Inc.*, 337 F.3d 616, 623, 67 U.S.P.Q.2d 1481, 1484 (6th Cir. 2003); *Gibson Guitar Corp. v. Paul Reed Smith Guitars, L.P.*, 311 F. Supp. 2d 690, 721, 70 U.S.P.Q.2d 1911, 1934 (M.D. Tenn. 2004); *Lopes v. Int'l Rubber Distribs.*, 309 F. Supp. 2d 972, 982 (N.D. Ohio 2004); *McKeon Prods. Inc. v. Flents Prods. Co.*, 69 U.S.P.Q.2d 1032,

### (7) The Seventh Circuit

The Seventh Circuit and district courts within it continued to follow that jurisdiction's traditional seven-factor test for evaluating the likelihood of confusion between two marks. That test mandates consideration of: (1) the similarity between the marks in appearance and suggestion; (2) the similarity of the parties' products; (3) area and manner of concurrent use; (4) the degree of care likely to be exercised by consumers; (5) the strength of the plaintiff's mark; (6) the extent of any actual confusion; and (7) the intent of the defendant to "palm off" its products or services as those of the plaintiff.<sup>414</sup>

### (8) The Eighth Circuit

Consistent with the trend over the past few years, Eighth Circuit courts did not examine the likelihood of confusion between marks in many reported opinions over the past year. The relevant factors for consideration remained: (1) the strength of the plaintiff's mark; (2) the similarity between the parties' marks; (3) the parties' competitive proximity; (4) the alleged infringer's intent to pass off its goods or services as those of the plaintiff; (5) incidents of actual confusion; (6) the type of good or service, its cost, and the conditions associated with its purchase.<sup>415</sup>

### (9) The Ninth Circuit

Ninth Circuit courts continued their practice of applying two tests for likely confusion. One set invoked the *Sleekcraft* factors,<sup>416</sup> which include (1) the strength of the plaintiff's mark; (2) the relatedness of the parties' goods; (3) similarity of the parties' marks; (4) evidence of actual confusion; (5) the parties' marketing channels; (6) the likely degree of purchaser care; (7) the defendant's intent in selecting its mark; and (8) the likelihood of expansion of the parties' product lines.<sup>417</sup> One court noted that in

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1038 (E.D. Mich. 2003); *Johnny's Fine Foods Inc. v. Johnny's Inc.*, 286 F. Supp. 2d 876, 885, 68 U.S.P.Q.2d 1505, 1512 (M.D. Tenn. 2003).

414. See, e.g., *Am. Massage Therapy Ass'n v. Folkers*, 308 F. Supp. 2d 899, 901 (N.D. Ill. 2004); *V&S Vin & Sprit Aktiebolag v. Cracovia Brands Inc.*, 69 U.S.P.Q.2d 1701, 1702 (N.D. Ill. 2004); *Incredible Techs. Inc. v. Virtual Techs. Inc.*, 284 F. Supp. 2d 1069, 1084, 68 U.S.P.Q.2d 1877, 1888 (N.D. Ill. 2003); *Caterpillar Inc. v. Walt Disney Co.*, 207 F. Supp. 2d 913, 918-19, 68 U.S.P.Q.2d 1461, 1465 (N.D. Ill. 2003).

415. See, e.g., *Gateway Inc. v. Companion Prods. Inc.*, 384 F.3d 503 (8th Cir. 2004); *Iowa Paint Mfg. Co. v. Hirshfield's Paint Mfg. Inc.*, 296 F. Supp. 2d 983, 989, 69 U.S.P.Q.2d 1016, 1020 (S.D. Iowa 2003).

416. See *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49, 204 U.S.P.Q. 808, 814 (9th Cir. 1979).

417. See, e.g., *Playboy Enters. v. Netscape Communications Corp.*, 354 F.3d 1020, 1026, 69 U.S.P.Q.2d 1417, 1421 (9th Cir. 2004); *Tillamook Country Smoker, Inc. v. Tillamook*

reverse confusion cases, three of these considerations were “pivotal”: (1) the strength of the plaintiff’s mark; (2) the relatedness of the parties’ goods; and (3) the similarity of the parties’ marks.<sup>418</sup> Another explained that “[a]lthough a court must balance all of these factors, in the Internet context, the three most important factors are: (1) the similarity of the marks; (2) the relatedness of the goods and services; and (3) the simultaneous use of the Internet as a marketing channel.”<sup>419</sup>

### (10) The Tenth Circuit

There were no apparent reported opinions from the Tenth Circuit over the past year identifying the likelihood of confusion factors applicable in that jurisdiction.

### (11) The Eleventh Circuit

The Eleventh Circuit’s seven-factor test for likely confusion went unchanged, and continued to focus on: (1) the type or strength of the plaintiff’s mark; (2) the similarity between the parties’ marks; (3) the similarity between the goods associated with the parties’ marks; (4) the similarity between the parties’ trade channels and customers; (5) similarity of the parties’ advertising media; (6) the defendant’s intent; and (7) the extent of any actual confusion.<sup>420</sup> One district court explained that “[t]he type of mark and the evidence of actual confusion are the most important factors according to the Eleventh Circuit.”<sup>421</sup>

*County Creamery Ass’n*, 311 F. Supp. 2d 1023, 1041 (D. Or. 2004); *Garden of Life, Inc. v. Letzer*, 318 F. Supp. 2d 946, 963-64 (C.D. Cal. 2004); *Edge Wireless, LLC v. U.S. Cellular Corp.*, 312 F. Supp. 2d 1325, 1330 (D. Or. 2004); *Halo Mgmt., LLC v. Interland, Inc.*, 308 F. Supp. 2d 1019, 1035 (N.D. Cal. 2003); *Hispanic Broad. Corp. v. Educ. Media Found.*, 69 U.S.P.Q.2d 1524, 1525-26 (C.D. Cal. 2003); *PlayMakers LLC v. ESPN Inc.*, 297 F. Supp. 2d 1277, 1280, 69 U.S.P.Q.2d 1439, 1442-43 (C.D. Cal. 2003), *aff’d*, 376 F.3d 894, 71 U.S.P.Q.2d 1754 (9th Cir. 2004); *Echo Drain v. Newsted*, 68 U.S.P.Q.2d 1203, 1208 (C.D. Cal. 2003); *Nautilus Group v. Icon Health & Fitness, Inc.*, 308 F. Supp. 2d 1208, 1210 (W.D. Wash. 2003), *aff’d*, 372 F.3d 1330, 71 U.S.P.Q.2d 1173 (9th Cir. 2004); *Matrix Motor Co. v. Toyota Jidosha Kabushiki Kaisha*, 290 F. Supp. 2d 1083, 1090 (C.D. Cal. 2003); *Symantec Corp. v. CD Micro, Inc.*, 286 F. Supp. 2d 1265, 1273 (D. Or. 2003); *M2 Software, Inc. v. M2 Communications, L.L.C.*, 281 F. Supp. 2d 1166, 1169 (C.D. Cal. 2003); *Glow Indus. v. Lopez*, 273 F. Supp. 2d 1095, 1116 (C.D. Cal. 2003).

418. See *Echo Drain*, 68 U.S.P.Q.2d at 1208.

419. *Garden of Life*, 318 F. Supp. 2d at 963-64; accord *Halo Mgmt*, 308 F. Supp. 2d at 1035.

420. See, e.g., *Dippin’ Dots Inc. v. Frosty Bites Distrib. LLC*, 369 F.3d 1197, 1207, 70 U.S.P.Q.2d 1707, 1713 (11th Cir. 2004); *Nitro Leisure Prods. L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 1360, 67 U.S.P.Q.2d 1814, 1817 (Fed. Cir. 2003); *Turner Greenberg Assocs. v. C & C Imports, Inc.*, 320 F. Supp. 2d 1317 (S.D. Fla. 2004); *Hi-Tech Pharms, Inc. v. Herbal Health Prods., Inc.*, 311 F. Supp. 2d 1353, 1356-57 (N.D. Ga. 2004); *HBP Inc. v. Marine Holdings Inc.*, 290 F. Supp. 2d 1320, 1327, 68 U.S.P.Q.2d 1798, 1802 (M.D. Fla. 2003).

421. *HBP Inc.*, 290 F. Supp. 2d at 1327, 68 U.S.P.Q.2d at 1802.

## (12) The District of Columbia Circuit

Only three opinions from courts within the District of Columbia had the opportunity to examine the likelihood of confusion between parties' marks. The first held the relevant factors to include: (1) the strength of the plaintiff's mark; (2) the degree of similarity between the parties' marks; (3) the proximity of the parties' products; (4) evidence of actual confusion; (5) the defendant's intent in adopting its mark; (6) the quality of the defendant's products; and (7) the sophistication of the parties' buyers.<sup>422</sup> The second and third courts curiously adopted the Second Circuit's test for liability, with its focus on: (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 of the senior user "bridging the gap" into the junior user's product service line; (5) evidence of actual confusion between the parties' marks; (6) whether the defendant adopted its mark in good faith; (7) the quality of the defendant's goods or services; and (8) the sophistication of the parties' customers.<sup>423</sup>

### *b. Holdings*

#### (1) Likelihood of Confusion: As a Matter of Law

Some cases, although interesting, presented predictable holdings of likely confusion as a matter of law.<sup>424</sup> One was brought by a declaratory judgment plaintiff that collected video trailers for films produced by various affiliates of the Walt Disney Co. and then edited them for use as promotional devices in video stores

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422. See *Partido Revolucionario Dominicano (PRD) Seccional Metropolitana de Washington-D.C., Md. y Va. v. Partido Revolucionario Dominicano, Seccional de Maryland y Va.*, 312 F. Supp. 2d 1, 14 (D.D.C. 2004).

423. See *Whitehead v. CBS Viacom, Inc.*, 315 F. Supp. 1, 13 (D.D.C. 2004); *Fed'n Internationale de Football Ass'n v. Nike Inc.*, 285 F. Supp. 2d 64, 72, 68 U.S.P.Q.2d 1849, 1855 (D.D.C. 2003).

424. See, e.g., *Microsoft Corp. v. Computer Serv. & Repair, Inc.*, 312 F. Supp. 2d 779 (E.D.N.C. 2004) (finding counterfeiters liable for infringement and unfair competition without extended analysis); *Go Med. Indus. v. Inmed Corp.*, 300 F. Supp. 2d 1297, 1315 (N.D. Ga. 2003) (finding likelihood of confusion as a matter of law based on defendants' allegations of likely confusion in counterclaim); *Gucci Am. v. Duty Free Apparel, Ltd.*, 286 F. Supp. 2d 284 (S.D.N.Y. 2003) (same); *Scott Fetzer Co. v. Gehring*, 288 F. Supp. 2d 696 (E.D. Pa. 2003) (holding, on plaintiff's unopposed motion for summary judgment, that defendant had created a likelihood of confusion as a matter of law by holding himself out as authorized dealer of plaintiff); *Symantec Corp. v. CD Micro, Inc.*, 286 F. Supp. 2d 1265 (D. Or. 2003) (holding counterfeiters liable for infringement as a matter of law); *Nike Inc. v. Variety Wholesalers, Inc.*, 274 F. Supp. 2d 1352 (S.D. Ga. 2003) (same), *aff'd without op.*, 2004 WL 1121546 (11th Cir. May 3, 2004); *Alexander Ave. Kosher Rest. Corp. v. Dragoon*, 762 N.Y.S.2d 101 (App. Div. 2003) (entering judgment as a matter of law against terminated licensee continuing to use licensed mark).

renting out the films.<sup>425</sup> Each edited trailer prominently featured the trademarks of the company that had put out the associated film. On the mark owners' motion for summary judgment, the court had little difficulty reaching a holding of liability. Although improbably concluding that the absence of evidence of actual confusion weighed against the existence of likely confusion, the court ultimately concluded that:

the parties do market their products in the same channels of trade; that the targeted goal is identical, thereby drawing identical customers; that [the trailer editor], by virtue of creating its own trailers, does compete with [the mark owners]; and that the relationship of the goods is so connected that consumers would assume that the products emanated from the same company. These factors, separately and considered together, weigh in favor of finding likelihood of confusion.<sup>426</sup>

In another "easy" case resulting in liability as a matter of law, the defendants marketed an herbal remedy for erectile dysfunction under the TRIAGRA mark.<sup>427</sup> Not surprisingly, the court had little difficulty concluding that this use was confusingly similar to the plaintiff's use of VIAGRA for a different, but competitive product. Chief among the factors weighing in favor of this conclusion were the uncontroverted evidence of the strength of the plaintiff's mark, the similarity of the parties' marks, the close competitive proximity of the parties' products, the defendants' bad faith, the absence of any proof of the efficacy of the defendants' product, and the fact that ordinary purchasers of the defendants' over-the-counter preparation lacked the sophistication to distinguish between the two uses.<sup>428</sup>

Consumer sophistication also played a role in another court's entry of summary judgment in favor of the owners of several incontestable registrations covering the configurations of tree-shaped air fresheners.<sup>429</sup> Not surprisingly, the court found that the "inexpensive, disposable nature of the [parties'] products" favored a finding of infringement.<sup>430</sup> The defendants were not helped by evidence that all the remaining likelihood of confusion factors

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425. See *Video Pipeline Inc. v. Buena Vista Home Entm't*, 275 F. Supp. 2d 543, 67 U.S.P.Q.2d 1887 (D.N.J. 2003).

426. *Id.* at 573, 67 U.S.P.Q.2d at 1910.

427. See *Pfizer Inc. v. YSK Shipping & Trading Inc.*, 70 U.S.P.Q.2d 1592 (E.D.N.Y. 2004).

428. See *id.* at 1595-99.

429. See *Car-Freshener Corp. v. Big Lots Stores Inc.*, 314 F. Supp. 2d 145, 70 U.S.P.Q.2d 1758 (N.D.N.Y. 2004).

430. *Id.* at 152, 70 U.S.P.Q.2d at 1763.

other than that of actual confusion, on which there was no showing by either party, also favored the plaintiffs' position. In the face of these considerations, the defendants' reliance on their labeling practices was misplaced. As the court explained, "once a consumer purchases Defendants' product and hangs the tree-shaped air freshener from his or her rear-view mirror, the product is virtually indistinguishable from Plaintiffs', thereby creating a strong likelihood of post-sale consumer confusion concerning the source of the product."<sup>431</sup>

A similar result held in a dispute between a counterclaim plaintiff, which owned several federal registrations of the TILLAMOOK mark for dairy products, and a counterclaim defendant using the TILLAMOOK JERKY mark for beef jerky.<sup>432</sup> The court observed that "[s]ince low-cost products generally are subject to impulse buying, consumers are more likely to rely on the initial impressions created by the visible trademarks."<sup>433</sup> The counterclaim defendant's case was not helped by the court's additional findings that the dominant element of both parties' packaging was the word "Tillamook," that the goods were "closely related," that the parties employed overlapping marketing channels, and that the counterclaim plaintiff's mark, although geographically descriptive, nevertheless was a strong one. Against this backdrop, the counterclaim defendant's claims of an absence of actual confusion, its good faith and the unlikelihood that the parties would one day market directly competitive goods under their marks was insufficient to create a justiciable issue of fact concerning the counterclaim defendant's liability.<sup>434</sup>

Summary judgment also issued in a challenge brought by Anheuser-Busch against a competitor's product sold under the BILLY BUD CLASSIC AMERICAN ALE mark.<sup>435</sup> Drawing all reasonable inferences in the defendant's favor, the court was willing to accept the defendant's assertion that it had chosen its name in homage to a Herman Melville character rather than as part of an attempt to free ride on the good will of the plaintiff's registered BUDWEISER and BUD marks.<sup>436</sup> Nevertheless, all other relevant factors favored a finding of infringement, including the strength of the plaintiff's marks, similarities in the

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431. *Id.* at 153, 70 U.S.P.Q.2d at 1764.

432. *See Tillamook County Smoker, Inc. v. Tillamook County Creamery Ass'n*, 311 F. Supp. 2d 1023 (D. Or. 2004).

433. *Id.* at 1044.

434. *See id.* at 1040-45.

435. *See Anheuser-Busch, Inc. v. Caught-on-Bleu, Inc.*, 288 F. Supp. 2d 105 (D.N.H. 2003), *aff'd without op.*, 2004 WL 1718357 (1st Cir. Aug. 02, 2004), *petition for certiorari filed*, No. 04-793, 72 U.S.L.W. (Dec. 4, 2004).

436. *See id.* at 124.

appearances of the parties' marks, goods and advertising channels, and the existence of actual confusion as measured by the plaintiff's survey.<sup>437</sup> Under these circumstances, the court held, "the absence of evidence as to a defendant's intent does not in [and] of itself preclude summary judgment for the plaintiff in an infringement case."<sup>438</sup>

Finally, in a case presenting an increasingly rare victory for a plaintiff asserting trade dress rights in a product shape, one plaintiff successfully demonstrated a likelihood of confusion between its registered guitar design and the design of a competitive model.<sup>439</sup> The plaintiff's case was greatly aided by the fame of the plaintiff's configuration, the close similarity of the parties' designs, the competitive proximity of the products involved, the existence of at least some actual confusion, an identity of the parties' marketing channels, evidence of the defendant's intentional copying of the plaintiff's design and the likelihood that the parties' products would directly overlap in the future.<sup>440</sup> Accordingly, summary judgment in the plaintiff's favor resulted.<sup>441</sup>

## (2) Likelihood of Confusion: After Trial

One of the more interesting findings of infringement in recent years came in a case with an equally interesting procedural disposition.<sup>442</sup> The plaintiff was a manufacturer of computers and related products that for years had used a black-and-white pattern mimicking that found on cows. When the defendant introduced a plush "stretch pet" cow that wrapped around computer monitors and that featured a similar pattern, the plaintiff sued, only to come up short at the hands of an advisory jury. Unimpressed with the jury's findings, the district court entered a final judgment of liability nonetheless. As it viewed the evidence: (1) the plaintiff's mark was arbitrary and "one of the world's most recognized trademarks"; (2) the color pattern on the defendant's cow was similar to the plaintiff's mark; (3) the parties' goods were in "close competitive proximity"; (4) the defendant had created its cow with the intent of capitalizing on its similarity to the plaintiff's mark; (5) the plaintiff's survey demonstrated a 39% rate of actual

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437. *See id.* at 114-25.

438. *Id.* at 125.

439. *See Gibson Guitar Corp. v. Paul Reed Smith Guitars, L.P.*, 311 F. Supp. 2d 690, 70 U.S.P.Q.2d 1911 (M.D. Tenn. 2004).

440. *See id.* at 720-25, 70 U.S.P.Q.2d at 1934-37.

441. *See id.* at 725, 70 U.S.P.Q.2d at 1937.

442. *See Gateway Inc. v. Companion Prods. Inc.*, 68 U.S.P.Q.2d 1407 (D.S.D. 2003), *aff'd*, 384 F.3d 503 (8th Cir. 2004).

confusion among respondents; (6) purchasers of the defendant's toy cow did not exercise great care when doing so.<sup>443</sup> Because the defendant's labels were insufficient to preclude confusion under these circumstances, a finding of liability followed<sup>444</sup> and ultimately was upheld on appeal.<sup>445</sup>

Another finding of likely confusion after a bench trial would have been predictable in light of the parties' joint use of the COHIBA mark on cigars but for the fact that the Cuba-based plaintiff was barred by the U.S. trade embargo against Cuba from selling its goods in the United States.<sup>446</sup> According to the defendants, U.S. consumers of cigars were well aware that cigars sold domestically neither were made in Cuba nor contained Cuban tobacco—a circumstance that ruled out those consumers assuming the U.S.-based defendants were the same company as the plaintiff. The court noted that “for confusion between the two brands to be relevant in the present litigation, there must be a significant risk that the consumer will make a purchasing decision based not on the goodwill or reputed quality of the [defendants'] COHIBA [cigars] but on the mistaken association with the Cuban COHIBA, a brand with a reputation as being one of the best cigars in the world.”<sup>447</sup> Under this standard, a belief by consumers that the parties had once been associated with each other was actionable, even if they understood that there was no present association. With the absence of use by the plaintiff no longer an obstacle to a finding of liability, the traditional likelihood of confusion factors fell into place solidly in the plaintiff's favor, particularly in light of survey and anecdotal evidence of actual confusion, as well as the court's conclusion that the defendants had intended to capitalize on the notoriety of the plaintiff's mark.<sup>448</sup>

Four cases reaching findings of infringement presented facts so heavily slanted in the mark owners' favor, it was not entirely clear how they went to trial in the first place. In the first, the counterclaim plaintiffs in the action were manufacturers of high-end furniture, and had provided the counterclaim defendants with showroom pieces and catalogs.<sup>449</sup> Although this arrangement was obviously for the purpose of increasing sales of the counterclaim

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443. *See id.* at 1411-21.

444. *See id.* at 1421.

445. *See Gateway Inc. v. Companion Prods. Inc.*, 384 F.3d 503 (8th Cir. 2004).

446. *See Empresa Cubana Del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650 (S.D.N.Y. 2004).

447. *Id.* at 1683.

448. *See id.* at 1683-89.

449. *See Turner Greenberg Assocs. v. C & C Imports, Inc.*, 320 F. Supp. 2d 1317 (S.D. Fla. 2004).



plaintiffs' goods, the counterclaim defendants eventually began delivering furniture from third-party sources to customers, who believed that they were purchasing furniture manufactured by the counterclaim plaintiffs. Not surprisingly, the court found multiple grounds for its conclusion that confusion was likely, including the existence of actual confusion and bad faith, as well as an identity between the marks, products, sales methods and promotional strategies employed by the parties.<sup>450</sup>

In the second case, the plaintiffs ran a political organization under the PARTIDO REVOLUCIONARIO DOMINICANO SECCIONAL METROPOLITANA DE WASHINGTON D.C., MARYLAND Y VIRGINIA, while the defendants' competitive organization operated under the PARTIDO REVOLUCIONARIO DOMINICANO, SECCIONAL DE MARYLAND Y VIRGINIA mark.<sup>451</sup> The wrinkle in the case was that the plaintiff was apparently operating under a license from a national party, but the court seemed unconcerned by this detail in finding that the plaintiff had demonstrated its ownership rights. From there, it was all downhill for the defendants: Not only was there record evidence of actual confusion, but the court considered the defendants' failure to change their name in response to the plaintiffs' demand letter evidence of bad faith.<sup>452</sup> Indeed, even the overall political context in which the parties used their marks weighed in favor of the entry of relief in light of the danger that confusion might pose to the political process.<sup>453</sup>

In the third case, the Maryland Court of Appeals had little difficulty affirming a finding of infringement under the Lanham Act and state law in a case in which both parties used the GUARDIAN SECURITY STORM DOOR mark in connection with doors.<sup>454</sup> Not surprisingly, this concurrent use had produced actual confusion occurring on average once or twice a week.<sup>455</sup> With the record further supporting the trial court's conclusion that the defendant had acted in bad faith when it failed to discontinue its infringement in response to the plaintiff's objections,<sup>456</sup> the defendant pinned much of its appeal on the theory that the plaintiff's mark was weak because of the plaintiff's alleged failure

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450. *See id.* at 1331-33.

451. *See Partido Revolucionario Dominicano (PRD) Seccional Metropolitana de Washington-DC, Md. y Va. v. Partido Revolucionario Dominicano, Seccional de Md. y Va.*, 312 F. Supp. 2d 1 (D.D.C. 2004).

452. *See id.* at 14-15.

453. *See id.* at 16.

454. *See Mid S. Bldg. Supply of Md., Inc. v. Guardian Door & Window, Inc.*, 847 A.2d 463 (Md. Ct. App. 2004).

455. *See id.* at 477-79.

456. *See id.* at 476-77.

to police third-party uses. The appellate court was unconvinced that the plaintiff had slept on its rights, however, concluding instead that the trial court had not clearly erred when it found that the plaintiff's mark was not weak.<sup>457</sup>

In the final case, the plaintiff owner of the MARCH MADNESS mark for spring college and high school basketball tournaments challenged the owners of the marchmadness.com domain name.<sup>458</sup> Although the defendants argued that the website they established at the address ultimately would address sports other than basketball, the site had only featured content relating to the plaintiff's tournaments as of the filing date of the suit. This and other considerations led the court to note of the defendants' claimed intent that "[t]here is not a shred of evidence in the record to support the notion of such a long-term plan."<sup>459</sup> The defendants were not helped by testimony and evidence of rampant confusion among advertisers, of whom "approximately 25% . . . contacted by [the defendants] inquired, *on their own initiative*, as to whether marchmadness.com was affiliated with the NCAA," a licensee of the plaintiff.<sup>460</sup> Not surprisingly, the court concluded that Internet surfers seeking information on the NCAA's tournament "are likely to suffer confusion when they intuitively type marchmadness.com into their web browsers and, rather than arriving at an authorized NCAA site, end up at the site owned by Defendants."<sup>461</sup>

### (3) Likelihood of Confusion: Preliminary Relief

In cases in which defendants contest the matter,<sup>462</sup> courts have become increasingly reluctant to find a likelihood of confusion on plaintiffs' motions for preliminary injunctions, and the past year was no exception. Preliminary relief did issue, however, in a case in which consumers who had downloaded the defendant's online software received advertisements for a competitor's product when they accessed the plaintiff's website.<sup>463</sup> Despite the fact that the defendant's "use" of the plaintiff's mark as an electronic trigger for the advertisements was unseen, the court nevertheless found that

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457. *See id.* at 474-75.

458. *See March Madness Athletic Ass'n v. Netfire, Inc.*, 310 F. Supp. 2d 786 (N.D. Tex. 2003).

459. *Id.* at 794.

460. *Id.* at 805.

461. *Id.* at 812.

462. For a case entering a temporary restraining order and preliminary injunction following the defendants' failure to appear, see *Faegre & Benson LLP v. Purdy*, 70 U.S.P.Q.2d 1315 (D. Minn. 2004).

463. *See 1-800-Contacts Inc. v. WhenU.com*, 309 F. Supp. 2d 467, 69 U.S.P.Q.2d 1337 (S.D.N.Y. 2003).

the defendant was using an “extremely similar” designation. From there, the remaining factors fell into place in the plaintiff’s favor, including the court’s acceptance of survey evidence submitted by an expert who disclaimed an intent to conduct a trademark infringement survey. Whatever the expert’s intent, the court found that the survey’s respondents did not fully understand the nature of the software they had downloaded (if they even realized that they had done so in the first instance), and that a majority of them believed that the ads they saw were authorized by the owner of the website they had accessed. Of equal significance, the court found that the defendant had acted in bad faith in making its hidden uses of the plaintiff’s mark on the theory that “[a]ctual or constructive knowledge of a trademark owner’s exclusive right to use a registered mark may signal bad faith.”<sup>464</sup> Finally, the court rejected the defendant’s argument that consumers wishing information on the origin of the advertisements could view a disclaimer by clicking on a “?” symbol appearing on them: “[C]onsumer confusion caused by the pop-up advertisements can hardly be alleviated by [the defendant’s] use of disclaimers with terms that are buried in other web pages, requiring viewers to scroll down or click on a link.”<sup>465</sup>

Although evidence of a bad faith intent to imitate a plaintiff’s mark will almost always weigh in favor of a finding of likely confusion, an intent to infringe often is difficult to establish. One court hearing a trade dress action between two shoe manufacturers, however, needed to do nothing more than to view the parties’ products to find bad faith based on the similarities in their appearance, including the shared use of features not qualifying for trade dress protection.<sup>466</sup> Of the remaining likelihood of confusion factors, the defendant apparently chose to contest seriously only the strength of the plaintiff’s shoe designs, which it argued had been weakened by third-party use. The court rejected this contention, however, finding that not only were the third-party designs insufficient to limit the scope of protection available to the plaintiff, but that the strong secondary meaning of the plaintiff’s designs weighed in favor of a finding of likely confusion. What’s more, the defendant’s attempted reliance on its allegedly dissimilar packaging was unavailing in light of the court’s acceptance of the post-sale confusion doctrine. Accordingly, preliminary injunctive relief was appropriate.<sup>467</sup>

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464. *Id.* at 502, 69 U.S.P.Q.2d at 1363.

465. *Id.* at 504, 69 U.S.P.Q.2d at 1365.

466. *See K-Swiss Inc. v. USA Aisiqi Shoes Inc.*, 68 U.S.P.Q.2d 1340, 1346 (C.D. Cal. 2003).

467. *See id.* at 1344-46.

A finding of bad faith also reared its ugly head in a case in which the defendants had registered a domain name corresponding to a registered mark owned by the plaintiff.<sup>468</sup> Significantly, the plaintiff was incorporated three years after the domain name was registered, which precluded a finding that the registration itself had been undertaken in bad faith. Nevertheless, the defendants' actual *use* of both the domain name and a mark identical to that of the plaintiff after they learned of the plaintiff warranted a finding of a malevolent intent. When coupled with the courts' findings that the parties' marks were identical, actual confusion had occurred, the parties were in related, and possibly overlapping, lines of business and they employed overlapping marketing channels, preliminary relief swiftly followed.<sup>469</sup>

A final opinion in which the defendant's bad faith played a significant role came in a dispute between the owners of the PERFUMANIA and PERFULANDIA marks, both used in connection with perfume.<sup>470</sup> The lead individual defendant had been an employee of the plaintiff and "could not provide a coherent explanation" of how the defendants came to adopt their name.<sup>471</sup> Moreover, the defendants displayed their mark in the same font and typeface as those of the plaintiff's mark. This practice predictably led to actual confusion, including examples of consumers in malls featuring both parties' stores assuming that the stores were affiliated. If the court had any lingering doubts about the propriety of preliminary relief, the "robust" nature of the plaintiff's mark tipped the scales toward an injunction.<sup>472</sup>

One case entering preliminary relief turned not on the defendant's bad faith, but instead primarily on the visual similarity between the marks.<sup>473</sup> The plaintiff's and defendant's marks were EDGEWIRELESS and EASYEDGE, respectively, both used in connection with wireless telecommunications services. Given the directly competitive nature of the parties' services, the defendant claimed that the marks were visually dissimilar and that its mark was always used with its "house mark." Addressing this argument, the court noted that "[w]hen determining the similarity of the marks, three axioms apply: 1) marks should be considered in their entirety and as they appear in the marketplace; 2) similarity is best adjudged by appearance, sound, and meaning;

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468. *See Garden of Life, Inc. v. Letzer*, 318 F. Supp. 2d 946 (C.D. Cal. 2004).

469. *See id.* at 963-68.

470. *See Perfumania, Inc. v. Perfulandia, Inc.*, 279 F. Supp. 2d 86 (D.P.R. 2003).

471. *See id.* at 102.

472. *See id.* at 97-103.

473. *See Edge Wireless, LLC v. U.S. Cellular Corp.*, 312 F. Supp. 2d 1325 (D. Or. 2004).

and 3) similarities weigh more heavily than differences.”<sup>474</sup> Although the court agreed that the defendant’s use of its house mark helped reduce the chances of confusion, it was unwilling to regard this practice as dispositive.<sup>475</sup> Accordingly, it issued a limited preliminary injunction against use of the defendant’s mark in the markets in which the parties competed.<sup>476</sup>

Another defendant’s attempt to rely on the use of its house mark failed when the court found that the house mark was not used consistently.<sup>477</sup> With the court therefore declining to consider the house mark, the subject of its analysis became whether the defendant’s CROSSBOW mark for exercise equipment was likely to be confused with the plaintiff’s BOWFLEX mark for competitive goods. Although concluding that “the marks by themselves are not necessarily confusing,”<sup>478</sup> as well as that consumers of the products exercised at least some degree of care when purchasing them, other considerations resulted in the court’s conclusion that the plaintiff was likely to prevail on the merits of its case. These included evidence that the parties’ goods were “very similar,” the plaintiff’s mark was a strong one, the defendant had adopted its mark in bad faith, the parties used similar advertising media and actual confusion had arisen in the market.<sup>479</sup>

Several cases presented compelling claims for preliminary relief, which courts entered without the need for extended analysis. For example, one court had little difficulty finding that the plaintiff owner of the COMTA certification mark in the massage therapy industry was entitled to preliminary relief against use of the COMMTA mark for competitive certification services in the same industry.<sup>480</sup> Another entered an early injunction after finding that confusion was likely to result from the parties’ directly competitive use of the SPACE BALLS mark for rubber spheres used to occupy expansion joints in cabinets.<sup>481</sup>

#### (4) Likelihood of Confusion to Be Determined

As usual, some trial court and appellate court opinions deferred final disposition of the merits of plaintiffs’ infringement

474. *Id.* at 1330.

475. *See id.* at 1332.

476. *See id.* at 1336.

477. *See Nautilus Group v. Icon Health & Fitness, Inc.*, 308 F. Supp. 2d 1208, 1211 (W.D. Wash. 2003), *aff’d*, 372 F.3d 1330, 71 U.S.P.Q.2d 1173 (9th Cir. 2004).

478. *Id.* at 1210.

479. *See id.* at 1211-17.

480. *See Am. Massage Therapy Ass’n v. Folkers*, 308 F. Supp. 2d 899 (N.D. Ill. 2004).

481. *See Lopes v. Int’l Rubber Distribs.*, 309 F. Supp. 2d 972 (N.D. Ohio 2004).

claims until trial.<sup>482</sup> For example, in one closely-watched case, the Ninth Circuit vacated entry of summary judgment in favor of a defendant operator of an Internet search engine and its advertisers.<sup>483</sup> The plaintiff's suit challenged the search engine's practice of "selling" the plaintiff's mark as a keyword that, when searched for by consumers, would trigger the appearance of anonymous banner ads placed by the plaintiff's competitors. It was the anonymity of the ads that the Ninth Circuit found particularly probative in holding that the plaintiff had adduced sufficient evidence of initial interest confusion to escape summary judgment: "Some consumers, initially seeking [the plaintiff's] sites, may initially believe that unlabeled banner advertisements are links to [the plaintiff's] sites or to sites affiliated with [the plaintiff]." <sup>484</sup> The plaintiff's argument was strengthened by survey evidence of actual confusion that, although criticized by the defendants, nevertheless suggested that a not-insubstantial percentage of online browsers did believe that the plaintiff had authorized the ads. Moreover, the peculiar nature of the adult-entertainment industry in which the plaintiff and the advertisers operated also came into play because "the average searcher seeking adult-oriented materials on the Internet is easily diverted from a specific product he or she is seeking if other options, particularly graphic ones, appear more quickly."<sup>485</sup>

The First Circuit similarly swung into action in a dispute between two insurance providers, in which the district court not surprisingly found that the use by both parties of marks consisting in part of the word "beacon" and incorporating lighthouse designs weighed in favor of liability.<sup>486</sup> What's more, the district court acknowledged that the plaintiff had demonstrated "real" evidence of actual confusion in the form of a "complaint matrix" detailing 249 instances of actual confusion over whether the parties were affiliated. Nevertheless, the district court improbably held that the

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482. See, e.g., *Lee Middleton Original Dolls Inc. v. Seymour Mann Inc.* (denying defendant's motion for summary judgment without extended analysis of likelihood of confusion between parties' trade dresses); *Deere & Co. v. MTD Holdings Inc.*, 70 U.S.P.Q.2d 1009, 1024 (S.D.N.Y. 2004) (finding that factual disputes precluded grant of either party's motion for summary judgment); *Maharishi Hardy Blechman Ltd. v. Abercrombie & Fitch Co.*, 220 F.R.D. 39 (S.D.N.Y. 2004) (rejecting as premature motion to dismiss grounded in alleged absence of likelihood of confusion); *Knight v. Int'l Longshoremen's Ass'n*, 286 F. Supp. 2d 360, 368 (D. Del. 2003) (denying defendants' motion for summary judgment without extended analysis of likelihood of confusion between parties' marks).

483. See *Playboy Enters. Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 69 U.S.P.Q.2d 1417 (9th Cir. 2004).

484. *Id.* at 1025, 69 U.S.P.Q.2d at 1420.

485. *Id.* at 1028, 69 U.S.P.Q.2d at 1422.

486. See *Beacon Mut. Ins. Co. v. OneBeacon Ins. Group*, 290 F. Supp. 2d 241, 250, 68 U.S.P.Q.2d 1915, 1922 (D.R.I. 2003), *rev'd*, 376 F.3d 8, 71 U.S.P.Q.2d 1641 (1st Cir. 2004).

plaintiff, which was a writer of workers' compensation insurance for Rhode Island employers, operated in a different market than the defendant, which did not offer such a product. Because this putative market segmentation precluded the actual confusion demonstrated by the plaintiff from directly affecting its commercial interests, the district court held that the segmentation need not be given serious weight. Even the acknowledged strength of the plaintiff's mark was an insufficient basis for establishing the existence of a justiciable issue of fact, and a finding of noninfringement as a matter of law resulted.<sup>487</sup> Not surprisingly, the First Circuit took a different view of the record, concluding instead that the plaintiff deserved its day in court.<sup>488</sup>

One of the more interesting opinions holding that factual disputes precluded entry of summary judgment came in a dispute between the plaintiff—a company marketing a line of fragrance, bath and body care products under the GLOW mark—and Jennifer Lopez.<sup>489</sup> When Lopez and a group of her affiliated companies launched competitive products under the GLOW BY J.LO mark, the plaintiff sued for infringement. In response, the defendants purchased the allegedly prior rights to the registered GLOW KIT mark for cosmetics from a third party and asserted a counterclaim for infringement based on the newly-acquired rights. Although the plaintiff moved for summary judgment on the theory that there was no likelihood of confusion between the GLOW and GLOW KIT marks, the court was unconvinced. It acknowledged that the GLOW KIT mark was a weak one, the parties' customers were sophisticated, the marks were visually distinguishable when viewed in context, and the marketing channels through which the goods were provided were dissimilar. Nevertheless, it ultimately held that disputes over the proximity of the parties' goods and Lopez's intent when adopting her mark warranted a full trial on the merits.<sup>490</sup>

Disputes over the underlying likelihood of confusion factors led to another court's denial of the plaintiff's motion for partial summary judgment.<sup>491</sup> The parties were radio broadcasters who both used the reference "K-LOVE." Although the parties obviously were in the same general business, the defendant successfully established that it used its mark to identify commercial-free, English-language evangelical broadcasts, while the plaintiff

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487. *See id.* at 244-52, 68 U.S.P.Q.2d at 1918-23.

488. *See Beacon Mut. Ins. Co. v. OneBeacon Ins. Group*, 376 F.3d 8, 71 U.S.P.Q.2d 1641 (1st Cir. 2004).

489. *See Glow Indus. v. Lopez*, 273 F. Supp. 2d 1095 (C.D. Cal. 2003).

490. *See id.* at 1117-29.

491. *See Hispanic Broad. Corp. v. Educ. Media Found.*, 69 U.S.P.Q.2d 1524 (C.D. Cal. 2003).

operated Spanish-language commercial stations in connection with its mark. The defendant therefore argued that the relevant audiences were the distinguishable voluntary donors to the defendant's broadcasts and the commercial advertisers that supported the plaintiff's stations. The court did not attempt to resolve this issue on the merits, but it did find the defendant's evidence on this point enough to create a justiciable issue of fact, particularly when coupled with the defendant's showings that: (1) the plaintiff's mark was weak; (2) the parties' services were not competitive; (3) the marks created different impressions when encountered in context; (4) the plaintiff's putative evidence of actual confusion did not reflect the requisite confusion as to source; (5) the parties used different advertising channels; (6) even casual listeners would notice the differences between the parties' programming; and (7) the defendant adopted its mark in good faith.<sup>492</sup>

A finding of summary judgment also fell by the wayside because of factual disputes in a dispute between two vodka producers.<sup>493</sup> The plaintiff's mark was ABSOLUT, while the defendants marketed their vodka under the ABSOLWENT mark. Three of the relevant factors favored a finding of infringement: The plaintiff's mark was famous, the parties marketed competitive goods, and the goods were purchased in the same settings and locations. Nevertheless, the defendant introduced evidence that the goods were sold at different price points, vodka consumers were sophisticated purchasers, the marks were dissimilar in appearance, the plaintiff's actual confusion survey was flawed, and it had adopted its mark in good faith. As to aural similarity in particular, the court held that conflicting testimony by linguistic experts over the marks' pronunciation created a factual dispute. Moreover, the court held that it was obligated to infer from survey evidence introduced by the plaintiff that relatively few respondents regarded the marks as sufficiently similar to be actually confused with each other.<sup>494</sup>

### **(5) Unlikelihood of Confusion: Preliminary Relief**

Perhaps the most interesting preliminary injunction opinions over the past year came in two cases involving the appearance of branded products in motion pictures. The first case originated in Caterpillar's objections to the appearance of its earthmoving

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492. *See id.* at 1525-29.

493. *See V&S Vin & Sprit Aktiebolag v. Cracovia Brands Inc.*, 69 U.S.P.Q.2d 1701 (N.D. Ill. 2004).

494. *See id.* at 1702-04.



equipment in the straight-to-video film *George of the Jungle II*.<sup>495</sup> The plot called upon the film's villains to threaten a rain forest with destruction, which they did without bothering to obscure Caterpillar's marks on their bulldozers. Among other things, Caterpillar alleged the existence of a likelihood of confusion, but the court was puzzled. It noted,

This is not a case where the Court can apply the traditional likelihood of confusion factors with any degree of comfort. For example, there are no competing trademarks at issue in this case, there is only one.

....

... Part of what drives the Court's discomfort with Caterpillar's position is the fact that the appearance of products bearing well known trademarks in cinema and television is a common phenomenon. For example, action movies frequently feature automobiles in a variety of situations. Is the mere appearance of a Ford Taurus in a garden variety car chase scene sufficient by itself to constitute unfair competition?<sup>496</sup>

According to the court, the answer to this question was clearly no, and this disposed of Caterpillar's infringement claims: "[I]t appears unlikely to the Court . . . that any consumer would be more likely to buy or watch *George 2* because of any mistaken belief that Caterpillar sponsored this movie."<sup>497</sup>

The second motion picture case originated in the presentation of Wham-O's SLIP 'N SLIDE waterslide in the film *Dickie Roberts: Former Child Star*.<sup>498</sup> The protagonist of the film was a washed-up former child actor, who sought to regain his lost youth by hiring a family to provide him with the experience of a normal childhood. Despite warnings by the family's two preteen children, the protagonist in one scene launched himself onto the Wham-O slide without first wetting it down with water, leading to an abrupt stop and abrasions on his chest. Having learned the value of lubrication but dissatisfied with the limits of water, the protagonist eventually soaked the slide in cooking oil, only to shoot off the end and hurtle into a picket fence.<sup>499</sup> Rejecting Wham-O's claims of likely confusion in a relatively cursory treatment, the court explained

495. See *Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 68 U.S.P.Q.2d 1461 (C.D. Ill. 2003).

496. *Id.* at 919-20, 68 U.S.P.Q.2d at 1466.

497. *Id.* at 920, 68 U.S.P.Q.2d at 1466.

498. See *Wham-O Inc. v. Paramount Pictures Corp.*, 286 F. Supp. 2d 1254, 68 U.S.P.Q.2d 1841 (N.D. Cal. 2003).

499. See *id.* at 1257-58, 68 U.S.P.Q.2d at 1842-43.

that “[c]onsumers and viewers will not mistake plaintiff for a movie production house, and consumers and viewers will not mistake defendants for a purveyor of toys.”<sup>500</sup>

The entertainment industry spawned two other opinions denying preliminary relief, although these involved challenges to titles of television series, rather than the appearances of products in them. In the first, the court declined to find that the defendants’ production and distribution of a television series entitled *The Brotherhood of Poland, New Hampshire* was likely to be confused with the plaintiffs’ comparatively obscure film named *Brotherhood*.<sup>501</sup> The lack of public awareness of the plaintiffs’ film weighed heavily in the court’s analysis: “A nationally broadcast television program and a film which has been shown only twice cannot be said to be similar goods, share channels of trade, or target the same classes of purchasers.”<sup>502</sup> In the absence of evidence of actual confusion or intentional copying, preliminary relief was inappropriate.<sup>503</sup>

In the second, the plaintiff was a modest sports agency that represented athletes under the PLAYMAKERS mark and that sought to enjoin ESPN’s broadcast of *Playmakers*, a dramatized portrayal of the lifestyles of professional football players.<sup>504</sup> To establish the strength of its mark, the plaintiff stridently asserted the incontestable status of the registration covering it. Rejecting the proposition that incontestability necessarily renders the associated mark a strong one, the court instead concluded that the mark was “somewhat conceptually weak.”<sup>505</sup> Thus, although suggestive, the mark’s inherent distinctiveness weighed only slightly in the plaintiff’s favor. Moreover, this was the only relevant factor to suggest that infringement had occurred, as the court concluded that ESPN’s use of its house mark precluded the parties’ marks from creating the same overall impression, their services were not competitive, there was no evidence of actual confusion, they employed different marketing channels, the plaintiff’s clients exercised great care when making purchasing decisions and ESPN had acted in good faith in naming its series.<sup>506</sup> To bolster its case in the face of these considerations, the plaintiff repeatedly invoked the negative conduct of players portrayed by

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500. *Id.* at 1262, 68 U.S.P.Q.2d at 1847.

501. *See MJM Prods. v. Kelley Prods. Inc.*, 68 U.S.P.Q.2d 1131 (D.N.H. 2003).

502. *Id.* at 1138.

503. *See id.*

504. *PlayMakers LLC v. ESPN Inc.*, 297 F. Supp. 2d 1277, 69 U.S.P.Q.2d 1439 (W.D. Wash. 2003), *aff’d*, 376 F.3d 894, 71 U.S.P.Q.2d 1759 (9th Cir. 2004).

505. *Id.* at 1281, 69 U.S.P.Q.2d at 1443.

506. *See id.* at 1282-84, 69 U.S.P.Q.2d at 1444-45.

the series, but the court rejected this argument as relevant only to a dilution claim.<sup>507</sup>

Outside of the motion picture and television contexts, plaintiff owners of registered descriptive marks took it on the chin in their efforts to secure preliminary relief in the Second Circuit. In particular, the weakness of an incontestably registered mark played a significant role in a Second Circuit decision to affirm a finding that confusion was not likely between a New Orleans restaurant operating under the BRENNAN'S mark and one in New York City named TERRANCE BRENNAN'S SEAFOOD & CHOP HOUSE.<sup>508</sup> Although the proposition that weak marks should receive less protection than strong ones is certainly correct, the court's methodology in finding that the plaintiff's mark fell into this category was not. Ignoring evidence of the plaintiff's "long history and numerous media reviews," the court instead took judicial notice of other Brennans in the Manhattan telephone directory and observed that:

As a common last name, we think at this point . . . that plaintiff's mark is inherently weak. A common last name implicates both the minimal level of protection traditionally granted to descriptive marks and the policy of not protecting last names to a degree that unnecessarily precludes other users from trading on their own names' reputation.<sup>509</sup>

Although the denial of relief might well have been the proper conclusion on the merits, the flaw in the court's analysis is perhaps best reflected in the fact that descriptive terms and surnames can indeed achieve the status of strong marks. Few trademark professionals, for example would consider the DUPONT mark to be weak—indeed, it was one of two surname marks expressly identified by the legislative history of the Federal Trademark Dilution Act (FTDA)<sup>510</sup> as sufficiently strong to qualify for dilution protection.<sup>511</sup> Even if a denial of preliminary relief might well have been justified on other grounds,<sup>512</sup> the court's relative unwillingness to address the factual record before it in favor of a bright-line rule was ill advised.

507. *See id.* at 1284-85, 69 U.S.P.Q.2d at 1446.

508. *See Brennan's Inc. v. Brennan's Rest. LLC*, 360 F.3d 125, 69 U.S.P.Q.2d 1939 (2d Cir. 2004).

509. *Id.* at 131, 69 U.S.P.Q.2d at 1943 (citation omitted).

510. Pub. L. No. 104-98, 109 Stat. 985 (1996).

511. The other surname mark so identified was BUICK. *See* H.R. Rep. No. 104-374, at 4 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1030.

512. Chief among these was the fact that the parties occupied geographically remote markets. *See Brennan's*, 360 F.3d at 134-35, 69 U.S.P.Q.2d at 1945-46.

Indeed, a better approach was adopted by two district court opinions in the Second Circuit. In the first, the plaintiff's mark was the undoubtedly descriptive MONTHLY PRESCRIBING REFERENCE, used in connection with a monthly publication on prescription drugs.<sup>513</sup> Addressing the mark's strength, the court observed that "descriptive marks are traditionally disfavored under the law and have been granted a minimum of protection under the Lanham Act. . . ."<sup>514</sup> Nevertheless, it also noted that relief against the imitation of descriptive marks would be granted upon a showing of secondary meaning "due to equitable concerns about the unfairness of depriving the owners [of] the mark of the goodwill they have developed and depriving the public of the ability to recognize the source of the product."<sup>515</sup> The court did ultimately find the plaintiff's mark weak, but only after reviewing the plaintiff's evidence of distinctiveness. It also found support for its finding that confusion was not likely in the defendant's use of a famous house mark, the parties' differing presentations of their marks, the absence of bad faith by the defendant, and the highly sophisticated nature of the parties' target audience.<sup>516</sup>

In the second opinion, the plaintiff's mark was 24 HOUR FITNESS, not surprisingly used in connection with a widespread chain of "premier" health and fitness clubs, and covered by numerous federal registrations.<sup>517</sup> Some of the plaintiff's registrations were incontestable, but the court was not sufficiently convinced of the underlying mark's strength to enjoin the defendant's use of 24/7 FITNESS for a chain of more modest facilities. As the court correctly observed in rejecting the plaintiff's heavy reliance on the "conclusive" evidentiary presumptions attaching to its registrations, "[w]hether Plaintiff's trademark is descriptive and therefore weak or, on the other hand, suggestive and therefore inherently distinctive and strong remains . . . a factor properly examined in the likelihood of confusion prong of the infringement analysis."<sup>518</sup> The court did not find the mark weak merely because of its descriptiveness, however, but instead because the plaintiff's showing of distinctiveness was "far from compelling" and because the court's own research had disclosed extensive third-party use of the mark's constituent elements.<sup>519</sup>

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513. See *Med. Econs. Co. v. Prescribing Reference Inc.*, 294 F. Supp. 2d 456, 70 U.S.P.Q.2d 1130 (S.D.N.Y. 2003).

514. *Id.* at 463, 70 U.S.P.Q.2d at 1134.

515. *Id.*, 70 U.S.P.Q.2d at 1135.

516. See *id.* at 462-66, 70 U.S.P.Q.2d at 1134-36.

517. See *24 Hour Fitness USA Inc. v. 24/7 Tribeca Fitness LLC.*, 68 U.S.P.Q.2d 1031 (S.D.N.Y. 2003).

518. *Id.* at 1034.

519. See *id.* at 1034-35.

Other factors weighing against likely confusion were an absence of geographic proximity between the parties' markets, an absence of actual confusion, the defendant's good faith, differences in the quality of the parties' facilities, and the relative sophistication of their customers. Against this backdrop, the substantial similarity between the parties' marks and the competitive nature of their services failed to carry the day for the plaintiff.<sup>520</sup>

Findings of mark weakness came into play outside of the Second Circuit as well. In a district court opinion from California, the plaintiff sought to enforce the rights to its HALO mark, registered for a variety of computer and Internet-related goods and services, against the defendants' BLUEHALO mark.<sup>521</sup> The court acknowledged that the plaintiff's mark was either arbitrary or fanciful, something that ordinarily would place it in "the 'strongest' of all mark categories."<sup>522</sup> As it turned out, however, the mark occupied a "crowded field" of similar designations, which rendered it "relatively and individually weak."<sup>523</sup> Moreover, "[b]ecause so many [HALO] marks appear, it is not unreasonable to assume that those seeking a 'halo'-related service will exercise an extra modicum of care, i.e., that consumers will *not* be confused by use of the 'halo' mark, particularly where [the defendants'] mark is notably distinct in appearance."<sup>524</sup> That the defendants had allegedly shown their bad faith by continuing to use their mark after receiving an objection from the plaintiff was an insufficient basis for preliminary relief.<sup>525</sup>

One opinion denying preliminary injunctive relief did so on facts that, if placed before a more sympathetic court, might well have justified entry of summary judgment in the plaintiff's favor.<sup>526</sup> The parties used virtually identical marks—PROWALL by the plaintiff and PRO-WALL by the defendant—for paints and related products. Armed with the benefit of these facts, the plaintiff additionally convinced the court that its mark was a strong one and that the parties occupied adjacent geographic markets. Nevertheless, the court questionably concluded that a combination of factors reduced the plaintiff's chances of success on the merits: (1) the parties' products were sold to professional painters and did not appear side-by-side; (2) the parties' labels

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520. *See id.* at 1033-37.

521. *See Halo Mgmt., LLC v. Interland, Inc.*, 308 F. Supp. 2d 1019 (C.D. Cal. 2003).

522. *Id.* at 1037.

523. *Id.*

524. *Id.* at 1038 (internal quotation marks and brackets omitted).

525. *See id.* at 1037-38.

526. *See Iowa Paint Mfg. Co. v. Hirshfield's Paint Mfg. Inc.*, 296 F. Supp. 2d 983, 69 U.S.P.Q.2d 1016 (S.D. Iowa 2003).

featured distinguishable house marks; (3) the defendant had not adopted its mark in bad faith; (4) there was an absence of actual confusion; and (5) the parties' customers were sophisticated contractors.<sup>527</sup>

Sophisticated consumers also played a role in a finding that the mark THE REAL DEAL, used in connection with a magazine on the real estate industry, was not confusingly similar to the federally registered marks THE DEAL and THE DAILY DEAL, used as titles for financial publications.<sup>528</sup> The plaintiff's financial publications were aimed at "highly sophisticated purchasers," while the demographic profile of readers of the defendant's magazine was highly educated professionals earning more than \$140,000 a year, and these factors weighed against liability for infringement. The plaintiff's case was not helped by the "not particularly distinctive" nature of its marks, the differing visual appearances of the parties' products, the quality of the defendant's products, and the defendant's good faith adoption of its mark.<sup>529</sup> As to the last of these considerations, the court rejected the plaintiff's argument that the defendant's failure to conduct a trademark availability search necessarily constituted bad faith. Instead, the court found convincing testimony by the defendant's principal that he had researched the plaintiff's operations to confirm that there would be no conflict between the two uses.<sup>530</sup>

Another court denying preliminary relief had a lower threshold for finding the parties' customers sophisticated.<sup>531</sup> The plaintiffs' mark was JUVA for plastic surgery and spa services, while the defendant used JUVENEX for an allegedly competitive New York City spa two miles away. Noting the \$50 to \$650 price tag attached to the plaintiffs' services, the court observed that "consumers are likely to exercise a great deal of care in selecting a spa facility, not simply because of cost, but because such treatments affect their physical appearance and health."<sup>532</sup> The court also held that the modest distance separating the parties' places of businesses did not tip the merits of the case in the plaintiff's favor: "[I]n Manhattan, consumers can observe a stark difference between the Korea Town location of [the defendants] and [the plaintiff's] address in the East 50s near Madison Avenue, and they will not be confused by the spas' physical proximity."<sup>533</sup>

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527. *See id.* at 990-1000, 69 U.S.P.Q.2d at 1020-29.

528. *See Deal LLC v. Korangy Publ'g Inc.*, 69 U.S.P.Q.2d 1775 (S.D.N.Y. 2004).

529. *See id.* at 1781-86.

530. *See id.* at 1785-86.

531. *See Katz v. Modiri*, 283 F. Supp. 2d 883 (S.D.N.Y. 2003).

532. *Id.* at 898.

533. *Id.* at 899.

Having failed to establish the secondary meaning of its mark in the first instance, one plaintiff seeking preliminary relief also fell short in its efforts to demonstrate a likelihood of confusion.<sup>534</sup> The plaintiff's putative mark was USA 2003, used in connection with various goods and services related to the 2003 Women's World Cup, while the defendant used USA 03 on a website featuring information on the competition and on promotional apparel. Although concluding that the verbal portions of the parties' marks were "obviously quite similar," the court found that the plaintiff used its mark in a stylized form and invariably with other words as well, which did nothing to foster the strength of USA 2003 standing alone. Likewise, although similarities in goods and services also favored the plaintiff, this consideration was more than outweighed by the absence of actual confusion, the defendant's practice of displaying its mark only with its house mark, the lack of any inferiority of the defendant's goods, and the defendant's sponsorship of the U.S. team, which precluded a finding that the defendant had acted in bad faith.<sup>535</sup>

The issue of intent also came into play in another court's refusal to enjoin the alleged infringement of the trade dress of a package of earplugs.<sup>536</sup> The court had little doubt that the defendant had designed its packaging to be reminiscent of that of the plaintiff. Nevertheless, the similarities between the parties' packaging were the result of instructions given to the defendant by two retailers, who sought to market "compare to" products. According to the court, "[w]hile [the retailers] deliberately made the trade dress similar to [the plaintiff's] product, they presumably did so not to confuse the customer into thinking they were buying [the plaintiff's] product, but rather to force the customer to choose between the more expensive brand name and the less expensive private label."<sup>537</sup> As it further explained, "this is an important distinction because similarity does not necessarily lead to confusion by customers, especially in this context."<sup>538</sup>

Several opinions denied preliminary relief in brief treatments of the extent of likely confusion between the parties' marks. For example, one court rejected the attempt by a video game manufacturer to enjoin a competitor's use of a product design allegedly copied from that of the plaintiff because the primary similarities between the parties' products were the result of a

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534. See *Fed'n Internationale de Football Ass'n v. Nike Inc.*, 285 F. Supp. 2d 64, 68 U.S.P.Q.2d 1849 (D.D.C. 2003).

535. See *id.* at 72-74, 68 U.S.P.Q.2d at 1854-56.

536. See *McKeon Prods. Inc. v. Flents Prods. Co.*, 69 U.S.P.Q.2d 1032 (E.D. Mich. 2003).

537. *Id.* at 1039.

538. *Id.*

shared use of functional elements.<sup>539</sup> Similarly, a court hearing a trademark and trade dress dispute between two pharmaceutical companies declined to issue a preliminary injunction after the plaintiff failed to demonstrate that it owned inherently distinctive indicators of origin and that actual confusion had occurred.<sup>540</sup>

### (6) Unlikelihood of Confusion: As a Matter of Law

Consistent with the clear trend over the past few years, defendants found it easier to secure summary judgment than did plaintiffs, especially in cases in which the plaintiffs were unable to adduce convincing evidence of the strength of their marks. Within the set of tribunals finding noninfringement as a matter of law, one Florida district court merits particular credit, not necessarily because of the merits of the decision, but instead for the court's adoption of the correct proposition of law in the face of controlling authority failing to do so.<sup>541</sup> The plaintiff was the owner of a family of marks based on the word DAYTONA, used in connection with a variety of goods and services and covered by incontestable registrations, while the defendant used the DONZI DAYTONA mark for a high-end premium package available for recreational powerboats. Confusing the separate and independent inquiries into whether a mark is protectable in the first instance and whether the rights to it have been infringed, the Eleventh Circuit previously had held that incontestability necessarily renders a mark strong for purposes of the latter.<sup>542</sup> Reviewing this rule, the district court declined to fall into the same error: As it explained while finding the plaintiff's marks weak as a result of third-party usage, "incontestability only addresses the first part of the infringement analysis, that is, whether a mark is valid, entitled to protection, and owned by a plaintiff; incontestable status . . . does not mean that a mark's strength cannot be attacked."<sup>543</sup> With the court also concluding that the presentation of the parties' marks was different, their goods and services were aimed at different populations and provided through different outlets, there was an absence of actual confusion, and that the defendant had not acted

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539. See *Incredible Techs. Inc. v. Virtual Techs. Inc.*, 284 F. Supp. 2d 1069, 1083-84, 68 U.S.P.Q.2d 1877, 1888 (N.D. Ill. 2003).

540. See *Hi-Tech Pharms., Inc. v. Herbal Health Prods., Inc.*, 311 F. Supp. 2d 1353, 1357 (N.D. Ga. 2004).

541. See *HBP Marine Inc. v. Am. Marine Holdings Inc.*, 290 F. Supp. 2d 1320, 68 U.S.P.Q.2d 1798 (M.D. Fla. 2003).

542. See *Dieter v. B & H Indus.*, 880 F.2d 322, 329, 11 U.S.P.Q.2d 1721, 1726 (11th Cir. 1989) ("[The plaintiff's] mark . . . is presumed to be at least descriptive with secondary meaning, and therefore a relatively strong mark.").

543. *HBP*, 290 F. Supp. 2d at 1329, 68 U.S.P.Q.2d at 1803.



in bad faith when adopting its mark, summary judgment of noninfringement was appropriate.<sup>544</sup>

Another court also retreated from the rule that incontestably registered marks necessarily must be strong, albeit in subtle fashion.<sup>545</sup> As had the Eleventh, the Sixth Circuit previously had held that incontestability was a factor in the likelihood of confusion analysis, as well as in the inquiry into the validity of the registered mark in the first instance.<sup>546</sup> Nevertheless, in that court's most recent treatment of the issue, this rule became only a presumption of mark strength, which the defendant was permitted to rebut. In the final analysis, the defendant's showing of numerous third-party registrations (but apparently not use) of arguably similar marks failed to demonstrate the weakness of the plaintiff's incontestably registered AUTOZONE mark for the retail sale of various automotive equipment. Nevertheless, dissimilarities between the visual appearance of that mark and of the defendant's POWERZONE mark for a store-within-a-store selling electronic equipment, coupled with the largely noncompetitive nature of the goods sold by the parties, the absence of bad faith by the defendant, and the defendant's use of its famous RADIO SHACK house mark, precluded liability as a matter of law.<sup>547</sup>

Another court entering summary judgment of noninfringement rejected the proposition that inherently distinctive marks necessarily must be considered strong for purposes of the likelihood of confusion analysis.<sup>548</sup> Although the plaintiff argued that its M2 mark for various goods and services in the music industry was strong because it was arbitrary or fanciful, the court disagreed. Observing that "[a] court measures a mark's commercial strength by reference to the plaintiff's use of the mark in the marketplace,"<sup>549</sup> the court went on to review the plaintiff's modest evidence bearing on the mark's actual use. Because the plaintiff had failed to demonstrate anything more than "flabby" sales figures, a "few" advertisements, and "unproven" promotional expenditures, the court found that "the commercial strength of [the] mark among general consumers is extremely weak."<sup>550</sup> With the court further finding that only the factor of mark similarity

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544. *See id.* at 1332-38, 68 U.S.P.Q.2d at 1805-10.

545. *See AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786 (6th Cir. 2004).

546. *See, e.g., Jet, Inc. v. Sewage Aeration Sys.*, 165 F.3d 419, 422 (6th Cir. 1999).

547. *See AutoZone*, 373 F.3d at 792-800.

548. *See M2 Software, Inc. v. M2 Communications, L.L.C.*, 281 F. Supp. 2d 1166 (C.D. Cal. 2003).

549. *Id.* at 1170.

550. *Id.* at 1171.

avored the plaintiff—the defendant’s mark was M2.0 for “an artist-based independent Christian music company”—the plaintiff’s forward and reverse confusion claims were dismissed as a matter of law.<sup>551</sup>

The same result held in a case challenging the defendants’ use of MATRIX for passenger cars in which the court accepted, *arguendo*, the plaintiff’s claims that its MATRIX mark was arbitrary as applied to high-end racing cars.<sup>552</sup> Unfortunately for the plaintiff, the court was equally willing to accept the defendants’ showing of third-party use in the automotive industry as evidence of the weakness of the mark. That the mark was “commercially weak and diluted” supported the dismissal of the plaintiff’s claims as a matter of law, particularly when coupled with evidence that the parties’ vehicles were sold to entirely different customer bases and promoted through differing marketing channels, the parties used distinguishable house marks, there had been no actual confusion, the defendants had adopted their mark in good faith, and customers used great care in making purchases.<sup>553</sup>

One court went even further in finding a plaintiff’s mark weak because, and not despite, of the mark’s inherent distinctiveness.<sup>554</sup> The mark was ECHO DRAIN for a rock band specializing in music that, according to the testimony of its members, sounded as if it were swirling down a drain. The connection between the music and the name proved to be a significant element of the downfall of the band’s infringement claims against a subsequent user of the ECHOBRAIN mark: As the court concluded in finding the plaintiff’s mark entitled to only a narrow scope of protection, “[b]ecause the Echo Drain mark is suggestive, the mark is presumptively weak and Echo Drain should have anticipated some confusion with legitimate competitors.”<sup>555</sup> The plaintiff’s fortunes went downhill from there, with the court relying on differences in the types of music performed by the parties, dissimilarities in the marks, an absence of actual confusion, the defendants’ good faith in selecting their mark and the limited geographic zone of the plaintiff’s reputation in dismissing the plaintiff’s claims as a matter of law.<sup>556</sup>

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551. *See id.* at 1172-76.

552. *See Matrix Motor Co. v. Toyota Jidosha Kabushiki Kaisha*, 290 F. Supp. 2d 1083 (C.D. Cal. 2003).

553. *See id.* at 1090-96.

554. *See Echo Drain v. Newsted*, 68 U.S.P.Q.2d 1203 (C.D. Cal. 2003).

555. *Id.* at 1209.

556. *See id.* at 1209-12.

Mark weakness also played a critical role in the failure of another plaintiff's claims for infringement of a word mark, product design, and product packaging.<sup>557</sup> The record evidence demonstrated that the plaintiff often sold its fish-shaped gummy candy under private label marks or even in bulk without an identifying mark altogether. Not only did this practice reduce any weight that might be given to the plaintiff's sales figures, it also was inconsistent with the plaintiff's claims that it had cultivated an association between itself and the product design at issue. Moreover, although the plaintiff had in recent years adopted two uniform, albeit distinct, packages, it traditionally had sold its products in a multiple packages without any uniform characteristics.<sup>558</sup> Independent of the weakness of the plaintiff's claimed brands, its case was not helped by dissimilarities between the packaging used by the parties and their word marks: As the court found, the defendant's FAMOUS SQWISH CANDY mark was neither visually nor aurally similar to the plaintiff's THE ORIGINAL SWEDISH FISH and SWEDISH marks.<sup>559</sup> Accordingly, and particularly in light of the parties' sales to different sectors of the candy market, summary judgment was appropriate.<sup>560</sup>

The existence of at least some factors weighing in the plaintiff's favor often is a basis for rejecting claims of noninfringement as a matter of law. Nevertheless, the Eleventh Circuit was sufficiently impressed with differences between the plaintiff's and the defendant's marks that it affirmed entry of summary judgment in the defendant's favor as a matter of law solely on that basis.<sup>561</sup> The appellate court acknowledged that all the remaining factors favored a finding that confusion was likely when the evidence was viewed in a light most favorable to the plaintiff, but concluded that "the two [marks] are overwhelmingly dissimilar, even upon a quick and cursory viewing in the impulse buying market."<sup>562</sup> Because "no reasonable jury could find that even a hurried 8-18 year old impulse shopper could confuse them," summary judgment in the defendant's favor had been proper.<sup>563</sup>

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557. See *Malaco Leaf AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355 (S.D.N.Y. 2003).

558. See *id.* at 369-71.

559. See *id.* at 370.

560. See *id.* at 373-74.

561. See *Dippin' Dots Inc. v. Frosty Bites Distrib.*, 369 F.3d 1197, 70 U.S.P.Q.2d 1707 (11th Cir. 2004).

562. *Id.* at 1208-09, 70 U.S.P.Q.2d at 1714.

563. *Id.* at 1209, 70 U.S.P.Q.2d at 1714.

Likewise, a number of district courts were sufficiently unconcerned about the chances of reversal that they glossed over factors favoring plaintiffs when throwing out their cases. In an example of this phenomenon, one court hearing a defendant's motion for summary judgment was not impressed by some factors that "strongly favor[ed]" the plaintiff's position.<sup>564</sup> The parties' goods were competitive premoistened wipes purchased without serious consideration by consumers and, if the plaintiff was to be believed, sold under the WET ONES and MOIST ONES marks. Reviewing the defendant's packaging, the court concluded that the defendant's mark actually was QUILTED NORTHERN MOIST ONES, which, when presented with the defendant's house brand, rendered the marks dissimilar. When coupled with the defendant's good faith in adopting its mark and the absence of actual confusion, this dissimilarity warranted entry of summary judgment in the defendant's favor.<sup>565</sup>

If a dissimilarity between marks could lead to the dismissal of infringement claims as a matter of law, several opinions demonstrated that mark similarity might not be sufficient to save them. For example, one court declined to hold that similarities between the parties' marks and limited actual confusion were sufficient bases for denying the defendant's motion for summary judgment when all other factors suggested that confusion was unlikely.<sup>566</sup> The plaintiff's mark was SAVIN, used in connection with various business equipment and consulting and support services, and covered by several incontestable registrations, which the court held rendered the mark a strong one for purposes of the likelihood of confusion analysis. Nevertheless, the subject of the plaintiff's objections was the defendants' use of THE SAVIN GROUP for engineering services, a context so unrelated to that in which the plaintiff operated that the court was unwilling to give the putative strength of the plaintiff's mark any weight. With the court additionally finding that the defendants had adopted their mark in good faith, despite their failure to conduct a trademark availability search, and that the parties' markets were unlikely to overlap in the future, the plaintiff's showing that a third party had mistakenly believed that the one of the plaintiff's executives was associated with the defendants could not stave off a finding of no likelihood of confusion as a matter of law.<sup>567</sup>

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564. See *Playtex Prods. Inc. v. Ga.-Pac. Inc.*, 67 U.S.P.Q.2d 1923 (S.D.N.Y. 2003), *aff'd*, 390 F.3d 158, 73 U.S.P.Q.2d 1127 (2d Cir. 2004).

565. See *id.* at 1930.

566. See *Savin Corp. v. Savin Group*, 68 U.S.P.Q.2d 1893 (S.D.N.Y. 2003), *aff'd in part and rev'd in part*, 391 F.3d 439, 73 U.S.P.Q.2d 1273 (2d Cir. 2004).

567. See *id.* at 1897-1903.

Another court focusing on mark similarity concluded that the parties' marks AMERICA'S MOST CONVENIENT BANK and FLORIDA'S MOST CONVENIENT BANK were not so similar as to create a justiciable issue of fact as to the defendant's liability.<sup>568</sup> As the court noted, the marks were displayed in dissimilar fonts and styles, with the plaintiff's mark emphasizing the color red. Of equal importance, the parties used the marks only in conjunction with their respective house marks, something that allowed consumers "to visibly differentiate between the two."<sup>569</sup> With other factors such as the weakness of the plaintiff's mark, the high degree of care exercised by the parties' customers, the absence of actual confusion, and the differing customer bases serviced by the parties weighing in the defendant's favor, evidence that the defendant may have intended to copy the plaintiff's mark failed to carry the day.<sup>570</sup> Accordingly, summary judgment of noninfringement followed.<sup>571</sup>

Although most cases turning on the extent of likely confusion involved the defendant's use of the challenged mark to identify its own goods and services, one presented a defendant using the plaintiff's mark in an attempt to disassociate itself from the plaintiff.<sup>572</sup> Having once been authorized to use the mark in question, the defendant placed on its website a notice that it had discontinued the mark's use and had adopted another one to market its goods on a going-forward basis. Because this use was an accurate factual recitation in running text, the case might well have been a good one for invocation of the nominative use defense. Nevertheless, the court went through a full-blown likelihood of confusion analysis to find nonliability as a matter of law. As it concluded, "there has not been a scintilla of evidence proffered by the Plaintiff to suggest that confusion has been sowed by the Defendant. [The mark], to the extent that it appears on the Defendant's website at all, does so not to confuse but to allay confusion."<sup>573</sup>

### (7) Unlikelihood of Confusion: After Trial

Seeking to protect its federally registered TOUCAN SAM word mark and anthropomorphic toucan logo, used in connection with breakfast cereals, Kellogg Co. came up short in a challenge to a manufacturer of golf clubs that used a stylized portrayal of the

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568. *See Commerce Bancorp, Inc. v. BankAtlantic*, 285 F. Supp. 2d 475 (D.N.J. 2003).

569. *Id.* at 493.

570. *See id.* at 493-96.

571. *See id.* at 496.

572. *See New Sensor Corp. v. CE Distrib. LLC*, 303 F. Supp. 2d 304 (E.D.N.Y. 2004).

573. *Id.* at 315.

same species of fowl and the TOUCAN GOLF mark.<sup>574</sup> When the TTAB declined to find the parties' uses confusingly similar, Kellogg sought a *de novo* review from a district court, only to meet with the same result after a bench trial. The company's luck did not change on appeal to the Sixth Circuit, which affirmed the district court's affirmance of the Board's decision. The appellate court acknowledged that Kellogg's marks were "very strong," but this strength was not enough to overcome the wide gulf between the parties' products. Although Kellogg alleged that it licensed the use of its marks for golf-related items, this limited use did not render the company a "player in the golfing industry."<sup>575</sup> With the court also concluding that the parties' respective birds were not similar, the differing industries in which the parties operated precluded the remaining likelihood of confusion factors from weighing in Kellogg's favor. Accordingly, the district court's finding of no liability was not clearly erroneous.<sup>576</sup>

Another opinion originating in the Sixth Circuit, albeit one from a district court, rejected the claim that the defendant's FIFTH THIRD EQUITY FLEXLINE mark for home equity loans was likely to be confused with the plaintiff's COMERICA'S HOME EQUITY FLEXLINE mark for similar services.<sup>577</sup> A key to the court's finding was the parties' use of their house marks with the otherwise confusingly similar term "flexline": As the court noted, "[i]n the banking world, consumers are used to seeing banks with similar names offer products with similar names. . . . [A]s the record stands there is no evidence that potential customers are not capable of distinguishing between Comerica and Fifth Third."<sup>578</sup> Other factors weighing in the defendant's favor were the absence of actual confusion, the sophistication of the parties' customers, and the defendant's good faith in choosing its mark.<sup>579</sup> Somewhat improbably, however, the court concluded that the parties' use of the same advertising media to target the same customers weighed in favor of neither party.<sup>580</sup>

Another post-trial verdict of no confusing similarity came in a case in which the plaintiff sought to protect a claimed trade dress consisting of the design of a garment hanger.<sup>581</sup> The key to the

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574. See *Kellogg Co. v. Toucan Golf Inc.*, 337 F.3d 616, 67 U.S.P.Q.2d 1481 (6th Cir. 2003).

575. *Id.* at 625, 67 U.S.P.Q.2d at 1485.

576. See *id.* at 625-27, 67 U.S.P.Q.2d at 1486-87.

577. See *Comerica Inc. v. Fifth Third Bankcorp*, 282 F. Supp. 2d 557 (E.D. Mich. 2003).

578. *Id.* at 570-71.

579. See *id.* at 569-74.

580. See *id.* at 571.

581. See *Spotless Enters. v. A & E Prods. Group*, 294 F. Supp. 2d 322 (E.D.N.Y. 2003).

defendant's case was its ability to downplay the significance of its deliberate imitation of the plaintiff's design. Impressed with the defendant's showing that it had not intended to mislead purchasers by its adoption of the functional features of the plaintiff's design, the court also found support for its finding of nonliability in the sophistication of the institutional purchasers of the parties' goods and the absence of any actual confusion during the period in which the goods had competed against each other.<sup>582</sup>

### (8) Likelihood of Confusion to Be Determined

As always, some courts declined to resolve the extent of likely confusion between the parties' marks at the summary judgment stage, instead preferring to leave it for trial. For example, one court hearing a dispute between manufacturers of revolvers was faced with the need to apply the likelihood of confusion analysis to the configurations of the parties' products, as well as one set of word marks and two sets of nonverbal design marks used in connection with them.<sup>583</sup> Rejecting motions for summary judgment filed as to each of these categories of designations of origin, the court concluded that disputed issues of fact existed under each of the relevant factors.<sup>584</sup>

#### *c. Survey Evidence of Confusion*

Although litigants continued to rely on survey evidence over the past year, the number of substantive discussions of such evidence in reported cases took a nosedive.<sup>585</sup> Nevertheless, the general principle that methodological deficiencies should affect only the weight, and not the admissibility, of survey evidence continued to assume center stage in those opinions addressing survey evidence. The most extreme example of this phenomenon came in a trade dress case in which the plaintiffs conducted a survey to demonstrate the likelihood of confusion between their revolvers and "replica" firearms sold by the defendants.<sup>586</sup> As described by the court, the defendants' concerns about the plaintiffs' survey seemed well-founded: Among other issues identified by the defendants, (1) respondents apparently were

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582. *See id.* at 352-53.

583. *See New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195 (D. Conn. 2004).

584. *See id.* at 228-30.

585. For an example of an opinion regarding the plaintiff's survey evidence favorably, but without describing its underlying methodology in detail, see *Empresa Cubana Del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650, 1685-86 (S.D.N.Y. 2004).

586. *See New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195 (D. Conn. 2004).

prompted with the plaintiffs' brand name before being asked to identify the manufacturer of the defendants' product, (2) the plaintiffs' expert personally had conducted many of the interviews with respondents, with his son conducting others, and (3) there were no controls used because of the expert's determination that they were unnecessary.<sup>587</sup> Nevertheless, the court declined to strike the evidence altogether, concluding that the defendants' objections, "while serious, . . . properly go to the weight of the survey."<sup>588</sup>

Seeking to discredit a survey conducted to demonstrate the extent of likely confusion between two brands of beer, a defense expert conceded that the methodology used by the plaintiff's expert had been "unbiased" and his data "accurate."<sup>589</sup> Nevertheless, he questioned the plaintiff's study because it had been conducted in a shopping mall, rather than in a bar, restaurant or store. The court rejected this attack for three reasons. First, the defense expert had failed to lay a proper foundation for his criticism; in other words, he was unable to point to any basis for the proposition that responses to the survey would have been different had they been elicited in a different locale. Second, established case law validated the type of mall intercept survey undertaken by the plaintiff. And third, the expert's testimony did not rise to the level of record evidence that might place the survey's findings in dispute. Instead, it went more properly to the survey's weight.<sup>590</sup>

In a case in which the defendant commissioned a survey to prove the absence of likely confusion, the plaintiff expended considerable energy attempting to discredit the survey's methodology on the ground that it asked respondents to evaluate only the marks' visual, rather than aural, similarity. Nevertheless, the plaintiff also affirmatively invoked the survey's results as evidence that respondents did associate the parties' marks with each other.<sup>591</sup> According to the plaintiff, the survey results reflected an 11% rate of confusion, while the defendant claimed that the results actually demonstrated that only 8% of respondents were confused. Rejecting the plaintiff's motion for summary judgment, the court credited the plaintiff's attack on the survey's methodology as evidence that a factual dispute existed on the

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587. *See id.* at 223-25.

588. *Id.* at 224-25.

589. *See Anheuser-Busch, Inc. v. Caught-on-Bleu, Inc.*, 288 F. Supp. 2d 105, 122 (D.N.H. 2003), *aff'd without op.*, 2004 WL 1718357 (1st Cir. Aug. 02, 2004), *petition for certiorari filed*, No. 04-793, 72 U.S.L.W. (Dec. 4, 2004).

590. *See id.* at 123.

591. *See V&S Vin & Sprit Aktiebolag v. Cracovia Brands, Inc.*, 69 U.S.P.Q.2d 1701 (N.D. Ill. 2004).



extent of any actual confusion.<sup>592</sup> Moreover, it also declined to accept the plaintiff's argument that an 8-11% range of confused respondents mandated a finding of infringement as a matter of law.<sup>593</sup>

In another case, the plaintiff's reliance on a survey that it had commissioned itself was unavailing, in substantial part because of the survey's methodological flaws.<sup>594</sup> The plaintiff was a publisher of a monthly reference guide for physicians, while the defendant planned to introduce a competitive product. To measure the extent to which recipients of the guides might associate them with each other, the plaintiff's survey expert queried physicians on whether they used the parties' guides without disclosing that the defendant's guide had yet to be introduced and without providing them the opportunity to respond that they had never seen it. Although this yielded a rate of respondents who believed that they had used the defendant's guide as high as 51%, the court faulted the study for failing to identify the cause of these responses. Other flaws identified by the court included (1) the survey's failure to ensure that the respondents were, in fact, physicians; (2) the absence of adequate controls; and (3) the survey's lack of information on how respondents would respond when actually confronted with the defendant's yet-to-be published guide.<sup>595</sup>

One case addressing survey evidence introduced by the plaintiff did not take issue with (or describe in any detail) the study's methodology, but instead found the percentages of allegedly confused respondents inadequate.<sup>596</sup> The plaintiff had sued to protect a claimed word mark, packaging trade dress, and product design trade dress, and had commissioned surveys to measure the extent of actual confusion relating to each. The product design survey was excluded as a discovery sanction and the word mark and packaging surveys yielded positive results of only one and 9.5%, respectively. Granting the defendant's motion for summary judgment, the court found these results insufficient to create a justiciable issue of fact.<sup>597</sup>

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592. *See id.* at 1704.

593. *See id.* at 1703-04.

594. *See Med. Econ. Co. v. Prescribing Reference Inc.*, 294 F. Supp. 2d 456, 70 U.S.P.Q.2d 1130 (S.D.N.Y. 2003).

595. *See id.* at 460-62, 70 U.S.P.Q.2d at 1132-33.

596. *See Malaco Leaf AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355 (S.D.N.Y. 2003).

597. *See id.* at 374-76.

### *d. Contributory Infringement and Vicarious Liability*

Cases resolving claims of secondary liability for infringement and unfair competition were few and far between over the last year,<sup>598</sup> but one court did address the subject in detail.<sup>599</sup> The plaintiff was first a licensor and then a franchisor of deli-style food centers. Apparently dissatisfied with the quality of the support they received from the plaintiff, eight of the plaintiff's licensees terminated their relationship with it and affiliated themselves with the defendant. Consistent with their limited post-termination obligations under their agreements with the plaintiff, they did not take extensive steps to revise the appearances of their stores. The plaintiff argued that the defendant was required to police its new affiliates' alleged infringement of the plaintiff's trade dress. The court refused to impose such a duty on the defendant when the store owners themselves were not barred from use of the challenged trade dress; indeed, according to the court's reading of them, the store owners' agreements with the plaintiff affirmatively authorized the store owners to continue the uses for which the defendant allegedly was liable. Accordingly, the court granted the defendant's motion for summary judgment.<sup>600</sup>

## **3. Dilution**

### *a. Proving Commercial Use by Defendants*

Just as Sections 32 and 43(a) require a defendant to "use in commerce" a challenged mark,<sup>601</sup> so too does Section 43(c) require that the defendant make a commercial use of a challenged mark for actionable dilution to result.<sup>602</sup> Some cases presented relatively easy findings that commercial uses had occurred. For example, in a case in which the defendant sold plush cow toys that incorporated the plaintiff's federally registered design mark, a finding of commercial use resulted without extended analysis, notwithstanding the apparent absence of any evidence that the defendant presented the design as its brand name.<sup>603</sup>

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598. For an example of an opinion applying a cursory analysis and denying the plaintiff's motion to hold the CEO of a defendant vicariously liable for infringement and counterfeiting, see *Symantec Corp. v. CD Micro, Inc.*, 286 F. Supp. 2d 1265 (D. Or. 2003).

599. See *Goddard, Inc. v. Henry's Foods, Inc.*, 291 F. Supp. 2d 1021 (D. Minn. 2003).

600. See *id.* at 1036-39.

601. See 15 U.S.C. §§ 1114, 1125(a) (2004).

602. See *id.* § 1125(c).

603. See *Gateway Inc. v. Companion Prods. Inc.*, 68 U.S.P.Q.2d 1407 (D.S.D. 2003), *aff'd*, 384 F.3d 503 (8th Cir. 2004).

In contrast, the Fifth Circuit held as a matter of law that a defendant who had set up (but then removed) an Internet “complaint site” at an electronic address that incorporated the plaintiff’s trademark had not made the requisite “commercial use.”<sup>604</sup> According to the plaintiff, the defendant’s inclusion on his site of a feature intended to allow viewers to recommend competitors of the plaintiff rendered the site a mixed-use one falling within Section 43(c)’s ambit. This argument was convincing to the district court, but the Fifth Circuit reversed, noting that the defendant had never charged any money to view the site or to be included on his list of recommended competitors. Moreover, he had not accepted advertising, featured links to commercial sites, or attempted to sell the domain name. Under these circumstances, “no evidence suggests [the defendant’s] use was commercial, and the district court’s findings to the contrary were clear error.”<sup>605</sup> Reversing as well the district court’s finding that the defendant had violated Texas dilution law,<sup>606</sup> the appellate court noted that the Texas statute protected non-trademark uses intended to comment on or criticize mark owners—a safe harbor into which the defendant’s conduct fell.<sup>607</sup>

In another case, the defendant’s conduct fell short of legitimate criticism of the plaintiffs, but the same result held.<sup>608</sup> Having left the employ of the lead plaintiff, an art school, the defendant posted false job listings that identified the position of the individual plaintiff at the school as being vacant and, additionally, forwarded the individual plaintiff’s email address to various pornographic websites. When the plaintiffs were deluged with both resumes and unwanted pornographic catalogs, they sued under Section 43(c), alleging, *inter alia*, that the defendant’s actions had caused negative associations to attach to the school’s service mark. The court was unsympathetic, noting of the complaint that “[t]here is no allegation that [the defendant] was involved in any business or had any goods or services to advertise, distribute, sell or offer.”<sup>609</sup> Accordingly, it dismissed the complaint in light of the plaintiffs’ inability to identify an actionable use in commerce.<sup>610</sup>

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604. *See TMI Inc. v. Maxwell*, 368 F.3d 433, 70 U.S.P.Q.2d 1630 (5th Cir. 2004).

605. *Id.* at 438, 70 U.S.P.Q.2d at 1634.

606. Tex. Bus. & Com. Code § 16.29 (2002).

607. *See TMI*, 368 F.3d at 440, 70 U.S.P.Q.2d at 1636.

608. *See Sch. of Visual Arts v. Kuprewicz*, 771 N.Y.S.2d 804 (Sup. Ct. 2003).

609. *Id.* at 810.

610. *See id.* at 811-12.

## *b. Qualifying for Protection Against Dilution*

### **(1) Degree of Mark Fame or Distinctiveness Necessary to Qualify for Protection**

Distinctiveness for purposes of rendering a mark valid in the first instance is not, of course, the same as the degree of distinctiveness required to qualify a mark for protection against dilution.<sup>611</sup> The tendency of some courts applying this principle to bend over backwards to avoid imposing liability for dilution under Section 43(c) continued over the past year, with one in particular employing an unusual analysis to find that the plaintiff's mark was not sufficiently famous and well-known to qualify for relief.<sup>612</sup> The plaintiff owned a variety of DAYTONA marks for a race track, automobile and motorcycle races, and associated activities and products. Although accepting the plaintiff's argument that its racing events were famous, the court nevertheless refused to equate this notoriety with fame of the marks used in connection with the events. Looking to the geographic nature of the plaintiff's marks and evidence of extensive third-party use introduced by the defendant, the court concluded that the marks were not famous within the meaning of the federal statute, nor were they even highly distinctive under state law. As a consequence, summary judgment in the defendant's favor was appropriate.<sup>613</sup>

In a more conventional application of Section 43(c) and the New York dilution statute,<sup>614</sup> one court relied on the absence from U.S. markets of the plaintiff's products in rejecting its claims of mark fame and distinctiveness.<sup>615</sup> The plaintiff was a Cuban company barred by the U.S. trade embargo of that country from selling its products in the United States. Despite this, the plaintiff's brand enjoyed a good deal of notoriety among premium cigar smokers as a result of favorable media coverage. Although acknowledging evidence of this coverage, as well as surveys documenting consumers' awareness of the plaintiff's brand, the court was unconvinced that the mark's renown extended beyond premium cigar smokers. Accordingly, it found as a factual matter

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611. *See, e.g., AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786, 802 (6th Cir. 2004) (“[A] finding that the [plaintiff's] mark was distinctive does not address the degree of distinctiveness, which is part of the test for determining whether the use of the junior mark causes dilution.”).

612. *See HBP Inc. v. Am. Marine Holdings Inc.*, 290 F. Supp. 2d 1320, 68 U.S.P.Q.2d 1798 (M.D. Fla. 2003).

613. *See id.* at 1338, 68 U.S.P.Q.2d at 1810-11.

614. N.Y. Gen. Bus. L. § 360-1 (1996).

615. *See Empresa Cubana Del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1651 (S.D.N.Y. 2004).

after a bench trial that the plaintiff had failed to meet the threshold prerequisite for relief.<sup>616</sup>

Several opinions reached the self-evident point that plaintiffs unable to demonstrate distinctiveness in the first instance are in a uniquely poor position to claim eligibility for protection against dilution.<sup>617</sup> For example, one plaintiff's application for a temporary restraining order fell short when it could not establish its ownership of a valid mark.<sup>618</sup> Moreover, even assuming *arguendo* that distinctiveness existed for purposes of the initial inquiry into whether the plaintiff had a protectable mark, the plaintiff's showing of fame was woefully inadequate: Not only did it fail to introduce evidence or testimony of several key factors—the extent of advertising and publicity, the degree of recognition of the mark in the plaintiff's trading channels, and the nature and extent of third-party use—but the mark apparently had been in use for less than four months before the case was brought. Under these circumstances, the court held that it had “little trouble concluding that plaintiff has minimal hope of succeeding on its dilution claim.”<sup>619</sup>

In another case, a trade dress claimant found the going tough in its effort to establish the eligibility of its ear plug packaging for dilution protection, in substantial part because it also could not demonstrate distinctiveness.<sup>620</sup> As the court wryly observed in finding that the plaintiff's rather pedestrian boxes were not inherently distinctive and did not enjoy secondary meaning, “[n]ot every product sold has protectable trade dress.”<sup>621</sup> Moreover, the plaintiff's dilution case was not helped by its failure to offer evidence of the duration and extent of its advertising, that its trade dress had achieved any meaningful consumer recognition, or that the trade dress ever had been registered. Consequently, the court denied the plaintiff's request for a preliminary injunction.<sup>622</sup>

Although opinions such as these regarded claims of mark fame and distinctiveness with jaundiced eyes, others have been

616. *See id.* at 1692.

617. *See, e.g., Malaco Leaf AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355, 367 (S.D.N.Y. 2003) (dismissing state dilution claims as a matter of law in light of prior finding that claimed trade dress was generic); *Maharishi Hardy Blechman Ltd. v. Abercrombie & Fitch Co.*, 292 F. Supp. 2d 535, 552, 69 U.S.P.Q.2d 1503, 1506 (S.D.N.Y. 2003) (dismissing dilution claims as a matter of law in light of plaintiff's failure to establish protectable rights in the first instance to claimed trade dress).

618. *See Fed'n Internationale de Football Ass'n v. Nike Inc.*, 285 F. Supp. 2d 64, 68 U.S.P.Q.2d 1849 (D.D.C. 2003).

619. *Id.* at 72 n.5, 68 U.S.P.Q.2d at 1854 n.5.

620. *See McKeon Prods. Inc. v. Flents Prods. Co.*, 69 U.S.P.Q.2d 1032 (E.D. Mich. 2003).

621. *Id.* at 1040.

622. *See id.* at 1040-41.

more accepting.<sup>623</sup> In an increasingly rare case holding a plaintiff's trade dress eligible for relief against dilution, one court found that a black-and-white pattern designed to resemble a cow's spots was famous.<sup>624</sup> The court's analysis closely tracked Section 43(c)'s statutory factors for determining mark fame. As it concluded: (1) the trade dress was "arbitrary, and therefore, highly distinctive"; (2) the plaintiff had made over ten years' worth of use of the design; (3) the plaintiff had heavily promoted the design; (4) public recognition of the design extended well beyond the plaintiff's core market; (5) consumer survey evidence confirmed the design's fame; (6) the plaintiff had diligently protected the design; and (7) the design was covered by a federal registration.<sup>625</sup>

Although ultimately not concluding that the plaintiffs' marks before them were necessarily famous and distinctive within the meaning of the FTDA, three opinions rejected defendants' claims that the issue was not in material dispute. In the first, the Ninth Circuit vacated entry of summary judgment in favor of a group of defendants that had successfully invoked allegedly extensive third-party use before the district court.<sup>626</sup> The appellate court first noted that the defendants had failed to contest all other relevant factors under Section 43(c)(1).<sup>627</sup> As to the single factor on which the defendant had offered evidence, the court acknowledged the existence of the third parties, but held that the plaintiff had placed their significance in dispute by arguing that: (1) many of the third parties had been challenged by the plaintiff; (2) others had merely applied for (but not received) trademark registrations; (3) the defendants had "double counted" certain of the third parties; and (4) the remainder were in unrelated industries.<sup>628</sup>

In the second opinion, the court also held that the plaintiff's showing of fame was sufficient to ward off the defendants' motion for summary judgment, albeit in a partially flawed analysis.<sup>629</sup> The plaintiff's mark consisted of the surname of the brother-in-law of

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623. See, e.g., *Kellogg Co. v. Toucan Golf Inc.*, 337 F.3d 616, 628, 67 U.S.P.Q.2d 1481, 1488 (6th Cir. 2003) (finding that fame of plaintiff's marks was not in dispute); *Caterpillar Inc v. Walt Disney Co.*, 287 F. Supp. 2d 913, 921, 68 U.S.P.Q.2d 1461, 1467 (N.D. Ill. 2003) (holding without extended analysis that "[t]here is no question in this case that [the plaintiff's] marks are famous").

624. See *Gateway Inc. v. Companion Prods. Inc.*, 68 U.S.P.Q.2d 1407 (D.S.D. 2003), *aff'd*, 384 F.3d 503 (8th Cir. 2004).

625. See *id.* at 1423.

626. See *Playboy Enters. v. Netscape Communications Corp.*, 354 F.3d 1020, 69 U.S.P.Q.2d 1417 (9th Cir. 2003).

627. 15 U.S.C. § 1125(c)(1) (2004).

628. See *Playboy Enters.*, 354 F.3d at 1032, 69 U.S.P.Q.2d at 1425.

629. See *Savin Corp. v. Savin Group*, 68 U.S.P.Q.2d 1893 (S.D.N.Y. 2003), *aff'd in part and rev'd in part*, 391 F.3d 439, 73 U.S.P.Q.2d 1273 (2d Cir. 2004).

its founder, a circumstance that ordinarily would preclude it from being considered inherently distinctive.<sup>630</sup> Because the mark was covered by several incontestable registrations, the court concluded that it somehow had been rendered inherently distinctive. In the final analysis, however, this error did not make much of a difference to the outcome, as the plaintiff had introduced independent evidence of extensive revenues and advertising, as well as acknowledgements of its mark's fame by a former adversary and by an arbitrator in an unrelated dispute. "While not sufficient to conclusively establish fame," the court concluded, "plaintiff's evidence certainly represents more than a mere scintilla of evidence."<sup>631</sup>

In a relatively cursory treatment of the issue, the third opinion held that the plaintiff had sufficiently documented a justiciable factual dispute on the subject of the distinctiveness of its product designs to escape summary judgment.<sup>632</sup> Chief among the evidence identified by the court was the plaintiff's receipt of an industry award for its designs.<sup>633</sup>

## (2) Eligibility of Product Designs for Protection Against Dilution

In contrast to the debates of past years, the issue of whether product designs properly can qualify for protection against dilution attracted little attention. In one case, the court apparently assumed, without the need for discussion, the eligibility of the plaintiff's collection of sculpted doll parts for protection under Section 43(c) and declined to enter summary judgment in the defendant's favor.<sup>634</sup>

In another case, however, a Second Circuit district court invoked the rule in that jurisdiction that only inherently distinctive designations of origin can qualify for dilution protection to dismiss a federal dilution cause of action to protect the product configuration of a fish-shaped gummy candy.<sup>635</sup> As the court explained, "since a product configuration trade dress can never be inherently distinctive, [the plaintiff's] trade dress is not entitled to

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630. See *815 Tonawanda St. Corp. v. Fay's Drug Co.*, 842 F.2d 643, 648, 6 U.S.P.Q.2d 1284, 1288 (2d Cir. 1988) (personal names generally are regarded as descriptive marks and require secondary meaning for protection).

631. *Savin*, 68 U.S.P.Q.2d at 1904.

632. See *Lee Middleton Original Dolls Inc. v. Seymour Mann Inc.*, 70 U.S.P.Q.2d 1115 (E.D. Wis. 2004).

633. See *id.* at 1122.

634. See *id.*

635. See *Malaco Leaf AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355 (S.D.N.Y. 2003).

protection under the FTDA.”<sup>636</sup> Accordingly, summary judgment in the defendant’s favor was appropriate.<sup>637</sup>

### (3) Significance of Competition Between Parties

Although direct competition between the parties is an increasingly infrequent basis for the dismissal of dilution claims, one court applying the New York dilution statute<sup>638</sup> nevertheless reached such a holding.<sup>639</sup> The basis of this result was the theory that dilution law was intended to protect against the use of identical marks on dissimilar products. From this, the court concluded that “[i]t is inappropriate . . . to bring an anti-dilution claim on the basis of two identical marks, especially when [the plaintiff] has also made other claims.”<sup>640</sup>

#### *c. The Nature of the Dilution Inquiry*

##### (1) Tarnishment

Although the Supreme Court did its best in *Moseley v. V Secret Catalogue, Inc.*<sup>641</sup> to cast doubt on whether Section 43(c) actually encompasses such a cause of action, plaintiffs continued to bring tarnishment claims over the past year, but with limited success.<sup>642</sup> In one case, the plaintiff challenged the use of its branded earth moving equipment in a comedy film, *George of the Jungle II*, that included as a subplot the threatened destruction of a rainforest.<sup>643</sup> Although the film’s narrator referred to the plaintiff’s vehicles as “deleterious dozers” and “maniacal machines,” the court was unimpressed with the plaintiff’s claims that the defendant had presented the plaintiff’s mark in an unwholesome or unsavory light. Rejecting the theory that viewers of the film would attribute the evil motives of the villains to the plaintiff, the court observed that “it is clear to even the most credulous viewer or child that the

636. *Id.* at 367.

637. *See id.* at 368. For another case in which the court apparently accorded weight to the competitive nature of the parties’ services, see *Katz v. Modiri*, 283 F. Supp. 2d 883, 890-91 (S.D.N.Y. 2003).

638. N.Y. Gen Bus. L. § 360-1 (1996).

639. *See Empresa Cubana Del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1651 (S.D.N.Y. 2004).

640. *Id.* at 1693.

641. 537 U.S. 418, 65 U.S.P.Q.2d 1801 (2003).

642. *See, e.g., Katz v. Modiri*, 283 F. Supp. 2d 883, 901 (S.D.N.Y. 2003) (declining to enter preliminary injunction on tarnishment theory because “[t]here is no evidence here that [the plaintiff’s] product is inferior in quality or that it will cause the [plaintiff’s] mark to be tarnished by negative associations”).

643. *See Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 68 U.S.P.Q.2d 1461 (C.D. Ill. 2003).



bulldozers in the movie are operated by humans and are merely inanimate implements of [the principal villain's] unfriendly schemes."<sup>644</sup>

The same result held in a case presenting similar facts, only this time stemming from the depiction of a Wham-O SLIP 'N SLIDE waterslide in the film *Dickie Roberts: Former Child Actor*.<sup>645</sup> In contrast to the presentation of the earthmoving equipment in *George of the Jungle II*, *Dickie Roberts* featured the affirmative misuse of Wham-O's product, and this might have been expected to make Wham-O a more sympathetic plaintiff than Caterpillar. The court, however, found that the comical injuries suffered by the protagonist as a result of this misuse weighed against a finding that Wham-O's mark had been diluted:

[T]o those viewing the film, the *misuse* will be apparent and plaintiff's marks will be no less distinctive and plaintiff's marks will not be harmed. The film presents a ham-fisted and exaggerated illustration of slide misuse, It is an obvious and unmistakable one recognizable by even the youngest or most credulous film viewer, and one expressly described as a misuse in the film itself.<sup>646</sup>

Accordingly, the court declined to grant Wham-O's motion for a preliminary injunction against the further distribution of the film.

Outside of the motion picture context, a court applying both Section 43(c) and the New York state dilution statute<sup>647</sup> declined to dismiss the plaintiff's tarnishment claims on the defendants' Rule 12(b)(6) motion.<sup>648</sup> The gravamen of the plaintiff's dilution cause of action was that the defendants had made unauthorized purchases of the plaintiff's goods and then resold them accompanied by a warranty that was inferior to the one offered by the plaintiff with those of its goods sold through authorized channels. Accepting the plaintiff's allegations as true, the court noted that "consumers may believe that [the plaintiff] approved the inferior warranty and that the lower quality service provided by [the defendants] is likely to be associated with [the plaintiff]."<sup>649</sup>

644. *Id.* at 922, 68 U.S.P.Q.2d at 1468.

645. *See Wham-O Inc. v. Paramount Pictures Corp.*, 286 F. Supp. 2d 1254, 68 U.S.P.Q.2d 1841 (N.D. Cal. 2003).

646. *Id.* at 1261, 68 U.S.P.Q.2d at 1846 (emphasis added).

647. N.Y. Gen. Bus. L. § 360-1 (1996).

648. *See Perkins Sch. for the Blind v. Maxi-Aids Inc.*, 274 F. Supp. 2d 319, 69 U.S.P.Q.2d 1932 (E.D.N.Y. 2003).

649. *Id.* at 326, 69 U.S.P.Q.2d at 1937.

## (2) Blurring

Although the dilution-by-blurring cause of action has always been ill-defined, applications of Section 43(c) in cases in which defendants contested the issue<sup>650</sup> continued to demonstrate the difficulty of demonstrating that the fame and distinctiveness of plaintiffs' marks actually had been lessened by defendants' uses.<sup>651</sup> One leading case from the Sixth Circuit presented the plaintiff with something of a catch-22 in affirming the dismissal of its dilution claims.<sup>652</sup> Apparently to demonstrate the strength of its mark, the plaintiff introduced two surveys showing 94% recognition of its stylized toucan mark among its target population. Noting that one survey had been conducted before the defendant's use, while the other showed the same results afterward, the Sixth Circuit seized on this congruence to hold that the defendant's use had not affected the notoriety of the plaintiff's mark, and that the required actual dilution therefore had not occurred.<sup>653</sup>

Unsuccessful plaintiffs were not limited to those in the Sixth Circuit—indeed, an Eleventh Circuit district court entering summary judgment in the defendant's favor was equally unimpressed with the plaintiff's putative evidence of actual dilution.<sup>654</sup> Reviewing the plaintiff's showing, it observed that “[the plaintiff] has not introduced any evidence demonstrating that its customers and potential customers have, as a result of [the defendant's] use of the [challenged] mark on its [products], formed any different impression of [the plaintiff's] products and services.”<sup>655</sup> With the plaintiff unable, for procedural reasons, to proffer substantiation for its claims of lost revenues, its claim of actual dilution fell short as a matter of law.<sup>656</sup>

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650. For an opinion in which the defendant stipulated to a finding of liability under a blurring theory, see *General Motors Corp. v. Autovation Techs., Inc.*, 317 F. Supp. 2d 756 (E.D. Mich. 2004); see also *Playboy Enters. Int'l, Inc. v. Muller*, 314 F. Supp. 2d 1037 (D. Nev. 2004) (entering default judgment of dilution by blurring following defendants' failure to appear); *Scott Fetzer Co. v. Gehring*, 288 F. Supp. 2d 696 (E.D. Pa. 2003) (entering summary judgment of dilution following defendant's failure to contest plaintiff's motion).

651. See, e.g., *Gateway Inc. v. Companion Prods. Inc.*, 68 U.S.P.Q.2d 1407 (D.S.D. 2003) (concluding, without extended analysis, that the plaintiff had failed to establish that the defendant's conduct had weakened the strength of the plaintiff's mark), *aff'd*, 384 F.3d 503 (8th Cir. 2004).

652. See *Kellogg Co. v. Toucan Golf Inc.*, 337 F.3d 616, 67 U.S.P.Q.2d 1481 (6th Cir. 2003).

653. See *id.* at 628-29, 67 U.S.P.Q.2d at 1488.

654. See *HBP Inc. v. Am. Marine Holdings Inc.*, 290 F. Supp. 2d 1320, 68 U.S.P.Q.2d 1799 (M.D. Fla. 2003).

655. *Id.* at 1339, 68 U.S.P.Q.2d at 1811.

656. See *id.*

Courts' rejection of blurring claims also occurred in the preliminary injunction context. For example, one plaintiff fell short in its efforts to enjoin a motion picture depicting the misuse of the plaintiff's product.<sup>657</sup> The court was unconvinced by the argument that the appearance of the plaintiff's product in the film and in a promotional online video game loosened consumers' association of the product with the plaintiff. As the court explained, "Plaintiff's complaint makes clear that its true fear is *not* that consumers will fail to associate the [product] with [the plaintiff] but, instead, that consumers will associate the [product] with [the plaintiff] too much—particularly because the film makes the [product] look somehow dangerous."<sup>658</sup> It therefore denied the plaintiff's request for preliminary injunctive relief on the ground that "[t]his fear of over-attribution does not give rise to a tenable blurring claim."<sup>659</sup>

Several opinions tied their dilution analyses to the likelihood of confusion between the parties' marks. In one, the Sixth Circuit upheld entry of summary judgment of nonliability in a challenge brought by the owner of the incontestably registered AUTOZONE mark against a largely noncompetitive use of the POWERZONE mark.<sup>660</sup> The court began by noting the lack of guidance provided by the *Moseley* Court: "The Supreme Court in essence made it more difficult for dilution claims to succeed because plaintiffs face a much higher hurdle of demonstrating actual dilution, but the Court was silent as to the manner in which courts must evaluate plaintiffs' success in overcoming that hurdle."<sup>661</sup> In light of that silence, the Sixth Circuit considered dissimilarities between the parties' marks to be probative. As it explained, "[g]iven that there is not even enough similarity between the two marks to demonstrate a likelihood of confusion, the marks are certainly not highly similar or nearly identical such that [the plaintiff] can prove that actual dilution has occurred."<sup>662</sup>

Other courts rejecting dilution claims also were swayed by an absence of likely confusion. In one case,<sup>663</sup> the court entered summary judgment in the defendant's favor on the plaintiff's infringement claims largely because the parties' WET ONES and QUILTED NORTHERN MOIST ONES marks were too dissimilar

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657. See *Wham-O Inc. v. Paramount Pictures Corp.*, 286 F. Supp. 2d 1254, 68 U.S.P.Q.2d 1841 (N.D. Cal. 2003).

658. *Id.* at 1262, 68 U.S.P.Q.2d at 1847.

659. *Id.*

660. See *AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786 (6th Cir. 2004).

661. *Id.* at 804.

662. *Id.* at 806.

663. See *Playtex Prods Inc. v. Ga.-Pac. Inc.*, 67 U.S.P.Q.2d 1923 (S.D.N.Y. 2003), *aff'd*, 390 F.3d 158, 73 U.S.P.Q.2d 1127 (2d Cir. 2004).

to support a finding of likely confusion, and then held this determination to be dispositive on the dilution front as well: “[I]t follows that the marks are not sufficiently similar to support a claim for dilution under either the federal or [Tennessee] state statute.”<sup>664</sup> Likewise, another court held that the plaintiff’s claims under the New York dilution statute were doomed by the plaintiff’s failure to prevail on its federal infringement claims.<sup>665</sup>

Three courts took differing views of the suggestion by the Supreme Court in *Moseley v. V Secret Catalogue, Inc.*<sup>666</sup> that “[i]t may be . . . that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proven through circumstantial evidence—the obvious case is one where the junior and senior marks are identical.<sup>667</sup> In the first case, the court, with an apparently inadvertent substitution of “confusion” for “dilution,” noted that “[t]hrough dilution claims require evidence of actual confusion, that requirement is satisfied when, as here, the defendant uses the plaintiff’s mark.”<sup>668</sup> As a consequence, the plaintiff’s apparent inability to identify tangible evidence of actual damage to its mark was an insufficient basis for dismissing its dilution claims.<sup>669</sup>

The second case similarly put teeth into *Moseley*’s “circumstantial evidence” dictum.<sup>670</sup> Having found the defendant liable for counterfeiting as a matter of law, the court then held that actual dilution had occurred because the marks on the defendant’s goods were “identical or virtually identical” to those upon which the plaintiff was relying.<sup>671</sup> Although citing *Moseley*, however, the court did not go into detail as to the circumstantial evidence on which it relied for this conclusion.<sup>672</sup>

In the third case, the court was similarly reluctant to give *Moseley*’s discussion of circumstantial evidence a broad scope.<sup>673</sup> Thus, it rejected the plaintiff’s claims that an alleged identity between the sculpted doll parts offered by the parties was sufficient to establish actual dilution. Despite the apparent

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664. *Id.* at 1931.

665. See *Kane v. Comedy Partners*, 68 U.S.P.Q.2d 1748, 1754 (S.D.N.Y. 2003), *aff’d without op.*, No. 03-9136, 2004 WL 1234062 (2d Cir. June 4, 2004).

666. 537 U.S. 418, 65 U.S.P.Q.2d 1801 (2003).

667. *Id.* at 434, 65 U.S.P.Q.2d at 1808.

668. *7-Eleven, Inc. v. McEvoy*, 300 F. Supp. 2d 352, 357 (D. Md. 2004).

669. See *id.*

670. See *Nike Inc. v. Variety Wholesalers, Inc.*, 274 F. Supp. 2d 1352 (S.D. Ga. 2003), *aff’d without op.*, No. 03-14293, 2004 WL 1121546 (11th Cir. May 3, 2004).

671. *Id.* at 1372.

672. See *id.*

673. See *Lee Middleton Original Dolls Inc. v. Seymour Mann Inc.*, 70 U.S.P.Q.2d 1115 (E.D. Wis. 2004).

absence of any additional evidence offered by the plaintiff, however, the court improbably declined to enter summary judgment in the defendant's favor, concluding that "[i]n view of the developing status of the law on the nature of evidence required, the court believes that the best course is to permit the plaintiff the opportunity to present its dilution claim to the jury."<sup>674</sup>

Several additional cases served as reminders of the availability of state statutes. For example, one court applying the New York statute<sup>675</sup> refused the defendants' invitation to hold that *Moseley* had altered the standard for liability under state law.<sup>676</sup> Rather, the court held that the plaintiff could prevail by merely showing that dilution was likely.<sup>677</sup> Applying this lower standard, the court held that "[t]he likelihood of blurring is generally assessed by a six-factor test: (1) similarity of the marks, (2) similarity of the products covered, (3) sophistication of the consumers, (4) predatory intent, (5) renown of the senior mark, and (6) renown of the junior mark."<sup>678</sup> Relying largely on its prior conclusion that confusion was likely, rather than on an independent analysis of these factors, the court held as a matter of law that the defendants' use of TRIAGRA for a herbal remedy for erectile dysfunction was likely to dilute the distinctiveness of the plaintiff's VIAGRA mark for a product serving the same purpose.<sup>679</sup>

### (3) Internet Dilution Issues

The number of cases applying dilution doctrine in the cybersquatting context continued to decline. In one of the few cases to hear an FTDA cause of action directed against an alleged cybersquatter, the court declined to enter summary judgment in the defendant's favor in light of circumstantial evidence supporting the plaintiff's claims.<sup>680</sup> Although not fully explaining this aspect of the record, the court found convincing evidence that the public associated the defendant's domain name with both parties, rather than just the plaintiff.<sup>681</sup>

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674. *Id.* at 1123.

675. N.Y. Gen. Bus. L. § 360-1 (McKinney 1996).

676. *See Pfizer Inc. v. Y2K Shipping & Trading Inc.*, 70 U.S.P.Q.2d 1592 (E.D.N.Y. 2004).

677. *See id.* at 1600 n.8.

678. *Id.* at 1600.

679. *See id.*

680. *Nike Inc. v. Circle Group Internet Inc.*, 318 F. Supp. 2d 688, 695, 70 U.S.P.Q.2d 1853, 1859 (N.D. Ill. 2004).

681. *See id.*

#### 4. Section 43(a) Claims

##### *a. Passing Off and Reverse Passing Off*

Much of the Supreme Court's rejection of the reverse passing off cause of action at issue in *Dastar Corp. v. Twentieth Century Fox Corp.*<sup>682</sup> focused on the fact that the allegedly-copied works at issue in that case were in the public domain for copyright purposes, but four cases over the past year suggested that the lapsing of the copyright in *Dastar* might not have been the dispositive consideration it seemed. In the first, the plaintiff alleged that the defendants had published the fourth edition of a copyrighted textbook without giving her appropriate credit as a co-author of the third edition.<sup>683</sup> Reviewing the *Dastar* Court's opinion, the First Circuit noted that the earlier case had held that the word "origin" in Section 43(a)(1)(A)<sup>684</sup> could only mean the producer of the tangible good involved. Because the plaintiff's claims advanced a theory of false authorship, they sounded in copyright, rather than unfair competition, law. The court therefore affirmed the district court's entry of summary judgment in the defendants' favor.<sup>685</sup>

The second case reached the same conclusion, despite—rather inexplicably—failing to refer to *Dastar*.<sup>686</sup> While visiting the defendants' recording studio, the plaintiff spontaneously sang a countermelody to a song being recorded by the defendants. When the countermelody later was incorporated into a song released by the defendants, the plaintiff sued under a variety of causes of action, including the theory that the defendants had made a false attribution of origin within the meaning of Section 43(a). According to the court, a Section 43(a) cause of action might lie if the plaintiff were able to demonstrate "(1) a false representation of the source of her sound recording, and (2) actual confusion by consumers as to the source."<sup>687</sup> Nevertheless, because "[p]laintiff's false representation allegation is based entirely on the fact that Defendants made unauthorized use of her sound recording without compensating her or recognizing her in the credits to the album," her unfair competition claims were entirely duplicative of her copyright claims and therefore were appropriately dismissed.<sup>688</sup>

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682. 539 U.S. 23, 66 U.S.P.Q.2d 1641 (2003).

683. *See Zyla v. Wadsworth*, 360 F.3d 243, 69 U.S.P.Q.2d 1915 (1st Cir. 2004).

684. 15 U.S.C. § 1125(a)(1)(A) (2004).

685. *See Zyla*, 360 F.3d at 252-53, 69 U.S.P.Q.2d at 1921.

686. *See Ulloa v. Universal Music & Video Distrib. Corp.*, 303 F. Supp. 2d 409, 70 U.S.P.Q.2d 1835 (S.D.N.Y. 2004).

687. *Id.* at 419, 70 U.S.P.Q.2d at 1842.

688. *See id.*

In the third case, the plaintiff had been involved in the filming and production of a copyrighted film on the lost art of shepherding, and believed that he would receive credit from the defendants as a co-author and producer of the final product.<sup>689</sup> When that credit was not forthcoming, the plaintiff sued, alleging that the defendants had engaged in a false designation of origin. The court made short work of this argument, concluding that the *Dastar* Court had made clear that a defendant's failure to credit the plaintiff on the defendant's goods is actionable only where the defendant literally repackages the plaintiff's goods and sells them as the defendant's own.<sup>690</sup>

The plaintiff's claims in the fourth case suffered the same dismal fate, but with a twist.<sup>691</sup> As in *Dastar* itself, the plaintiff alleged that he had re-edited and re-scored a copyrighted film on which he had collaborated with the defendants. When the plaintiff's name was dropped from the credits, he sued under a variety of theories, including the claim that the defendants had engaged in a misrepresentation of the source of the services he had provided. Following the Supreme Court's opinion in *Dastar*, the defendants predictably moved to dismiss the plaintiff's reverse passing off allegations. In response, the plaintiff made the highly improbable argument that *Dastar* extended only to misrepresentations of the origin of *goods*, and not *services*. The court was unimpressed:

*Dastar* makes clear that a claim that a defendant's failure to credit the plaintiff on the defendant's goods is actionable only where the defendant literally repackages the plaintiff's goods and sells them as the defendant's own—not where, as here, Defendants are accused only of failing to identify someone who contributed not goods, but ideas or communications (or, for that matter, “services”) to Defendant's product.<sup>692</sup>

This point also was driven home as well in a case in which a copyrighted work was not at issue.<sup>693</sup> In it, the defendants were alleged to have purchased the plaintiff's branded goods at discounts to which they were not entitled and then to have resold the goods at a steep profit. Relying on the defendants' provision of a warranty inferior to that offered by the plaintiff, the plaintiff alleged that the defendants had engaged in reverse passing off. Granting the defendants' motion to dismiss, the court noted that

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689. See *Carroll v. Kahn*, 68 U.S.P.Q.2d 1357 (N.D.N.Y. 2003).

690. See *id.* at 1362.

691. See *Williams v. UMG Recordings, Inc.*, 281 F. Supp. 2d 1177 (C.D. Cal. 2003).

692. *Id.* at 1184.

693. See *Perkins Sch. for the Blind v. Maxi-Aids Inc.*, 274 F. Supp. 2d 319, 69 U.S.P.Q.2d 1932 (E.D.N.Y. 2003).

the complaint failed to allege that the defendants had attempted to pass off the plaintiff's products as their own. Accordingly, it held that the plaintiff had failed to state a claim upon which relief could be granted.<sup>694</sup>

Perhaps significantly, and notwithstanding judicial recognition of the continued availability of the reverse passing off cause of action against defendants' selling of plaintiffs' actual goods as the defendants' own, one opinion demonstrated the potential limits of even this theory of relief after *Dastar*.<sup>695</sup> The parties were competing manufacturers of tables. When preparing a bid for an order from a school system, the defendant used as a sample a table that incorporated legs from a product sold by the plaintiff. Although the district court hearing the action originally concluded that the defendant had engaged in reverse passing off, it revisited this conclusion after *Dastar*. Armed with the Supreme Court's holding, it held on the defendant's motion for reconsideration that the defendant was entitled to make this use of the plaintiff's components because the defendant had represented itself as the source of the complete tables, and not their component parts. Moreover, the purchaser receiving the bid was unconcerned with the source of the component parts. Consequently, "[t]here was no misrepresentation, because [the defendant] had no duty to inform [the purchaser] as to where it had obtained the components it used to assemble the sample table."<sup>696</sup>

Although not using the phrase "passing off" to describe another plaintiff's claims, one court reached a similar conclusion in dismissing the claim that a defendant's alleged copying of a line of military style pants constituted a form of unfair competition separate and independent of any trade dress claims the plaintiff might assert.<sup>697</sup> Although acknowledging that even the use of an unprotectable generic word could constitute unfair competition if that use was coupled with some other act of deceit, the court distinguished past opinions reaching such a result by observing that "unlike those cases, here there is no evidence of unfair competition grounded independently on wrongful conduct *distinct from the alleged trade dress infringement*."<sup>698</sup> Because the plaintiff's unfair competition claims were coextensive with those it

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694. *See id.* at 324-25, 69 U.S.P.Q.2d at 1935-36.

695. *See Bretford Mfg., Inc. v. Smith Sys. Mfg. Co.*, 286 F. Supp. 2d 969, 68 U.S.P.Q.2d 1378 (N.D. Ill. 2003).

696. *Id.* at 972, 68 U.S.P.Q.2d at 1379-80.

697. *See Maharishi Hardy Blechman Ltd. v. Abercrombie & Fitch Co.*, 292 F. Supp. 2d 535, 69 U.S.P.Q.2d 1493 (S.D.N.Y. 2003).

698. *Id.* at 551, 69 U.S.P.Q.2d at 1505 (emphasis added).



had asserted under a trade dress theory, the court dismissed them as a matter of law.<sup>699</sup>

These holdings notwithstanding, *Dastar* did not result in the dismissal of one action that appeared to be a good candidate for an application of the Supreme Court's holding.<sup>700</sup> As described in the court's opinion denying a defense motion for summary judgment, the plaintiff's Lanham Act claim was apparently premised on the theory that the actions of one of the defendants had led a record company to identify another defendant as the publisher of certain pieces of music when in fact the plaintiff owned the copyrights covering the pieces. Without reference to *Dastar*'s interpretation of the word "origin" in Section 43(a), the court held that "[t]he purpose of the Lanham Act is to ensure that the public is not likely to be confused by a false designation of origin, in this case of musical composition."<sup>701</sup> Finding that "[t]he alleged false designation in this case was distributed to every consumer purchasing the . . . album," the court held that a reasonable jury might conclude that consumers were likely to be confused by the reference.<sup>702</sup>

Moreover, two cases demonstrated that *Dastar* did not mark the end of the conventional cause of action for passing off. The counterclaim defendants in the first action were furniture retailers, who had for a time been authorized representatives of the counterclaim plaintiffs.<sup>703</sup> As part of that relationship, the counterclaim plaintiffs provided their representatives with showroom furniture and catalogs, which were to be used to promote sales of the counterclaim plaintiffs' goods. Temptation proved too much for the counterclaim defendants, and eventually they began to fill orders with furniture manufactured by third parties. Noting that the third-party furniture had been substituted for that of the counterclaim plaintiffs without the consent of the consumers placing the orders, the court had little difficulty reaching a finding of passing off.<sup>704</sup>

The second case involved more complex facts, but produced the same outcome.<sup>705</sup> The plaintiff was a publisher that, as a non-profit entity, had internal policies against the use of its assets for the

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699. *See id.* at 552, 69 U.S.P.Q.2d at 1506.

700. *See Hustlers Inc. v. Thomasson*, 307 F. Supp. 2d 1375, 70 U.S.P.Q.2d 1306 (N.D. Ga. 2004).

701. *Id.* at 1382, 70 U.S.P.Q.2d at 1311.

702. *Id.*

703. *See Turner Greenberg Assocs. v. C & C Imports, Inc.*, 320 F. Supp. 2d 1317 (S.D. Fla. 2004).

704. *See id.* at 1333-34.

705. *See Mid-List Press v. Nora*, 275 F. Supp. 2d 997 (D. Minn. 2003), *aff'd*, 374 F.3d 690 (8th Cir. 2004).

personal benefit of its officers and directors. The defendant was just such an individual, serving as both a director and the president of the plaintiff. Having been advised that the plaintiff would not publish his book of poetry without the volume going through the plaintiff's usual selection process, the defendant circumvented the process by applying directly to the Library of Congress for a catalog number using the plaintiff's International Standard Book Number. Moreover, in his dealings with the Library of Congress, he misidentified himself as another of the plaintiff's officers. Rejecting the defendant's arguments that he was not obligated to report to "junior officers" and that he had the right as president to take whatever steps he deemed necessary to publish his work, the court entered summary judgment in the plaintiff's favor.<sup>706</sup> As it saw things, the defendant had falsely designated the origin of his work not only in his dealings with the Library of Congress, but in his subsequent efforts to convince retailers to carry his work.<sup>707</sup>

### ***b. False Advertising and Commercial Disparagement***

#### **(1) Proving Use in "Commercial Advertising and Promotion" by Defendants**

Recent opinions evaluating false advertising causes of action have become increasingly sympathetic to defendants' averments that they are not engaged in commercial advertising and promotion in interstate commerce within the meaning of Section 43(a).<sup>708</sup> In one "easy" case on the subject, the defendants had lobbied a trade organization not to change the standards governing lightning protection systems by passing out fliers before a vote on the subject.<sup>709</sup> Without reaching the merits of the plaintiffs' challenge to the veracity of certain statements in the fliers, the court held on the defendants' motion for summary judgment that the plaintiffs had failed to establish that the fliers promoted the sale of the defendants' products, and they therefore did not constitute false advertising.<sup>710</sup>

In a case reaching a similar conclusion, a group of podiatrists filed a complaint averring in cursory fashion that certain health

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706. *See id.* at 1003.

707. *See id.* at 1003 & n.11.

708. *See, e.g., Mario Valente Collezioni, Ltd. v. AAK, Ltd.*, 280 F. Supp. 2d 244 (S.D.N.Y. 2003) (declining to find defendants' alleged oral statements to industry buyers to be commercial advertising and promotion in light of limited dissemination of challenged statement).

709. *See Heary Bros. Lightning Protection Co. v. Lightning Protection Inst.*, 287 F. Supp. 2d 1038 (D. Ariz. 2003).

710. *See id.* at 1078.

care benefits providers had violated Section 43(a) by emphasizing the plaintiffs' undesirability compared to medical doctors.<sup>711</sup> On appeal from the dismissal of the plaintiffs' case for failure to state a claim, the Tenth Circuit held that the inquiry into whether the defendants had engaged in the required commercial activity was governed by four considerations:

The test requires that a representation must (a) constitute commercial speech (b) made with the intent of influencing potential customers to purchase the speaker's goods or services (c) by a speaker who is a competitor of the plaintiff in some line of trade or commerce and (d) disseminated to the consuming public in such a way as to constitute "advertising" or "promotion."<sup>712</sup>

Applying this test, the court held that the plaintiffs' complaint failed to satisfy the last of these criteria because it failed to allege that the defendants had used a particular advertising or promotional medium.<sup>713</sup>

Another example of the increasingly restrictive definition of "commercial advertising or promotion" came in the latest in a string of cases involving oversensitive New York City art galleries and collectors.<sup>714</sup> The plaintiff's allegations—taken as true for purposes of the defendant's Rule 12(b)(6) motion to dismiss—were that the defendants (1) had made disparaging remarks about the quality and authenticity of certain works offered by the defendant in private consultations with potential customers, (2) had caused the publication of a museum catalog that also questioned the works' authenticity, and (3) had engineered the preparation (but not publication) of an article by *ARTNews* magazine reporting on the dispute between the parties. Affirming the district court's dismissal of the complaint for failure to state a claim, the Second Circuit held that this conduct, even if true, did not rise to the level of commercial advertising or promotion. The appellate court was particularly unconvinced by the plaintiff's challenge to the unpublished article, which it concluded "is speech that is traditionally granted full protection under the First Amendment."<sup>715</sup>

Although the First Amendment did not expressly come into play, another opinion hearing a challenge by the plaintiffs to criticism of them also declined to find actionable commercial

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711. See *Podiatrist Ass'n v. La Cruz Azul de P.R., Inc.*, 332 F.3d 6 (1st Cir. 2003).

712. *Id.* at 19.

713. See *id.* at 19-20.

714. See *Gmurzynska v. Hutton*, 355 F.3d 206, 69 U.S.P.Q.2d 1477 (2d Cir. 2004).

715. See *id.* at 210-11, 69 U.S.P.Q.2d at 1480.

advertising or promotion.<sup>716</sup> The lead defendant was a former LASIK surgery patient of the plaintiffs and voiced his dissatisfaction with their services using allegedly defamatory statements on a website. The website also featured letters written by the other defendant to the FDA concerning the plaintiffs' services. Although finding that the plaintiffs did not enjoy standing to challenge the defendants' conduct under Section 43(a), the court also dismissed the action on the basis that:

[A]lthough the contested representations . . . may have been sufficiently disseminated to the relevant purchasing public to constitute advertising or promotion within the industry, we cannot find that they were made by defendants in commercial competition with the plaintiffs or that they were made with the intention of influencing consumers to buy the defendants' goods or services.<sup>717</sup>

Apparently in reliance on this trend, one defendant charged with having distributed a newspaper advertisement containing literally false representations filed an overly optimistic challenge to the plaintiff's case on the theory that the ad had been directed only to residents of a single Pennsylvania county and that it promoted services available only in Pennsylvania.<sup>718</sup> In an opinion reported well after it was actually issued, the Third Circuit made short work of this contention. Affirming the entry of relief below, it held that the district court properly had invoked five factors in support of its conclusion that the defendant's promotion of its insurance services had risen to the level of commercial promotion: (1) the newspaper carrying the ad was distributed interstate; (2) the health plans in question offered emergency care to subscribers outside of Pennsylvania; (3) one of the defendant's plans was in fact available to non-Pennsylvania subscribers and their dependents; (4) subscribers might well be referred to hospitals outside of Pennsylvania; and (5) "the Ad might have an impact on the parties outside of Pennsylvania."<sup>719</sup>

In a case that presented an unsuccessful defense motion for summary judgment, the defendant challenged the plaintiff's theory that the defendant's allegedly false statements about the plaintiff's software had not been made in connection with the promotion by the defendant of goods and services.<sup>720</sup> The gravamen of the

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716. See *Nevyas v. Morgan*, 309 F. Supp. 2d 673 (E.D. Pa. 2004).

717. *Id.* at 680-81.

718. See *Highmark, Inc. v. UPMC Health Plan, Inc.*, 276 F.3d 160, 68 U.S.P.Q.2d 1823 (3d Cir. 2001).

719. *Id.* at 165, 68 U.S.P.Q.2d at 1826.

720. See *Dreamcatcher Software Dev., LLC v. Pop Warner Little Scholars, Inc.*, 298 F. Supp. 2d 276 (D. Conn. 2004).

defendant's motion was that, as a non-profit organization that did not itself sell software, it was immune from liability. Rejecting this contention, the court framed the issue as whether the defendant was engaged in competition with the plaintiff, even if the defendant did not actually make sales. Citing record evidence that the defendant intended to make competitive software available on its website, the court concluded that a factual dispute existed as to the extent of competition between the parties.<sup>721</sup>

## (2) Mere “Puffery” and Statements of Opinion

In a case presenting one of the most strained attempts in recent memory to explain away literally false statements as nonactionable puffery, a set of defendants were called to task for their aggressive representations of the effectiveness of their herbal remedy for erectile dysfunction.<sup>722</sup> Although forced to admit that they did not have scientific studies documenting their claims, the defendants averred that they had undertaken their exaggerations to build up the confidence of customers ingesting the product. Entering summary judgment in the plaintiff's favor, the court swiftly dismissed the suggestion that this qualified their advertising as puffery: “Exaggerating’ claims in commercial advertising, especially concerning clinical trials and product effectiveness, is prohibited by the Lanham Act. Defendants’ statements do not constitute a valid defense of puffery, because they are not expressions of opinion, but rather specific statements of fact upon which a consumer would rely.”<sup>723</sup>

Claims of puffery similarly fell short in a false advertising dispute between publishers of competing telephone directories.<sup>724</sup> The plaintiff's objections centered around three television advertisements, which the plaintiff alleged featured recognizable imitations of its directories. The first advertisement showed a group of senior citizens responding with blank stares when asked about the plaintiff's directories; the second showed residents of an apartment building picking up the defendant's directories while leaving the plaintiff's untouched; and the third depicted the plaintiff's directory and a researcher being blown away in a wind tunnel, while the defendant's (presumably heavier) product remained in place despite hurricane-force gusts. Although the defendant argued in a motion to dismiss the plaintiff's false advertising claims that its advertisements were nonactionable

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721. *See id.* at 285-86.

722. *See Pfizer Inc. v. Y2K Shipping & Trading Inc.*, 70 U.S.P.Q.2d 1592 (E.D.N.Y. 2004).

723. *Id.* at 1603.

724. *See Verizon Directories Corp. v. Yellow Book USA, Inc.*, 309 F. Supp. 2d 401 (E.D.N.Y. 2004).

puffery, the court disagreed. It acknowledged that “[n]o one would believe that an adult finding two free directories at the doorstep would leave one” and that “[e]ven a young child would know that a blast of air that could blow away both a yellow pages directory and an adult would not leave another directory of similar left unaffected.”<sup>725</sup> Nevertheless, it ultimately concluded that the “central issue” of consumers’ perceptions of the advertisements “cannot be resolved without surveys, expert testimony, and other evidence of what is happening in the real world of television watchers and advertisers. . . .”<sup>726</sup>

By the same token, another court also declined to hold challenged statements before it to constitute puffery as a matter of law.<sup>727</sup> The plaintiff’s false advertising claims were grounded in a “to whom it may concern” letter by the defendants that in effect announced that they were not infringing a utility patent owned by the plaintiff and that they therefore were entitled to use the technology underlying the patent. The defendants maintained that the letter represented nothing more than the opinion of its author, but the court was unconvinced. In rejecting the defendants’ summary judgment motion, the court noted that the letter had not merely characterized the outcome in past proceedings between the parties, it had gone on to suggest that the plaintiff agreed with that characterization.<sup>728</sup> Moreover, according to the court, even the assertion that the patent had not been infringed represented a bald assertion of fact that might be proven true or false.<sup>729</sup>

Other defendants fared better on the puffery front. Not content to challenge the defendant’s alleged copying of its line of military style pants under a trade dress theory, one plaintiff took issue as well with the promotion of the defendant’s pants with the advertising slogan “Our Most Original Pant Since 1892 . . . Pure Abercrombie & Fitch design and fit.”<sup>730</sup> In entering summary judgment in the defendant’s favor, the court held the challenged statement to be puffery:

The claim that [the pants in question] are Abercrombie’s “Most Original” pants is obvious puffery and therefore not actionable. There is no way to prove that one pair of Abercrombie pants is more or less “original” than another pair

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725. *Id.* at 407.

726. *Id.*

727. *See Plastic Molded Techs., Inc. v. Cinpres Gas Injection Ltd.*, 290 F. Supp. 2d 793 (E.D. Mich. 2003).

728. *See id.* at 801-03.

729. *See id.* at 802.

730. *See Maharishi Hardy Blechman Ltd. v. Abercrombie & Fitch Co.*, 292 F. Supp. 2d 535, 552, 69 U.S.P.Q.2d 1493, 1506 (S.D.N.Y. 2003).

of Abercrombie pants. The assertion that [the pants] are “Pure Abercrombie & Fitch design and fit” is more non-actionable puffery. Again, there is no way to prove to what extent the design and fit of [the pants] is “pure” or “impure” Abercrombie, especially where, as here, Abercrombie indisputedly manufactured and sold the pants.<sup>731</sup>

Another case presented an even more easily established example of puffery.<sup>732</sup> In promoting their sale of their revolvers, the plaintiffs advertised one model as “the gun that won the west.” Seeking to demonstrate the falsity of this claim, the defendants argued that the weapon actually responsible for winning the west was a rifle produced by a third party. The court was unmoved, dismissing the defendants’ false advertising counterclaim with the observation that:

The statement is clearly a form of puffing and not entirely susceptible to proof or disproof. If one is inclined to be so literal, an inanimate object, such as gun, cannot literally win anything such as a war or the drive to colonize the western region of this country. While the use of a revolver or rifle may have helped individuals “win the west,” which single firearm was decisive, if any, is not the sort of question subject to resolution.<sup>733</sup>

Finally, in an exceptionally ill-founded false advertising claim, one plaintiff challenged the defendants’ description of their line of gummy candy as “famous.”<sup>734</sup> Quite properly holding that this practice constituted puffery as a matter of law, the court entered summary judgment in the defendants’ favor. As it explained, “Defendants’ use of the term ‘Famous’ on [their] packaging is a clear example of non-actionable puffery on which no reasonable customer would rely in making his purchase.”<sup>735</sup>

### (3) Literally False Claims

As has been the case in many recent years, disputes between pharmaceutical producers created most of the opportunities for courts to address claims of literally false advertising. One court finding the defendants’ promotional practices in commerce to be literally false noted that “[t]o prove that an advertising claim is

731. *Id.* at 553, 69 U.S.P.Q.2d at 1506.

732. *See New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195 (D. Conn. 2004).

733. *Id.* at 235 (footnote omitted).

734. *See Malaco Leaf AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355 (S.D.N.Y. 2003).

735. *Id.* at 379.

literally false, a plaintiff must show not only that the tests supporting the challenged claim are unpersuasive, but also that such tests are not sufficiently reliable to permit one to conclude with reasonable certainty that they established the claim made.”<sup>736</sup> The promotional claims held to this standard involved, among other things, representations to consumers that the defendants’ herbal remedy for erectile dysfunction was FDA-approved and that it had been shown to have “clinical efficacy.” In fact, as the defendants admitted, the product was not FDA-approved and there were no clinical tests substantiating the claim of efficacy. Under these circumstances, the court had little difficulty concluding that the defendants had engaged in literally false advertising as a matter of law.<sup>737</sup>

Claims by a pharmaceutical manufacturer that a single one of its pills would provide heartburn relief for twenty-four hours triggered another finding of literal falsity when it became apparent on the plaintiff’s preliminary injunction motion that the pill took four to five hours to become effective.<sup>738</sup> It was apparently undisputed that the pill functioned chemically in some manner between ingestion and full effectiveness, but this did not equate to the results promised by the defendant’s advertising: “One pill. 24 Hours. Zero Heartburn.” The fact that the pill would provide relief a full twenty-four hours after it was dissolved in consumers’ guts did not save the defendant’s claims from a finding of literal falsity and from a preliminary injunction barring their further dissemination.<sup>739</sup>

Still another dispute between pharmaceutical companies produced not one, but two opinions bearing on the issue. The first stemmed from the plaintiff’s challenge to two television commercials used by the defendant to market its smoking-cessation products.<sup>740</sup> One of the commercials promoted the defendant’s nicotine-based chewing gum at the expense of a nicotine patch offered by the plaintiff. The commercial intoned “[a]ccording to the labels, [the defendant’s] gum can be used whenever you need it, day or night. [The plaintiff’s] patch can only be worn for 16 hours.”<sup>741</sup> It then advised viewers to use the

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736. *Pfizer Inc. v. Y2K Shipping & Trading Inc.*, 70 U.S.P.Q.2d 1592, 1599 (E.D.N.Y. 2004) (internal quotation marks omitted).

737. *See id.* at 1599.

738. *Johnson & Johnson-Merck Consumer Pharms. Co. v. Procter & Gamble Co.*, 285 F. Supp. 2d 389, 391, 68 U.S.P.Q.2d 1631, 1632 (S.D.N.Y.), *aff’d*, No. 03-7951(L), 2003 WL 22976106 (2d Cir. Dec. 16, 2003).

739. *See id.*, 68 U.S.P.Q.2d at 1632-34.

740. *See Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P.*, 292 F. Supp. 2d 594 (D.N.J. 2003).

741. *Id.* at 597.



defendant's product "as directed."<sup>742</sup> Noting that the defendant's label warned consumers not to use the gum while eating or drinking or within 15 minutes after eating or drinking, and that pieces should not be continuously chewed one after another, the plaintiff argued that the television commercial falsely suggested that the defendant's labels placed no restrictions on the use of its gum. The court disagreed that the commercial was literally false, instead concluding that it did not "unambiguously assert that the [defendant's] label states that users may freely chew as many pieces of [the defendant's] gum as they please, all day, all the time."<sup>743</sup> Because the commercial was "open to interpretation," it could not be considered literally false.<sup>744</sup>

The plaintiff fared better in a challenge to another commercial run by the defendant, however. This second commercial pointed out that the defendant's patch could be worn for "the day or 24 hours," while the plaintiff's product could be worn for only 16 hours and then asserted that "more doctors prefer the patch that gives you the choice."<sup>745</sup> The court interpreted this statement as an unambiguous claim that doctors preferred the defendant's product because it offered the choice of being worn either 16 or 24 hours. Although the defendant introduced the results of surveys suggesting that doctors preferred the defendant's product for patients seeking to quit smoking, the court concluded that these failed to establish the reason for this preference. Because the defendant therefore was unable to substantiate the purported causation reflected in its commercial, the court held that preliminary relief was appropriate.<sup>746</sup>

The second opinion addressed the defendant's counterclaim that the plaintiff had engaged in literally false advertising.<sup>747</sup> The subject of the defendant's challenge was a commercial that depicted a user of a nicotine patch tossing and turning in bed. This image was coupled with statements that the patch visible in the commercial was "probably" that of the defendant and that the plaintiff's product was "designed to let you sleep."<sup>748</sup> In contrast to its skeptical treatment of the plaintiff's claims of literal falsity, the court was persuaded that the defendant's counterclaims had merit. It first concluded that viewers could take "only one message" away

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742. *See id.*

743. *Id.* at 600.

744. *See id.*

745. *See id.* at 597.

746. *See id.* at 606-08.

747. *See Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P.*, 292 F. Supp. 2d 611 (D.N.J. 2003).

748. *See id.* at 615.

from the plaintiff's commercial, which was "the unambiguous, necessarily implied claim that [the plaintiff's product] helps you sleep better than [the defendant's] product."<sup>749</sup> Moreover, it found that the "probably" reference in the commercial to the defendant's product "unambiguously claims that people who experience sleep disturbances while trying to quit smoking are more likely than not using [the defendant's] product."<sup>750</sup> Because the plaintiff did not have any scientific substantiation for either claim, the court found that the defendant was likely to prevail on its counterclaim and issued a preliminary injunction against the commercial's continued broadcast.<sup>751</sup>

Nevertheless, not all evaluations of claims of literal falsity occurred in litigation between drug manufacturers. Indeed, the Third Circuit upheld entry of preliminary injunctive relief against a health insurer that targeted a competitor with multiple literally false assertions in its advertising.<sup>752</sup> The court's analysis of many of these was straightforward: For example, although the defendant's ads asserted the plaintiff provided service in only ten hospitals, the district court's finding that sixteen was the actual number was a sufficient basis for liability.<sup>753</sup> Likewise, the defendant's claim that the plaintiff "may" send its customers to out-of-state hospitals was also deemed literally false when the defendant was unable to point to evidence that this had ever occurred. The accuracy of other claims by the defendant was more difficult to evaluate, however, and turned on the meaning of the word "access," used by both parties to describe to their purchasers the availability of health care providers. Although the district court had adopted a standard dictionary definition as "the capacity to enter or approach," the defendant alleged that the industry meaning of the term—"access without additional cost to the subscriber"—was the proper benchmark.<sup>754</sup> The appellate court noted that the district court definition "on its face seems appropriate, as the Ad was addressed to the public and not the industry."<sup>755</sup> Nevertheless, it ultimately decided not to resolve the dispute in light of the other evidence of literal falsity supporting the district court's preliminary injunction.<sup>756</sup>

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749. *Id.* at 618.

750. *Id.* at 620.

751. *See id.* at 619, 621.

752. *See Highmark Inc. v. UPMC Health Plan Inc.*, 276 F.3d 160, 68 U.S.P.Q.2d 1823 (3d Cir. 2001).

753. *See id.* at 171, 68 U.S.P.Q.2d at 1830.

754. *See id.* at 172, 68 U.S.P.Q.2d at 1830-31.

755. *Id.*, 68 U.S.P.Q.2d at 1830.

756. *See id.*, 68 U.S.P.Q.2d at 1831.

A short opinion by a district court hearing allegations of literal falsity produced a preliminary injunction when the court concluded that the plaintiff's allegations were well-founded.<sup>757</sup> The parties were competing manufacturers of safety glasses. The case arose when the defendant advertised certain of its models as compliant with an industry safety standard. In fact, the glasses did not fully meet the relevant standard, and this was enough for the court to order preliminary relief.<sup>758</sup>

#### (4) Accurate, but Misleading, Claims

An allegation of false advertising grounded in the theory that the challenged statement is misleading, even if literally true, must be supported by a demonstration that the statement is material to consumer purchasing decisions, usually through the introduction of survey evidence.<sup>759</sup> As one court explained:

Either the advertisement must be literally false, or it must be literally true but misleading to the consumer. If an advertisement is literally false, the plaintiff does not have to prove actual consumer deception. If on the other hand, an advertisement is literally true but misleading, the plaintiff must prove actual deception by a preponderance of the evidence. If a claim is literally true, a plaintiff cannot obtain relief by arguing how consumers could react; it must show how consumers actually do react.<sup>760</sup>

The leading opinion involving the use of survey evidence to bolster a challenge to literally true but allegedly misleading advertising came in litigation between two manufacturers of transdermal smoking cessation patches.<sup>761</sup> At the heart of the case was a television commercial that the plaintiff alleged falsely suggested to consumers that the defendant's patch had superior quitting efficacy. The plaintiff relied on a survey that it claimed documented a belief among 30% to 55% of viewers of the

757. See *Outdoor Optics Inc. v. Wolf Peak Int'l Inc.*, 70 U.S.P.Q.2d 1478 (D. Utah 2004).

758. See *id.* at 1480.

759. See, e.g., *New Sensor Corp. v. CE Distrib. LLC.*, 303 F. Supp. 2d 304, 316-17 (E.D.N.Y. 2004) (entering summary judgment of nonliability on false advertising claims in light of plaintiff's failure to introduce a survey); *Malaco Leaf AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355, 379 (S.D.N.Y. 2003) (same).

760. *Highmark*, 276 F.3d at 171, 68 U.S.P.Q.2d at 1830 (internal quotation marks and citations omitted); see also *Johnson & Johnson-Merck Consumer Pharms. Co. v. Procter & Gamble Co.*, 285 F. Supp. 2d 389, 390-91, 68 U.S.P.Q.2d 1631, 1632 (S.D.N.Y. 2003) ("To prevail on a false advertising claim, [a] plaintiff must establish that [the] defendant's advertisements are either (1) literally false or (2) although literally true, likely to deceive consumers.").

761. See *Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P.*, 292 F. Supp. 2d 594 (D.N.J. 2003).

defendant's commercial that the defendant's product was more effective than that of the plaintiff in helping users to give up smoking. As a control to identify "yea-sayers," the plaintiff's survey asked respondents to opine on the skin irritation message conveyed by the commercial (a subject the commercial did not address); moreover, the plaintiff also conducted a separate survey using the same question directed to viewers of another of the defendant's commercials that the parties agreed contained no comparative quitting efficacy claims.<sup>762</sup> Despite these safeguards, the court found probative criticisms by the defendant's expert, which it concluded established that the plaintiff's survey did not "adequately control for consumers' preexisting beliefs that comparative commercials imply *some* sort of superior efficacy."<sup>763</sup> As it further explained, "because of this control failure, the Court cannot determine if consumers actually perceived a superior quitting efficacy in [the defendant's commercial], or if they were led to perceive one that was not there as a result of their pre-existing biases."<sup>764</sup> With the plaintiff unable to demonstrate to the court's satisfaction the commercial's effect on consumers, its request for preliminary injunctive relief was denied.<sup>765</sup>

The issue of materiality arose in a case in which the plaintiff apparently did not attempt to introduce survey evidence in support of its claims. The case was one between manufacturers of revolvers, in which the defendants asserted a counterclaim challenging the appearance on the plaintiffs' weapons of "Hfd Conn. USA."<sup>766</sup> As it turned out, the plaintiffs' corporate headquarters were located in Hartford, even if its manufacturing facilities were in West Hartford. Because the notice on the plaintiffs' products did not expressly represent that the goods had been manufactured in Hartford, the court required the defendants to demonstrate that the difference between the two municipalities was material to consumers. Concluding that "[t]here is simply no evidence . . . to suggest this level of attention to detail [by consumers]," the court granted the plaintiffs' motion for summary judgment and dismissed the defendants' counterclaim.<sup>767</sup>

At least one plaintiff challenging allegedly misleading advertising did not have the opportunity to prove materiality. Reviewing a preliminary injunction against allegedly true but

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762. *See id.* at 601-02.

763. *Id.* at 603 (emphasis added).

764. *Id.* at 604-05.

765. *See id.* at 605.

766. *See New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195 (D. Conn. 2004).

767. *Id.* at 236.

misleading advertising in another case, the Second Circuit was baffled by the district court's conclusion that the defendant's conduct was actionable.<sup>768</sup> The challenged advertising involved telemarketers' calls to customers of the plaintiff who recently had registered domain names using the plaintiff's services. Part of the telemarketers' script required them to state that they were calling in connection with the new domain names, which the district court concluded created the impression that the callers were affiliated with the plaintiff. Finding the callers' statements to be straightforward statements of fact, the appellate court noted that "[i]n our view, the district court erroneously applied section 43(a) in a manner that eliminates 'false' and 'misleading' from the statutory text, such that generic statements likely to cause (some) confusion would give rise to civil liability and entitle a plaintiff to injunctive relief."<sup>769</sup> Particularly because the callers expressly identified themselves as calling on behalf of the defendant, the court held entry of preliminary injunctive relief to be an abuse of discretion.<sup>770</sup>

### (5) Establishing Injury to the Plaintiff

The issue of whether a plaintiff can demonstrate damage from allegedly false advertising is not one that typically controls the disposition of false advertising claims under Section 43(a), but it made appearances in three interesting opinions. For example, and without expressly addressing the other prerequisites for relief, the Tenth Circuit upheld entry of summary judgment against a false advertising plaintiff unable to adduce evidence that it had suffered injury from the defendant's advertising.<sup>771</sup> Perhaps significantly, this result held despite the existence of an agreement between the parties providing for liquidated damages in the event the challenged conduct occurred.<sup>772</sup>

By the same token, the defendants in the second case turning on causation made various allegedly false claims about their own product, which the plaintiff argued made consumers who were duped by the advertising less likely to purchase *all* products in the relevant category, regardless of their manufacturer.<sup>773</sup> To bolster its theory, the plaintiff relied heavily on testimony by its employers and distributors that consumers had advised them that

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768. See *Register.com, Inc. v. Verio*, 356 F.3d 393, 69 U.S.P.Q.2d 1545 (2d Cir. 2004).

769. *Id.* at 443, 69 U.S.P.Q.2d at 1583.

770. See *id.*

771. See *Harvey Barnett Inc. v. Shidler*, 338 F.3d 1125, 67 U.S.P.Q.2d 1641 (10th Cir. 2003).

772. See *id.* at 1135 n.17, 67 U.S.P.Q.2d at 1648 n.17.

773. See *Air Turbine Tech., Inc. v. Atlas Copco AB*, 295 F. Supp. 2d 1334 (S.D. Fla. 2003).

the consumers were unwilling to purchase the plaintiff's products because of their dissatisfaction with those produced by the defendants. Granting the defendants' motion for summary judgment, the court rejected this showing on two grounds. First, if anything, the testimony linked the plaintiff's alleged lost sales to the quality of the defendants' product, rather than to their advertising. Second, to the extent that the testimony did link the plaintiff's claimed damages to the defendants' advertising, its description of consumers' statements was inadmissible hearsay.<sup>774</sup>

Finally, one district court entered summary judgment of nonliability on a challenge brought by the counterclaim plaintiffs to allegedly false assertions by the counterclaim defendants that revolvers sold by the counterclaim plaintiffs were "Made in the USA."<sup>775</sup> Although the counterclaim plaintiffs asserted that this characterization of the counterclaim defendants' products enhanced the products' value and therefore placed the counterclaim plaintiffs' products at a comparative disadvantage, the court found that "[a]ssuming [the counterclaim defendants'] revolvers are not of domestic origin, there is no evidence to suggest that if consumers knew the truth of [their] origin, they would cease to care about the revolvers['] domestic origin and purchase the [counterclaim plaintiffs'] foreign produced revolvers."<sup>776</sup> The court therefore dismissed the claims for monetary relief on the ground that "[the counterclaim defendants] may reap some undue benefit, but at best this injures other manufacturers whose products are manufactured in the U.S. and not [the counterclaim plaintiffs]."<sup>777</sup>

### *c. False Endorsement*

As it had in a case the previous year,<sup>778</sup> the Sixth Circuit reiterated its view that the standard likelihood of confusion test has limited applicability in the context of Section 43(a) celebrity false endorsement claims—at least as far as artistic works is concerned.<sup>779</sup> Rather, the appropriate standard in a challenge to such a work that refers in some way to a celebrity is (1) whether the reference has no artistic relevance to the underlying work whatsoever or, alternatively, (2) if it has some artistic relevance,

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774. *See id.* at 1344-45.

775. *See New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195 (D. Conn. 2004).

776. *Id.* at 234.

777. *Id.*

778. *See Parks v. LaFace Records*, 329 F.3d 437, 66 U.S.P.Q.2d 1735 (6th Cir.), *cert. denied*, 124 S. Ct. 925 (2003).

779. *See ETW Corp. v. Jireh Publ'g Inc.*, 332 F.3d 915, 67 U.S.P.Q.2d 1065 (6th Cir. 2003).

whether it explicitly misleads as to the source or the content of the work.<sup>780</sup> Applying this framework to a challenge brought by Tiger Woods to a painting that depicted Woods winning the 1997 Masters Tournament, as well as depictions of six earlier winners of the tournament, the court held that the images of Woods were relevant to the subject matter of the painting and did not mislead viewers into believing that Woods had endorsed the painting. Significantly, the court rejected survey evidence putatively demonstrating that consumers were confused by the appearance of Woods as “so outweighed by the interests in artistic expression as to preclude [liability].”<sup>781</sup>

#### ***d. Other Section 43(a) Claims***

An unusual attempt to take advantage of the broad language of Section 43(a)(1)(B)<sup>782</sup> came in a dispute between two photographers.<sup>783</sup> Although the plaintiff’s primary claim was for copyright infringement, it also asserted that the defendant’s enumeration of a limited edition of one thousand prints beginning with the number fifty (as opposed to the number one) constituted unfair competition. The court rejected this theory, finding that the plaintiff had failed to prove by a preponderance of the evidence that the practice was deceptive or that the plaintiff had been damaged by it in any way.<sup>784</sup>

### **5. Cybersquatting Claims**

#### ***a. In Rem Actions***

In contrast to the pattern in recent years, *in rem* actions under the Anticybersquatting Consumer Protection Act (ACPA) did not figure prominently in reported cases over the past year.

#### ***b. In Personam Actions***

The doctrine governing courts’ evaluations of cybersquatting allegations continued to evolve toward routine application of the same general tests for liability. Under it, however, an uncharacteristically large number of defendants escaped findings that they had violated the ACPA.

Several courts found plaintiffs’ claims wanting without the need for extended analysis. For example, one held on a motion for

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780. *See id.* at 927, 67 U.S.P.Q.2d at 1073.

781. *Id.* at 937, 67 U.S.P.Q.2d at 1081.

782. 15 U.S.C. § 1125(a)(1)(B) (2004).

783. *See Sahuc v. Tucker*, 300 F. Supp. 2d 461, 69 U.S.P.Q.2d 1849 (E.D. La. 2004).

784. *See id.* at 467, 69 U.S.P.Q.2d at 1853.

preliminary injunction that the plaintiff's failure to demonstrate a likelihood of success on its infringement claims doomed its ACPA cause of action as well.<sup>785</sup> Likewise, having had its incontestably registered mark invalidated as a matter of law on genericness grounds, a putative mark owner saw its cybersquatting claims follow suit.<sup>786</sup> In two other cases, the plaintiffs' failure to identify evidence or testimony of bad faith in response to the defendants' motions for summary judgment led to the swift dismissal of their ACPA claims as a matter of law.<sup>787</sup>

The most notable opinions denying relief to cybersquatting plaintiffs came in three cases in which defendants had established complaint sites accessible at electronic addresses incorporating the plaintiffs' marks. In the first, the defendant was a former customer of a landscaping company.<sup>788</sup> Dissatisfied with the service she had received, she retaliated by registering a domain name consisting of the plaintiff's trade name and a .com suffix, at which she detailed her bad experiences with the plaintiff. Affirming the district court's entry of summary judgment in the defendant's favor, the Sixth Circuit acknowledged that the defendant had no trademark rights to the salient element of the domain name and that she was not offering any goods or services on her site. Nevertheless, it held that "[t]he paradigmatic harm that the ACPA was enacted to eradicate—the practice of cybersquatters registering several hundred domain names in an effort to sell them to the legitimate owners of . . . mark[s]—is simply not present in any of [the defendant's] actions."<sup>789</sup> In particular, the defendant had not set up her site to divert business from the plaintiff, had done nothing to create the impression that the site was sponsored by the plaintiff, and had not "warehoused" other domain names. As the court concluded, "[o]ne of the ACPA's main objectives is the protection of consumers from slick Internet peddlers who trade on the names and reputations of established brands. The practice of informing fellow consumers of one's experience with a particular service provider is surely not inconsistent with this ideal."<sup>790</sup>

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785. See *24 Hour Fitness USA Inc. v. Tribeca Fitness LLC*, 68 U.S.P.Q.2d 1031, 1037-38 (S.D.N.Y. 2003).

786. See *Retail Servs. Inc. v. Freebies Publ'g*, 364 F.3d 535, 549-50, 70 U.S.P.Q.2d 1603, 1614-15 (4th Cir. 2004).

787. See *Savin Corp. v. Savin Group*, 68 U.S.P.Q.2d 1893, 1905 (S.D.N.Y. 2003), *aff'd in part and rev'd in part*, 391 F.3d 439, 73 U.S.P.Q.2d 1273 (2d Cir. 2004); *Echo Drain v. Newsted*, 68 U.S.P.Q.2d 1203, 1212 (C.D. Cal. 2003).

788. See *Lucas Nursery & Landscaping, Inc. v. Grosse*, 359 F.3d 806, 70 U.S.P.Q.2d 1149 (6th Cir. 2004).

789. *Id.* at 810, 70 U.S.P.Q.2d at 1152.

790. *Id.* at 811, 70 U.S.P.Q.2d at 1153.



A similar result on similar facts held in the second case, which involved a domain name registrant's appeal to the Fifth Circuit.<sup>791</sup> Having established an Internet complaint site about the plaintiff using a domain name that it ultimately abandoned, the defendant then registered a second domain name corresponding to the plaintiff's mark. When the plaintiff challenged the second registration, the defendant initially agreed to a settlement agreement. It withdrew from the agreement, however, and this action formed a key piece of evidence underlying the district court's determination that the defendant had acted in bad faith. On appeal, the Fifth Circuit was unconvinced that the defendant's termination of the settlement negotiations could justify a finding of the required bad faith intent to profit when an application of the statutory factors otherwise did not justify one. Rather, the appellate court explained in reversing the district court's finding of liability on the plaintiff's ACPA's claims, "the site's purpose as a method to inform potential customers about a negative experience with the [plaintiff] is key."<sup>792</sup>

In the third case, the defendant had contracted with a third party to move his belongings, but believed that he was hiring the plaintiff.<sup>793</sup> When thieves broke into the truck being used by the third party to transport the defendant's goods, the defendant responded by setting up a site detailing his trials and tribulations at the hands of the plaintiff, rather than the third party. The court had little difficulty concluding that the domain name chosen by the defendant for his site was confusingly similar to the plaintiff's registered service mark, but it nevertheless held as a matter of law that the defendant's use was not actionable under the ACPA. According to the court, the ACPA had been drafted "to protect domain name registrations and users engaged in protected activities such as critical commentary."<sup>794</sup> In the case before it, "[d]efendant's 'cyber-gripping' is a far cry from the 'squatting' activity made illegal by the ACPA. . . ."<sup>795</sup>

Nevertheless, and as usual, a number of trademark owners continued to enjoy success.<sup>796</sup> For example, when a competitor of the owner of the 1-800 CONTACTS mark registered the www.www1800contacts.com domain name, the predictable result

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791. See *TMI Inc. v. Maxwell*, 368 F.3d 433, 70 U.S.P.Q.2d 1630 (5th Cir. 2004).

792. *Id.* at 439, 70 U.S.P.Q.2d at 1636.

793. See *Mayflower Transit LLC v. Prince*, 314 F. Supp. 2d 362, 70 U.S.P.Q.2d 1814 (D.N.J. 2004).

794. *Id.* at 369, 70 U.S.P.Q.2d at 1819.

795. *Id.*, 70 U.S.P.Q.2d at 1918.

796. See, e.g., *Faegre & Benson LLP v. Purdy*, 70 U.S.P.Q.2d 1315 (D. Minn. 2004) (entering temporary restraining order and preliminary injunction following defendants' failure to appear).

was a preliminary injunction after the court found that the defendant “has no prior trademark rights in the domain name, is not identified by the domain name, has not demonstrated any bona fide use of the domain name or any site accessible using the domain name.”<sup>797</sup>

A more substantive analysis led to a finding of cybersquatting in a case in which the defendants secured an electronic address consisting of the plaintiff’s flagship registered mark with a .com suffix and then had offered to sell it to the plaintiff for a modest \$3,920,000.<sup>798</sup> When that offer was rejected, the defendants registered an additional seventy-four domain names similar to the plaintiff’s flagship mark and to other marks owned by the plaintiff. Although the defendants mounted a claim of prior use of the original mark in question, the court found their evidence and testimony of priority unconvincing, and the case went downhill for them from there. Reviewing the defendants’ claims of good faith, the court noted that “[t]he timing and large number of the domain name registrations suggest that Defendants registered them only to put pressure on Plaintiff to purchase the [original] domain name and to pay more money for it.”<sup>799</sup> Of compelling significance, the defendants did not even claim an interest in marks corresponding to many of the domain names in their second round of registrations, but were instead using them only to obtain advertising fees. Under these circumstances, the court had little difficulty concluding that the defendants had acted with sufficient bad faith that an injunction was appropriate.<sup>800</sup>

Within the universe of *in personam* cases finding the requisite bad faith intent to profit, the most interesting was a challenge by Nike to the defendant’s registration of the [www.justdoit.net](http://www.justdoit.net) domain name.<sup>801</sup> Attempting to justify his company’s conduct, the defendant’s principal acknowledged his awareness of Nike’s JUST DO IT mark, but claimed that he had used the phrase for three decades as a motivational tool. He was unable to produce any documentary examples of this putative longstanding usage, however, and the court was unimpressed with his testimony that he had used the phrase in conversations with his parents. Accordingly, the court held that Nike was entitled to judgment as a matter of law.<sup>802</sup>

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797. See *1-800 Contacts Inc. v. WhenU.com*, 309 F. Supp. 2d 467, 506, 69 U.S.P.Q.2d 1337, 1367 (S.D.N.Y. 2003).

798. See *Garden of Life, Inc. v. Letzer*, 318 F. Supp. 2d 946 (C.D. Cal. 2004).

799. *Id.* at 962.

800. See *id.* at 963.

801. See *Nike Inc. v. Circle Group Internet Inc.*, 318 F. Supp. 2d 688, 70 U.S.P.Q.2d 1853 (N.D. Ill. 2004).

802. See *id.* at 693-94, 70 U.S.P.Q.2d at 1857-58.

On a procedural note, one set of defendants fell short in their efforts to have an ACPA claim dismissed on the theory that the parties' litigation fees would exceed any statutory damages the court might award.<sup>803</sup> As the court concluded, "Defendants present no authority for the proposition that a cybersquatting claim can be dismissed because . . . statutory damages will be *de minimis* compared to the cost to litigate the matter."<sup>804</sup>

### *c. Reverse Domain Name Hijacking Claims*

Although a frequent claim by domain name registrants in UDRP proceedings, the tort of reverse domain name hijacking has made infrequent appearances in judicial opinions. Nevertheless, the Fourth Circuit had the opportunity in an ACPA action to evaluate the objections of a domain name registrant to the transfer of his domain name to a mark owner during the pendency of the mark owner's challenge to the domain name in a French court.<sup>805</sup> The gravamen of the registrant's claim was that the registrar, Network Solutions, Inc., had violated Section 32(2)(D)(i)(II)(bb)<sup>806</sup> by transferring the domain name without the French court's authorization to do so. Affirming the rejection of this theory, the Fourth Circuit noted that the mark owner's action against the registrant had been one under French law, and not under the ACPA. Because Section 32(2)(D)(i) prohibited unauthorized transfers only during the pendency of ACPA actions, the absence of authorization by the French court was irrelevant. Accordingly, the appellate court held that the registrant had failed to state a claim upon which relief could be granted.<sup>807</sup>

In another action involving allegations of reverse domain name hijacking, the registry operator of the ".info" top level domain name "locked out" the plaintiff from availing himself of a "sunrise period" for registering certain ".info" domain names.<sup>808</sup> Although the registry had taken this step after determining that the plaintiff had been posing as the owner of marks corresponding to the domain names, the plaintiff nevertheless filed suit on the theory that the registry had engaged in reverse domain name hijacking. Entering summary judgment in the registry's favor, the court explained:

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803. See *FieldTurf Inc. v. Triexe Mgmt. Group Inc.*, 69 U.S.P.Q.2d 1861 (N.D. Ill. 2003).

804. *Id.* at 1863.

805. See *Hawes v. Network Solutions, Inc.*, 337 F.3d 377, 67 U.S.P.Q.2d 1276 (4th Cir. 2003).

806. 15 U.S.C. § 1114(2)(D)(i)(II)(bb) (2004).

807. *Hawes*, 337 F.3d at 384, 67 U.S.P.Q.2d at 1282.

808. See *Davies v. Afilius Ltd.*, 293 F. Supp. 2d 1265, 69 U.S.P.Q.2d 1143 (M.D. Fla. 2003).

[T]he reverse domain name hijacking portion of the statute, by its express terms, contemplates civil actions against overarching *trademark holders*. Plaintiff here did not sue a trademark holder who disabled his names claiming to own trademark rights in them but rather a registry operator who wants to offer non-trademarked names on an equitable basis to the general public under its own procedures. The ACPA does not provide for any cause of action such as the one Plaintiff seeks to bring and summary judgment in Defendant's favor is appropriate.<sup>809</sup>

## 6. State and Common Law Claims

### *a. Preemption Issues*

Not content to assert allegations of copyright infringement, some plaintiffs are unable to resist the temptation to assert state law claims for unfair competition, only to have those claims dismissed as preempted by federal copyright law.<sup>810</sup> As one court explained:

Under a two-prong test, preemption occurs if (1) the work in which the right is asserted is fixed in tangible form and falls within the subject matter of copyright and (2) the rights claimed are equivalent to the exclusive rights or the lack of such rights as determined by . . . the Copyright Act.<sup>811</sup>

The occasion of the court's invocation of this test was the plaintiffs' claim that the defendants had had access to certain copyrighted architectural works and that plans subsequently developed by the defendants were substantially similar to those of the plaintiff. Responding to the defendants' preemption defense, the plaintiffs claimed that they had pleaded three extra elements that rendered their causes of action substantively different from their copyright infringement allegations: (1) the defendants had misrepresented the true authors of the plans, which had resulted in a likelihood of confusion; (2) this alleged misrepresentation was intentional; and (3) the defendants had created the plans as part of a strategy to secure a building permit. The court, however, concluded that the plaintiffs' theory of unfair competition was

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809. *Id.* at 1272, 69 U.S.P.Q.2d at 1149 (emphasis in original).

810. *See, e.g., Hudson v. Universal Pictures Corp.*, 70 U.S.P.Q.2d 1727 (E.D.N.Y. 2004) (entering summary judgment in defendants' favor on New York state law claims grounded in allegations of copying of a copyrighted script).

811. *Reinke + Assocs. Architects Inc. v. Cluxton*, 68 U.S.P.Q.2d 1477, 1479 (N.D. Ill. 2003).

derived from nothing more than the inherent “misrepresentation” that accompanied any unauthorized copying and distribution.<sup>812</sup>

In another case reaching a similar holding of preemption, the plaintiff advanced a variety of Florida law causes of action all grounded in the theory that the defendants were using a copy of the plaintiff’s allegedly proprietary software.<sup>813</sup> In opposition to the defendants’ motion to dismiss, the plaintiff argued that the defendants’ refusal to return and/or destroy the software in their possession constituted an extra act that removed the plaintiff’s state law causes of action from the ambit of the Copyright Act. The court was unimpressed: “Plaintiff claims that copying (and using) the software violates a legal right of Plaintiff in the software. This is, plain and simple, the practical equivalent of the exclusive rights protected by the Copyright Act.”<sup>814</sup>

A challenge under North Carolina law to the alleged copying of software in the form of a dragonfly graphic similarly fell short of the mark.<sup>815</sup> In an unusual analysis, however, the court did not focus on the plaintiff’s allegations. Rather, as framed by the court, “[w]hat is at issue is whether a cause of action for unfair and deceptive trade practices requires any elements beyond those required to state a copyright claim.”<sup>816</sup> Reviewing the relevant state statute,<sup>817</sup> the court concluded that to establish liability “a plaintiff must establish that: (1) the defendants committed an unfair or deceptive act or practice; (2) the defendants’ act was in or affecting commerce; and (3) the plaintiff was injured thereby.”<sup>818</sup> From this premise, the court concluded:

While there may be extra elements of fraud or deceit in any given unfair trade practices claim, there are no additional elements *required* in order to state an unfair trade practices claim than there are required to state a copyright claim. Accordingly, the state law claim is preempted by federal copyright law.<sup>819</sup>

Dismissal on preemption grounds also occurred in a case in which a vocal performer objected to the incorporation of a sample

812. *Id.*

813. *See Audio Sys. of Fla. Inc. v. Simplexgrinnell LP*, 68 U.S.P.Q.2d 1681 (M.D. Fla. 2003).

814. *Id.* at 1685.

815. *See Iconbazaar LLC v. Am. Online Inc.*, 308 F. Supp. 2d 630, 70 U.S.P.Q.2d 1293 (M.D.N.C. 2004).

816. *Id.* at 637, 70 U.S.P.Q.2d at 1299.

817. N.C. Gen. Stat. § 75-1.1 (2003).

818. *Iconbazaar*, 308 F. Supp. 2d at 637, 70 U.S.P.Q.2d at 1299.

819. *Id.* (emphasis added).

of one of her songs into another piece.<sup>820</sup> The plaintiff did not own the copyright covering the putatively misappropriated song, and therefore based her claims on a variety of California state law causes of action. Distinguishing past authority allowing state law claims to go forward on arguably similar facts, the court found that the plaintiff was alleging nothing more than the unauthorized reproduction of a copyrighted work. Moreover, “[a]lthough Plaintiff claims that Defendant’s use of the song is without permission, Defendant did receive permission (in the form of a license) from the rightful copyright owner.”<sup>821</sup> Summary judgment in the defendant’s favor followed.

Finally, Texas law claims by the alleged creator of the concept underlying the hit television series *American Idol* fell victim to a motion to dismiss filed by a group of defendants alleged to have misappropriated the concept.<sup>822</sup> The court had little difficulty determining that the rights asserted by the plaintiff fell squarely within the subject matter of federal copyright law, notwithstanding the fact that the “skeletal” nature of the plaintiff’s concept would have precluded it from qualifying as copyrightable matter. Moreover, with respect to the equivalency requirement for preemption, the court noted that “[t]he core of [the plaintiff’s] state law claims is identical: the wrongful copying of an idea for a talent show to be called ‘American Idol.’”<sup>823</sup> Because “[s]tates are generally not permitted to regulate the use of ideas,” dismissal on preemption grounds was appropriate.<sup>824</sup>

### ***b. Right of Publicity***

Applying Ohio law, the Sixth Circuit teed up the most interesting right of publicity opinion over the past year in a case brought by Tiger Woods’ licensing agent against the distributor of artistic prints bearing Woods’ likeness and accompanied by textual materials referring to him.<sup>825</sup> In the absence of clear state court guidance on the parameters of Ohio right of publicity doctrine, the Sixth Circuit turned to the *Restatement (Third) of Unfair Competition*, drawing from it “a rule analogous to the rule of fair use in copyright law.”<sup>826</sup> According to the court, “the substantiality

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820. See *Laws v. Sony Music Entm’t Inc.*, 294 F. Supp. 2d 1160, 69 U.S.P.Q.2d 1787 (C.D. Cal. 2003).

821. *Id.* at 1164, 69 U.S.P.Q.2d at 1790.

822. See *Keane v. Fox Television Stations, Inc.*, 297 F. Supp. 2d 921 (S.D. Tex. 2004).

823. *Id.* at 945.

824. *Id.*

825. See *ETW Corp. v. Jireh Publ’g Inc.*, 332 F.3d 915, 67 U.S.P.Q.2d 1065 (6th Cir. 2003).

826. *Id.* at 937, 67 U.S.P.Q.2d at 1081.

and market effect of the use of the celebrity's image is analyzed in light of the informational and creative content of the defendant's use."<sup>827</sup> The court was skeptical that allowing continued distribution of the artwork would affect Woods' finances, observing that "[e]ven in the absence of his right of publicity, he would still be able to reap substantial financial rewards from authorized appearances and endorsements."<sup>828</sup> Under these circumstances, the court held that the artist's transformative use of Woods' image tipped the balance away from liability:

While the right of publicity allows celebrities like Woods to enjoy the fruits of their labors, here [the artist] has added a significant creative component of his own to Woods' identity. Permitting Woods' right of publicity to trump [the artist's] right of freedom of expression would extinguish [the artist's] right to profit from his creative enterprise.<sup>829</sup>

Transformative use did not help the defendants in another opinion, however, this one from the Missouri Supreme Court.<sup>830</sup> The plaintiff was a former National Hockey League player with a reputation for being an "enforcer" on the ice. The defendants were publishers of a "dark" and "surreal" comic strip that featured a violent and evil character with the same name as the plaintiff. Although the fictional character did not otherwise resemble the plaintiff, the plaintiff successfully demonstrated not only that readers of the comic book associated the character with the plaintiff, but that the defendants had ill-advisedly admitted in the past that the character's name had been inspired by the plaintiff's name. Attempting to defend the trial court's entry of a JNOV following a jury verdict in the plaintiff's favor, the defendants unsuccessfully sought to cast their use of the plaintiff's name as a transformative one:

[T]he metaphorical reference to [the plaintiff], though a literary device, has very little literary value compared to its commercial value. On the record here, the use and identity of [the plaintiff's] name has become predominantly a ploy to sell comic books and related products rather than an artistic or literary expression, and under these circumstances, free speech must give way to the right of publicity.<sup>831</sup>

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827. *Id.*, 67 U.S.P.Q.2d at 1081.

828. *Id.* at 938, 67 U.S.P.Q.2d at 1081.

829. *Id.*

830. *See Doe v. TCI Cablevision*, 67 U.S.P.Q.2d 1604 (Mo. 2003), *cert. denied*, 124 S. Ct. 1058 (2004).

831. *Id.* at 1613.

The defendants fared better with an alternative attack on the original jury verdict. Because Missouri law required the plaintiff to demonstrate that the defendants had *intended* to benefit commercially from their use of the plaintiff's name, a jury instruction that had allowed recovery upon a mere showing that the defendants had so benefited warranted a remand for a new trial.<sup>832</sup>

The Eleventh Circuit faced a similar use of plaintiffs' likeness in an artistic work in a case arising from the movie *The Perfect Storm*, albeit in an opinion that left the key issue of liability open.<sup>833</sup> The plaintiffs were relatives of men depicted in the motion picture, which was based on the loss of the men's boat during a rare confluence of meteorological events. Objecting to admittedly fabricated descriptions of the men's last voyage and their onshore relationships with their families, the plaintiffs alleged that the film violated their rights under the Florida right of publicity statute.<sup>834</sup> Although the district court entered summary judgment in the defendants' favor, concluding that the challenged portrayals did not constitute the use for "trade, commercial, or advertising purposes" required for relief under the statute, the Eleventh Circuit decided to certify the question to the Florida Supreme Court.<sup>835</sup>

The issue of whether use of the plaintiff's persona in a film violated her right of publicity also took center stage in litigation in the Sixth Circuit.<sup>836</sup> The plaintiff was a former news anchor and minor celebrity, who, while vacationing with her husband, rather inexplicably removed her clothing during a "wet t-shirt" contest. Among other places, footage of the plaintiff's performance eventually wound up on a video distributed by the defendants, who further guaranteed a lawsuit by emphasizing the plaintiff's performance on the cover of the video and repeatedly using her name on their website. Responding to the plaintiff's request for preliminary injunctive relief, the defendants argued that Florida and Ohio right of publicity law<sup>837</sup> excused their allegedly non-commercial use of the footage. The district court hearing the action disagreed, finding that the defendants' conduct constituted

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832. See *id.* at 1613-14.

833. See *Tyne v. Time Warner Entm't Co.*, 336 F.3d 1286, 67 U.S.P.Q.2d 1369 (11th Cir. 2003) (per curiam).

834. Fla. Stat. Ann. § 540.08 (West 2002).

835. See *Tyne*, 336 F.3d at 1291, 67 U.S.P.Q.2d at 1373.

836. See *Bosley v. WildWetT.com*, 310 F. Supp. 2d 914, 70 U.S.P.Q.2d 1520 (N.D. Ohio), *stay of preliminary injunction granted*, No. 04-3428, 2004 WL 2169179 (6th Cir. April 21, 2004).

837. See Fla. Stat. Ann. § 540.088(1); Ohio Rev. Code Ann. § 2741.01 (West 1994).



inherently commercial activity, rather than creative expression.<sup>838</sup> Nevertheless, the plaintiff's initial victory was short-lived, because the Sixth Circuit stayed the preliminary injunction on the ground that the relief entered by the district court constituted an unconstitutional prior restraint.<sup>839</sup>

### *c. Other State and Common Law Unfair Competition Claims*

#### (1) California

The Supreme Court in *Dastar Corp. v. Twentieth Century Fox Film Corp.*<sup>840</sup> held that the defendants in that case could not be held liable under Section 43(a) for the uncredited copying of material in the public domain, but the Court's opinion left unaddressed the viability of the plaintiff's claims under state law. On the defendants' subsequent request for reconsideration of the denial of their earlier motion for summary judgment, the district court concluded that California law also did not support a cause of action under the reverse passing off theory asserted by the plaintiffs.<sup>841</sup> As the court explained, "[a]lthough California unfair competition law may be broad in scope, the California reverse passing off claim is congruent with the Lanham Act claim and must be resolved by applying the same test of consumer confusion."<sup>842</sup> Consequently, "[t]he Supreme Court's finding that Defendants' actions were not misleading under the Lanham Act controls the resolution of their California unfair competition claim."<sup>843</sup>

#### (2) Georgia

A state court claim brought under the Georgia Uniform Deceptive Trade Practices Act fell short.<sup>844</sup> The defendants were former officers and employees of the plaintiff, an electronics distributor, who had set up their own competitive company. In connection with his departure from the plaintiff, one of the individual defendants had corresponded with a potential investor using the plaintiff's letterhead. Another individual defendant

838. See *Bosley*, 310 F. Supp. 2d at 921-22, 70 U.S.P.Q.2d at 1526-27.

839. See *Bosley v. WildWetT.com*, No. 04-3428, 2004 WL 2169179 (6th Cir. April 21, 2004).

840. 539 U.S. 23, 66 U.S.P.Q.2d 1641 (2003).

841. *Twentieth Century Fox Film Corp. v. Dastar Corp.*, 68 U.S.P.Q.2d 1536 (C.D. Cal. 2004).

842. See *id.* at 1539.

843. *Id.* at 1539-40.

844. See *Looney v. M-Squared, Inc.*, 586 S.E.2d 44 (Ga. Ct. App. 2003).

allegedly had crossed the plaintiff's name off his business card and given it to a warehouse operator with whom he was discussing warehouse space. Finding that the trial court properly had found that this conduct did not create a likelihood of confusion, the Georgia Court of Appeals upheld entry of summary judgment in the defendants' favor.<sup>845</sup>

### (3) Illinois

Applying the Illinois version of the Uniform Deceptive Trade Practices Act,<sup>846</sup> one federal district court was unsympathetic to a defendant's claim that a press release by the plaintiff informing the trade that the plaintiff had filed an infringement action against the defendant constituted a deceptive trade practice.<sup>847</sup> Holding that the statute applied only to statements that might have disparaged the quality of the defendant's goods, the court noted that the press release "merely provides notice that this suit has been filed and summarizes the allegations contained in the complaint."<sup>848</sup> The court was equally unimpressed with an allegation by the defendant that an employee of the plaintiff had authored an email expressing his belief that "additional evidence of wrongdoing" by the defendant would emerge, which the court characterized as a non-actionable prediction of the litigation's outcome.<sup>849</sup> Having determined that other statements in the email were true,<sup>850</sup> the court refused to grant the defendant's request for a preliminary injunction.

Another court adopted a restrictive interpretation of the Illinois Consumer Fraud Act<sup>851</sup> in a dispute between two manufacturers of tables,<sup>852</sup> one of which had incorporated components of the other's product into a sample product used in a bid. Although acknowledging that the plaintiff had suffered an injury through its loss of the contract, the court pointed out that the plaintiff was not a consumer. Because the plaintiff had failed to identify any consumer protection concerns, its complaint was dismissed.<sup>853</sup>

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845. *See id.* at 50-51.

846. 815 Ill. Comp. Stat. Ann. § 510/2 (West 1999).

847. *See Fedders Corp. v. Elite Classics*, 67 U.S.P.Q.2d 1169 (S.D. Ill. 2003).

848. *Id.* at 1176.

849. *See id.*

850. *See id.* at 1176-77.

851. *See* 815 Ill. Comp. Stat. Ann. § 505/1 *et seq.* (West 1999).

852. *See Bretford Mfg., Inc. v. Smith Sys. Mfg. Co.*, 286 F. Supp. 2d 969, 68 U.S.P.Q.2d 1378 (N.D. Ill. 2003).

853. *See id.* at 972-73, 68 U.S.P.Q.2d at 1380.

#### (4) Massachusetts

Affirming the dismissal of a plaintiff's claims for the defendants' alleged failure to credit her with authorship of a nutrition textbook, the First Circuit clarified that Massachusetts unfair competition law<sup>854</sup> reaches only to the borders of that state.<sup>855</sup> Because the challenged conduct had taken place in New Jersey and Connecticut, the plaintiff's claims could not stand.<sup>856</sup>

#### (5) New Jersey

Dissatisfied with the services he received from a third party, one defendant set up an Internet complaint site, at which he held the plaintiff responsible for his misfortunes.<sup>857</sup> Because it found the existence of factual disputes in the record, the court did not enter summary judgment of liability on the plaintiff's claims for corporate defamation and trade libel, but it did clarify the standards for relief under each. As to the former, the court held that the plaintiff must prove by clear and convincing evidence "(1) that Defendant made a defamatory statement of fact; (2) concerning the Plaintiff; (3) which was false; (4) which was communicated to persons other than the plaintiff; and (5) fault."<sup>858</sup> As to the latter, "[t]he elements of trade libel are: 1) publication; 2) with malice; (3) of false allegations concerning [the plaintiff's] property, product or business, and 4) special damages, i.e., pecuniary harm."<sup>859</sup>

Defending against a claim brought under the New Jersey unfair competition statute,<sup>860</sup> one defendant moved for summary judgment on the theory that the plaintiff had failed to prove any legally cognizable damages.<sup>861</sup> The court rejected the motion, concluding that the statute required only that the plaintiff demonstrate: (1) a valid and protectable mark; (2) ownership of the mark; and (3) a likelihood of confusion created by the defendant.<sup>862</sup>

854. See Mass. Gen. Laws Ann. ch. 93A, §§ 2, 11 (West 1997).

855. See *Zyla v. Wadsworth*, 360 F.3d 243, 69 U.S.P.Q.2d 1915 (1st Cir. 2004).

856. See *id.* at 255, 69 U.S.P.Q.2d at 1923-24.

857. See *Mayflower Transit LLC v. Prince*, 314 F. Supp. 2d 362, 70 U.S.P.Q.2d 1814 (D.N.J. 2004).

858. *Id.* at 372, 70 U.S.P.Q.2d at 1821.

859. *Id.* at 378, 70 U.S.P.Q.2d at 1825.

860. N.J. Stat. Ann. § 56:4-1 (West 2001).

861. See *Video Pipeline Inc. v. Buena Vista Home Entm't Inc.*, 67 U.S.P.Q.2d 1887 (D.N.J. 2003).

862. See *id.* at 1912.

### (6) New York

Several opinions adopted restrictive interpretations of Sections 349 and 350 of the New York General Business Law,<sup>863</sup> holding that plaintiffs had failed to demonstrate that the defendants' actions had harmed the public interest.<sup>864</sup> For example, the plaintiff in one case challenged the defendants' resale of the plaintiff's branded goods with a warranty allegedly inferior to that of the plaintiff.<sup>865</sup> Reviewing the defendants' motion to dismiss, the court held that the plaintiff's complaint did not recite a key allegation: "Because the complaint fails to identify the requisite harm to consumers or the public interest, the plaintiff's deceptive acts and false advertising claims pursuant to sections 349 and 350 . . . are dismissed."<sup>866</sup>

The same result held in the latest round of litigation brought by two collectors of paintings allegedly by a Russian avant garde artist against the artist's son and daughter-in-law, as well as a gallery affiliated with them.<sup>867</sup> Seeking to vindicate the value of their paintings after a series of attacks on their authenticity, the collectors alleged that the defendants had violated Section 349 in two respects: (1) the defendants had deceived the public by representing that authentic paintings by the artist were available only from them; and (2) the defendants' comments on the paintings' authenticity had deprived the public of the opportunity to purchase, study, view, and appreciate the plaintiffs' paintings. The court was unimpressed with the relevance of both theories to New York consumers. As to the former, the court noted that the plaintiffs' allegedly-hindered attempts to sell their paintings had taken place in Europe, not in New York; as to the latter, "[a] claim that consumers have been denied the ability to appreciate art" was not a cognizable threat to the public with the meaning of Section 349.<sup>868</sup> Nevertheless, the court did find that the plaintiffs were entitled to relief on their common law disparagement claim based on its finding that the defendants had accused the plaintiffs of knowingly relying on forged certificates of authenticity for the

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863. N.Y. Gen. Bus. L. §§ 349 & 350 (McKinney 2004).

864. See, e.g., *Maharishi Hardy Blechman Ltd. v. Abercrombie & Fitch Co.*, 292 F. Supp. 2d 535, 69 U.S.P.Q.2d 1493 (S.D.N.Y. 2003) (dismissing claims grounded in the alleged copying of a line of military pants).

865. See *Perkins Sch. for the Blind v. Maxi-Aids Inc.*, 274 F. Supp. 2d 319, 69 U.S.P.Q.2d 1932 (E.D.N.Y. 2003).

866. *Id.* at 327, 69 U.S.P.Q.2d at 1937.

867. See *Boule v. Hutton*, 320 F. Supp. 2d 132 (S.D.N.Y. 2004).

868. See *id.* at 137-38.

paintings, despite the fact that the artist's son-in-law had signed the certificates.<sup>869</sup>

Another case addressed a dispute under Sections 349 and 350 between two companies using similar names but in different contexts.<sup>870</sup> Noting that a successful claim under either statute required a showing of injury to consumers or other harm to the public interest, the court was unwilling to hold that routine allegations of trademark infringement met the grade. Rather, "[h]arm to a business from a competitor . . . does not constitute the kind of detriment to the public interest required by the statutes."<sup>871</sup> The court also dismissed the plaintiff's New York common law unfair competition claims in light of its failure to show that the defendants had adopted their mark in bad faith.<sup>872</sup>

All plaintiffs asserting claims under Sections 349 and 350 did not suffer complete defeat. For example, in a false advertising dispute between competing telephone directory publishers, the plaintiff objected to portrayals of its directories as: (1) unrecognized by consumers; (2) left untouched while consumers chose the defendant's directories; and (3) so insubstantial that they were blown away by wind while the defendant's directories remained in place.<sup>873</sup> Although the defendant sought to dismiss the plaintiff's statutory claims on the ground that its advertisements constituted mere puffery, the court was unwilling to do so without evidence and testimony on the crucial issue of how consumers viewed the advertising.<sup>874</sup> The plaintiff's product disparagement claim did not enjoy similar luck, however, as the court required it to be repleaded to allege special damages.<sup>875</sup>

Independent of statutory claims brought under Section 349 and 350, claims of unfair competition under New York common law fell short in an action brought by the owner of a copyrighted play against defendants who allegedly had copied it.<sup>876</sup> Not only were the plaintiff's state law claims preempted, but the works in question were not substantially similar. Because this prevented the plaintiff from demonstrating that the works bore a resemblance so striking that the public would be confused when

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869. *See id.* at 139.

870. *See Savin Corp. v. Savin Group*, 68 U.S.P.Q.2d 1893 (S.D.N.Y. 2003), *aff'd in part and rev'd in part*, 391 F.3d 439, 73 U.S.P.Q.2d 1273 (2d Cir. 2004).

871. *Id.* at 1905.

872. *See id.*

873. *See Verizon Directories Corp. v. Yellow Book USA, Inc.*, 309 F. Supp. 2d 401 (E.D.N.Y. 2004).

874. *See id.* at 408.

875. *See id.*

876. *See Hudson v. Universal Pictures Corp.*, 70 U.S.P.Q.2d 1727 (E.D.N.Y. 2004).

encountering them, the court had little difficulty concluding that the defendants were entitled to summary judgment.<sup>877</sup>

### (7) Pennsylvania

In a civil action brought by the state against a large number of defendants in the real estate industry,<sup>878</sup> the Commonwealth Court of Pennsylvania adopted an expansive interpretation of the state's Unfair Trade Practices and Consumer Protection Law.<sup>879</sup> The state advanced a variety of challenges to the defendants' conduct, one allegation being that an appraiser had failed to visit properties before valuing them, but instead had relied on information provided to him by the other defendants. Moving to dismiss the state's claims that this conduct had created a likelihood of confusion within the meaning of the state statute, the appraiser claimed that the statute's references to likelihood of confusion made actionable only confusion over what party might stand behind particular goods or services. Because the statute contained no such restriction and, indeed, because it expressly referred to confusion over "certification of goods or services," the court was unconvinced. As it noted in accepting the complaint as true for purposes of the appraiser's motion to dismiss, "his participation caused consumers to be confused and to misunderstand that he was not certifying the value of the homes as an impartial appraiser."<sup>880</sup> Accordingly, although dismissing the state's allegations that the appraiser had engaged in false advertising through his alleged conduct, the court held that he was otherwise required to answer the state's complaint that he had created a likelihood of confusion among consumers.<sup>881</sup>

### C. Counterfeiting Matters

Opinions placing barriers to the ability of the government to battle trademark counterfeiting have become a minor cottage industry among federal courts, and cases over the past year did nothing to buck that trend. For example, in an *in rem* action in which the Customs Service had seized two shipments of watches, a government budgetary crisis prevented Customs from completing the required service of process through a notice in a newspaper of

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877. *See id.* at 1731.

878. *See Commonwealth v. Percudani*, 844 A.2d 35 (Pa. Commw. Ct. 2004).

879. 73 Pa. Stat. §§ 201-1 through 201-9.3.

880. *Percudani*, 844 A.2d at 47.

881. *See id.* at 47-48.

general circulation for 76 days after the seizure.<sup>882</sup> Because the ability to pay for publication was within the government's control, the district court held that the government could not demonstrate good cause for its failure to effect timely service. On appeal, the Ninth Circuit did not disturb this holding, although it did hold that the district court had failed to consider whether the claimant of the goods had suffered any prejudice prior to entering judgment on the pleadings in the claimant's favor.<sup>883</sup>

In another counterfeiting action by the government, a defendant with a history of trafficking in unauthorized goods was convicted of criminal counterfeiting after he forwarded twelve pairs of counterfeit socks to a potential retailer.<sup>884</sup> On appeal, the defendant argued that his shipment had been a mere sample, and that he had not received anything of value from the retailer. Dismissing the government's reliance on an apparent ongoing business relationship between the defendant and the retailer, the Fourth Circuit agreed with the defendant that the shipment had been undertaken with the mere hope that it would result in an order for more socks. Because there had been no immediate consideration for the shipment, there was no evidence to support the jury's finding that the defendant had been engaged in the actual trafficking of counterfeit goods, and his conviction therefore could not stand.<sup>885</sup>

The Fourth Circuit was not wholly hostile to criminal counterfeiting claims, however. Seeking to overturn a conviction based on his affixation of counterfeit labels to shirts, one defendant claimed that the shirts had been manufactured for the owners of the trademarks in question and that he therefore had done nothing to deceive consumers about the shirts' origins.<sup>886</sup> Reviewing the evidence, the Fourth Circuit noted that the shirts actually had been rejected by the marks' owners and that the defendant's own quality control procedures resulted in defective products. Equally important, as the court properly explained, "[o]ne of the rights that a trademark confers upon its owner is 'the right to control the quality of the goods manufactured and sold' under that trademark."<sup>887</sup> The indictment and conviction therefore had been proper because "[i]t is no defense for [the defendant] to claim that

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882. See *United States v. 2,164 Watches*, 366 F.3d 767, 71 U.S.P.Q.2d 1143 (9th Cir. 2004).

883. See *id.* at 773, 71 U.S.P.Q.2d at 1146-47.

884. See *United States v. Habegger*, 370 F.3d 441 (4th Cir. 2004).

885. See *id.* at 444-45.

886. See *United States v. Farmer*, 370 F.3d 435 (4th Cir. 2004), *cert. denied*, 125 S. Ct. 676 (2004).

887. *Id.* at 441 (quoting *Shell Oil Co. v. Commercial Petroleum, Inc.*, 928 F.2d 104, 107 (4th Cir. 1991)).

his shirts were of the same quality as shirts assembled under [the mark owners'] control: the whole point is that deciding whether the shirts pass muster is reserved to [the mark owners], not to [the defendant]."<sup>888</sup>

## *D. Defenses*

### **1. Legal Defenses**

#### *a. Remote Good Faith Use*

Under the *Tea Rose-Rectanus* doctrine, a defendant that adopts an otherwise infringing mark in good faith and in a geographic area remote from that of the senior user ordinarily can escape liability for unfair competition.<sup>889</sup> The Supreme Court's seminal decisions in the area do not address the issue of which party bears the burden of proof on a defendant's invocation of this principle, however, and this omission led to a Fourth Circuit opinion holding that the defendant must establish the required elements.<sup>890</sup> Reviewing the plaintiff's traditional responsibility to demonstrate ownership of a valid mark and likelihood of confusion, the court explained that:

Arguably, a defendant who asserts a good-faith remote defense in a given territory can concede the essential elements of an infringement claim—that plaintiff is the owner and senior user of a valid trademark and that the defendant's competing mark is confusingly similar or likely to create confusion—and nevertheless defeat the plaintiff's claim of infringement in the defendant's territory by demonstrating good faith and remote use. . . . In alleging that the defendant's use of the mark in the disputed territory was remote and in good faith, a defendant is raising matters that are distinct from, and not merely in response to, the elements of an infringement claim.<sup>891</sup>

In contrast, although properly referring to the *Tea Rose-Rectanus* doctrine as a defense, another court entered summary judgment in the defendant's favor after concluding that the *plaintiff* had failed to prove market penetration into the defendant's geographic area prior to the defendant's use.<sup>892</sup> The

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888. *Id.*

889. See generally *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916); *Hispanic Broad. Corp. v. Educ. Media Found.*, 69 U.S.P.Q.2d 1524 (C.D. Cal. 2003).

890. See *Emergency One, Inc. v. Am. Fire Eagle Engine Co.*, 332 F.3d 264, 67 U.S.P.Q.2d 1124 (4th Cir. 2003).

891. *Id.* at 272, 67 U.S.P.Q.2d at 1130.

892. See *Commerce Bancorp, Inc. v. BankAtlantic*, 285 F. Supp. 2d 475 (D.N.J. 2003).



court identified four factors governing the remoteness inquiry: (1) the plaintiff's sales volume in the area in question; (2) growth trends relating to the plaintiff's mark; (3) the number of consumers actually purchasing the product in relation to the number of potential customers; and (4) the amount of the plaintiff's advertising in the area.<sup>893</sup> Although 3,500 of the plaintiff's banking customers resided in the disputed area and the plaintiff's national advertising was distributed there, the court gave near-dispositive weight to the plaintiff's inability to prove an immediate intent to expand its operations into the area. Accordingly, the court held as matter of law that the plaintiff had failed to prove the absence of geographic remoteness.<sup>894</sup>

### ***b. First Amendment***

As usual, invocations by defendants of their right to free speech met with mixed receptions. In perhaps the most significant application of the First Amendment over the past year, the Sixth Circuit accepted an art distributor's argument that the distributor was constitutionally entitled to sell prints featuring images of Tiger Woods.<sup>895</sup> The court began its analysis by noting that the prints did not propose a commercial transaction and therefore were entitled to the full protection of the First Amendment.<sup>896</sup> It then came close to suggesting that Woods' image (and those of other celebrities) was in the public domain: "[T]hrough their pervasive presence in the media, sports and entertainment celebrities have come to symbolize certain ideas and values in our society and have become a valuable means of expression in our culture."<sup>897</sup> Ultimately, the court held that "[a]fter balancing the societal and personal interests embodied in the First Amendment against Woods' property rights, we conclude that the effect of limiting Woods' right of publicity in this case is negligible and significantly outweighed by society's interest in freedom of expression."<sup>898</sup>

Similarly striking a blow for the First Amendment in another right of publicity case, the Missouri Supreme Court reached the common sense conclusion that the publishers of a comic book could not be enjoined from using "for any purpose" the name, image, or likeness of the plaintiff, a former National Hockey League

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893. *See id.* at 497.

894. *See id.* at 499.

895. *See ETW Corp. v. Jireh Publ'g Inc.*, 332 F.3d 915, 67 U.S.P.Q.2d 1065 (6th Cir. 2003).

896. *See id.* at 925, 67 U.S.P.Q.2d at 1072.

897. *Id.* at 937-38, 67 U.S.P.Q.2d at 1081.

898. *Id.*, 67 U.S.P.Q.2d at 1081-82.

player.<sup>899</sup> As the court noted in affirming the rejection of the plaintiff's request for relief below, the proposed injunction would prohibit the defendants from engaging in protected activities unrelated to the subject matter of the lawsuit.<sup>900</sup>

In another case in which the issue received only a cursory treatment, one court denied a request for a temporary restraining order for a political candidate asserting infringement, unfair competition, cybersquatting and right of publicity claims against critics who had established a website critical of the candidate at an electronic address that incorporated his name.<sup>901</sup> As the court explained, "this suit's implication of Defendants' First Amendment rights is an overriding issue. The First Amendment protection of speech is a core value of our democracy and this Court recognizes the First Amendment's particularly important role in political campaigns."<sup>902</sup>

### *c. Abandonment*

Under Section 45, a finding of abandonment requires not only a discontinuance of use, but also an intent not to resume use.<sup>903</sup> By far and away the most interesting reported opinion applying this principle over the past year came in an action brought by a Cuban company using the COHIBA mark for cigars against a domestic producer of cigars using the same mark.<sup>904</sup> The Cuban company was the senior user in an absolute sense, but it had been prevented from selling its goods in the United States by the trade dress embargo against its home country. During this ongoing absence from the United States, the defendants registered their mark with full knowledge of the plaintiff's extraterritorial use. The defendants then argued at trial that the plaintiff had abandoned its rights in light of its failure actually to use the mark in the United States and its failure to challenge the defendant's claim of rights. The court was unsympathetic, finding that the plaintiff's inaction was justified by the reasonable belief that the defendants' own modest use of the mark was not worth challenging and by the plaintiff's ongoing intent to enter the country once the embargo was lifted. As to the latter of these considerations, the court found

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899. *See Doe v. TCI Cablevision*, 67 U.S.P.Q.2d 1604 (Mo. 2003).

900. *See id.* at 1614.

901. *See Ficker v. Tuohy*, 305 F. Supp. 2d 569 (D. Md. 2004).

902. *Id.* at 572.

903. 15 U.S.C. § 1127 (2004).

904. *See Empresa Cubana Del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650 (S.D.N.Y. 2004).

particularly probative the plaintiffs' efforts to increase the visibility of its brand in the United States despite the embargo.<sup>905</sup>

Another opinion drove home the point that a mere break in use is in and of itself sufficient to work an abandonment of trademark rights.<sup>906</sup> The plaintiffs were producers of bowling balls who sold their manufacturing equipment to reduce their exposure in a utility patent suit brought by a third party. Although no longer manufacturing their own goods, the plaintiffs sought to license the use of their mark to other manufacturers, which eventually led them to enter into discussions with the defendant. The negotiations failed to produce a written agreement, but the defendant nevertheless began shipping balls in packaging bearing the plaintiffs' mark. Seeking to defend itself in the resulting suit, the defendant unsuccessfully argued to the jury that the plaintiffs had abandoned their mark through their discontinuance of sales. On the defendant's appeal, the Seventh Circuit affirmed: As it noted, the jury reasonably could have accepted the plaintiffs' testimony that the break in the use of their mark was in response to the patent suit rather than the result of an intent to abandon their rights.<sup>907</sup>

Still another opinion demonstrated the potentially limited usefulness of a showing by defendants of limited breaks in the plaintiffs' use if those breaks occurred prior to the defendants' own use.<sup>908</sup> The case presented allegations of the infringement of a trade dress consisting of the configuration of a revolver. Noting that the plaintiffs had not produced the model at issue between 1941 to 1955, the defendants moved for summary judgment on abandonment grounds. The defendants' own use had begun only in 2000, however, leading the court to offer the following observation as it denied the motion:

[E]ven if a fact-finder were to find that, based on the interruption in production, Plaintiffs' trade dress lost its secondary meaning, this would not preclude Plaintiffs from rebuilding secondary meaning in the almost 60 years it has been [since they resumed] manufacturing the revolvers [and] before Defendants entered the market. All that Plaintiffs would be prohibited from doing is relying on secondary meaning acquired prior to abandoning [their] trade dress. In this sense, the abandonment argument, even if successful, is not likely to get Defendants far because secondary meaning

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905. *See id.* at 1690-91.

906. *See Zelinski v. Columbia 300, Inc.*, 335 F.3d 633, 67 U.S.P.Q.2d 1446 (7th Cir. 2003).

907. *See id.* at 639, 67 U.S.P.Q.2d at 1449.

908. *See New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195 (D. Conn. 2004).

must be established at the time Defendants entered the market, and thus focusing on any loss of secondary meaning 60 years ago may not be determinative.<sup>909</sup>

Nevertheless, at least one allegation of abandonment “stuck” over the past year in a case in which the plaintiffs had ceased doing business in 1994, only to revive their company in 2001 for the apparent purpose of filing suit against the defendants.<sup>910</sup> As the court found on the defendants’ motion for summary judgment, the plaintiffs in the intervening years had had no income, had made no income tax or corporate filings, had not sold any product and had laid off all of their employees. Although the plaintiffs were able to rely on alleged use of their claimed mark in the signature line of unsuccessful emailed business solicitations, the court found that the plaintiffs’ rights had lapsed as a matter of law. As it explained, “when there is no longer an association between the company and the mark, an abandonment occurs for the obvious reason that the association of the mark with the company no longer serves to dispel consumer confusion over the origin of goods and services.”<sup>911</sup>

#### *d. Nominative and Fair Descriptive Use*

Use by a defendant of either the plaintiff’s trademark or the words making up the plaintiff’s trademark may be justified under one of three theories. First, the common law preserves defendants’ ability to use descriptive terms in their primary descriptive sense.<sup>912</sup> Second, Section 33(b)(4) of the Act recognizes as a defense to the “conclusive” evidentiary presumption attaching to an incontestable registered mark that a defendant is using the mark “fairly and in good faith only to describe the [associated] goods or services . . . or their geographic origin.”<sup>913</sup> Third, the extrastatutory “nominative use” doctrine allows for limited uses of a plaintiff’s mark when referring to the plaintiff itself.<sup>914</sup>

Two significant cases bearing on these defenses arose in the Ninth Circuit, with one of them leading to a Supreme Court opinion on the parties’ respective burdens when the fair descriptive use of Section 33(b)(4) is invoked, In *KP Permanent*

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909. *Id.* at 211 (citation omitted).

910. *See Micromuse, Inc. v. Micromuse, PLC*, 304 F. Supp. 2d 202 (D. Mass. 2004).

911. *Id.* at 217.

912. *See, e.g., Creamette Co. v. Conlin*, 191 F.2d 108, 112, 90 U.S.P.Q. 160, 162 (5th Cir. 1951).

913. 15 U.S.C. § 1115(b)(4) (2004).

914. *See generally New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 23 U.S.P.Q.2d 1534 (9th Cir. 1992).

*Make-Up, Inc. v. Lasting Impression I, Inc.*,<sup>915</sup> the respondents asserted infringement of their incontestably registered mark, leading the petitioner to assert that it was merely making a good faith and fair use of the words making up the mark to describe its own goods. Entering summary judgment in the petitioner's favor, the district court agreed, only to have the Ninth Circuit vacate that decision and remand the case for a determination of whether a likelihood of confusion existed between the parties' marks. According to the appellate court, "there can be no fair use if there is a likelihood of confusion . . ."<sup>916</sup>

The Supreme Court in turn vacated this holding. Although acknowledging that fair use is an affirmative defense on which the defendant bears the burden of proof, the Court was unwilling to impose upon the petitioner the obligation to disprove the existence of likely confusion. To begin with, the Court noted, Sections 32 and 33 both contemplated that parties asserting infringement prove a likelihood of confusion, while Section 33(b)(4) on its face imposed no corresponding obligation on defendants invoking that statute.<sup>917</sup> More to the point, however,

[A] look at the typical course of litigation in an infringement action points up the incoherence of placing a burden to show nonconfusion on a defendant. If a plaintiff succeeds in making out a prima facie case of infringement, including the element of likelihood of consumer confusion, the defendant may offer rebutting evidence to undercut the force of the plaintiff's evidence on this (or any) element, or raise an affirmative defense to bar relief even if the prima facie case is sound, or do both. But it would make no sense to give the defendant a defense of showing affirmatively that the plaintiff cannot succeed in proving some element (like confusion); all the defendant needs to do is to leave the factfinder unpersuaded that the plaintiff has carried its own burden on that point. Put another way, it is only when a plaintiff has shown likely confusion by a preponderance of the evidence that a defendant could have any need of an affirmative defense, but under [the respondents'] theory the defense would be foreclosed in such a case.<sup>918</sup>

The Court declined to address fully another issue presented by the parties' pleadings, which was the significance of evidence germane to the likelihood of confusion inquiry to the fair use

915. 125 S. Ct. 542, 72 U.S.P.Q.2d 1833 (2004).

916. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1972, 66 U.S.P.Q.2d 1509, 1516 (9th Cir. 2003), vacated, 125 S. Ct. 542, 72 U.S.P.Q.2d 1833 (2004).

917. See *id.* at 547-48, 72 U.S.P.Q.2d at 1836-37.

918. 125 S. Ct. at 549, 72 U.S.P.Q.2d at 1837.

defense. On the one hand, the Court observed that “some possibility of confusion must be compatible with fair use . . .” and that “[t]he common law’s tolerance of a certain degree of of confusion on the part of consumers followed from the very fact that . . . an originally descriptive term was selected to be used as a mark, not to mention the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first.”<sup>919</sup> On the other hand, however, it noted that “our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of of any likely confusion in assessing whether a defendant’s use is objectively fair.”<sup>920</sup> In light of the Court’s reluctance to resolve the issue, its opinion may generate as much future litigation as it prevents.

Notwithstanding the Supreme Court’s opinion in *KP Permanent Make-Up*, opinions from other courts addressing the Section 33(b)(4) defense were few and far between. One court rejected the defendant’s attempt to invoke the defense as the basis for a motion for judgment on the pleadings.<sup>921</sup> As the court noted, whether a challenged use qualifies as a non-trademark, fair, and descriptive one is a question of fact. Because the parties’ pleadings placed the issue in dispute, its resolution of the defendant’s motion was inappropriate.<sup>922</sup>

Although the Ninth Circuit originated the concept of nominative use and has been responsible for some of its more expansive applications, that court took steps to limit the defense in a case in which the defendants were an Internet search service and purchasers of advertising space from it.<sup>923</sup> The plaintiff objected to the search service’s sale of anonymous advertising triggered by web browsers’ use of the plaintiff’s marks in their searches. In rejecting the district court’s holding that this practice was a protected nominative use of the plaintiff’s marks, the court began its analysis by quoting the familiar three-factor *New Kids on the Block* test:

“First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark,

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919. *Id.* at 550, 72 U.S.P.Q.2d at 1838.

920. *Id.*, 72 U.S.P.Q.2d at 1838.

921. *See BOA (UK) Ltd. v. TV Prods. (USA) Inc.*, 285 F. Supp. 2d 379 (S.D.N.Y. 2003).

922. *See id.* at 382.

923. *See Playboy Enters. v. Netscape Communications Corp.*, 354 F.3d 1020, 69 U.S.P.Q.2d 1417 (9th Cir. 2004).

suggest sponsorship or endorsement by the trademark owner.”<sup>924</sup>

The relatively unique circumstances of the case precluded the defendants from satisfying the first requirement. When web browsers searched for the plaintiff’s adult-oriented websites using the plaintiff’s marks, they were presented with anonymous banner advertisements for competing adult sites. As the court pointed out, “[d]efendants could use other words, besides [the plaintiff’s] marks, to trigger adult-oriented banner advertisements.”<sup>925</sup> Indeed, the challenged advertisements did not in any way identify the plaintiff or its various goods and services. “Rather, [the defendants] wish to identify consumers who are interested in adult-oriented entertainment so they can draw them to competitors’ websites. Accordingly, their use is not nominative.”<sup>926</sup>

Several opinions had the opportunity to examine the applicability of the nominative use defense in the context of challenges to artistic works, two of which came from the Sixth Circuit. In the first case from that court, famed golfer Tiger Woods sought to enjoin the distribution of a print that: (1) featured three images of him; (2) was sold in an envelope bearing his name; and (3) was accompanied by a textual tribute to the Masters Tournament that twice mentioned Woods by name; but that (4) otherwise clearly identified the defendant as the source of the print.<sup>927</sup> Affirming the district court’s entry of summary judgment in the defendant, the appellate court explained that “[a] celebrity’s name may be used in the title of an artistic work so long as there is some artistic relevance” to the work.<sup>928</sup>

In another case involving an artistic work, the plaintiff sought to enjoin on infringement and dilution grounds the portrayal in a motion picture of its product being misused in a manner causing physical injury to the film’s protagonist.<sup>929</sup> The plaintiff’s mark was SLIP ’N SLIDE, and the difficulty in referring to the recreational toy sold under it by any other term heavily influenced the court’s decision not to enjoin the film’s distribution: “Other verbal formulas (e.g., ‘water slide’ or ‘lubricated plastic sheet’) do not capture or identify the toy with adequate specificity, and

924. *Id.* at 1029-30, 69 U.S.P.Q.2d at 1424 (quoting *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308, 23 U.S.P.Q.2d 1534, 1538 (9th Cir. 1992) (footnote omitted in original)).

925. *Id.* at 1030, 69 U.S.P.Q.2d at 1424.

926. *Id.*, 69 U.S.P.Q.2d at 1424.

927. *See ETW Corp. v. Jireh Publ’g Inc.*, 332 F.3d 915, 67 U.S.P.Q.2d 1065 (6th Cir. 2003).

928. *Id.* at 920, 67 U.S.P.Q.2d at 1068.

929. *See Wham-O Inc. v. Paramount Pictures Corp.*, 286 F. Supp. 2d 1254, 68 U.S.P.Q.2d 1841 (N.D. Cal. 2003).

trademark law does not compel individuals to ‘use absurd turns of phrase’ simply to avoid trademark liability.”<sup>930</sup> Moreover, the court was unwilling to restrict the defendants’ ability to depict and refer to by name the plaintiff’s product in the film or in the promotional trailers and other gimmicks used to promote the film:

As any movie goer can attest, it is not unusual for movie producers to use a signature scene—and the products and props therein—to cultivate interest in a film. Films with car chases do so with cars; films with gunplay do so with firearms; films with *haute couture* wardrobes do so with clothing. Nothing in the record suggests defendants[] used plaintiff’s marks to imply that plaintiff placed its imprimatur on the film; nowhere in defendants’ publicity efforts is plaintiff’s mark unreasonably displayed or abused. Defendants, instead, use the marks and product in a specific and unique descriptive sense: to evoke associations with an iconic child’s toy.<sup>931</sup>

One case declined to hold a defendant liable for making a nominative use of the plaintiff’s mark, albeit in an opinion that did not expressly refer to the nominative use defense.<sup>932</sup> The plaintiff was a female entertainer whose signature act was a scantily clad rendition of the song *I Love Dick*. Taking issue with the artistic merit of the plaintiff’s performance, the defendants produced a satiric television show that featured video clips of the plaintiff in a bikini and backed by the image of her federally registered trademark. The clips used by the defendants lasted no more than six seconds and were accompanied by the flashing words “Public Excess,” as well as critical commentary. In entering summary judgment in favor of the defendants, the court observed that “[n]either in the body of the ‘Public Excess’ segment, the introduction, nor the commercial, do defendants make any attempt to pass the [plaintiff’s] trademark off as their own.”<sup>933</sup> Rather, the clips used by the defendants “make it clear that someone else’s work is being displayed and ridiculed.”<sup>934</sup>

### e. “Naked” Licenses

Although deferring resolution of the defendants’ claims of a naked license until trial, one opinion addressing the parties’ cross-

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930. *Id.* at 1263, 68 U.S.P.Q.2d at 1848 (quoting *Playboy Enters. v. Welles*, 279 F.3d 796, 804-05, 61 U.S.P.Q.2d 1508, 1512 (9th Cir. 2002)).

931. *Id.* at 1264, 68 U.S.P.Q.2d at 1848 (citation omitted).

932. See *Kane v. Comedy Partners*, 68 U.S.P.Q.2d 1748 (S.D.N.Y. 2003), *aff’d without op.*, No. 03-9136, 2004 WL 1234062 (2d Cir. June 4, 2004).

933. *Id.* at 1753.

934. *Id.* at 1754.



motions for summary judgment nevertheless offered a good explanation of the doctrine in the area:

A license is naked, resulting in trademark abandonment, when there is insufficient control retained by the trademark owner to ensure the quality of production and prevent consumer confusion. The rationale behind the control requirement is that if a trademark owner does not maintain sufficient control over the use of its mark, the public may be misled by the mark's presence to purchase substandard goods or services. The party challenging the sufficiency of control by a mark owner has a stringent burden, because only minimal control is required to make the trademark license valid. Moreover, the control provisions need not be explicit on the face of the agreement. Instead, they may be implied by the circumstances of the particular case, the actions of the parties, and the actual use of control by the trademark owner.<sup>935</sup>

Indeed, the burden on the challenger is sufficiently stringent that only two reported opinions found the existence of naked licenses over the past year. In the first,<sup>936</sup> the court initially dismissed the defendant's reliance on the absence of an express contractual provision in a 1956 license granting the plaintiffs' predecessor-in-interest the ability to control the nature and the quality of the goods and services provided under the license.<sup>937</sup> Nevertheless, until immediately prior to the lawsuit's filing, neither the plaintiffs nor their predecessor had ever objected to the defendant's business activities or had communicated with the defendant regarding any qualitative aspect of the defendant's operations. Although the plaintiffs asserted that they had diligently policed their rights by sending multiple cease-and-desist letters to third parties, the court properly noted that no such communications had been directed toward the defendant. Because the undisputed evidence demonstrated that the plaintiffs had failed to fulfill their obligations to monitor the defendant's activities, summary judgment in the defendant's favor was appropriate.<sup>938</sup>

The second opinion addressed a license that did, in fact, contain a quality control provision, albeit one that required the plaintiffs' third-party licensee only "to employ reasonable commercial efforts to maintain the positive business value of the

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935. *Go Med. Indus. v. Inmed Corp.*, 300 F. Supp. 2d 1297, 1315 (N.D. Ga. 2003) (citations omitted).

936. *See Miller v. Glenn Miller Prods.*, 318 F. Supp. 2d 923, 936 (C.D. Cal. 2004).

937. *Id.* at 936.

938. *Id.* at 946.

[licensed] mark.”<sup>939</sup> The court noted that this clause failed to give the plaintiff the ability to monitor the licensee’s activities “in an immediate or meaningful way” and that the overall license did not authorize the plaintiff to terminate the licensee in the event that it did not fulfill its chimeral obligations under the clause. Moreover, although the court acknowledged that the absence of an express quality control provision was not necessarily dispositive, the plaintiff’s “extra-contractual conduct” demonstrated that it had relinquished quality control to its licensee.<sup>940</sup> In particular, because the plaintiff had done nothing more than undertake “too infrequent and too indeterminate” efforts to secure product samples being produced by the licensee, it had engaged in naked licensing sufficient to warrant denial of its request for preliminary injunctive relief.<sup>941</sup>

In contrast, one opinion rejected claims by a counterclaim defendant charged with infringement and dilution that the counterclaim plaintiffs had abandoned their rights through a naked license they had granted to the counterclaim defendant.<sup>942</sup> The counterclaim defendant used the mark in connection with a kosher restaurant that it claimed it operated independently of the counterclaim plaintiffs’ own chain of competitive restaurants. Notwithstanding this putative independent status, however, the license agreement was replete with restrictions on the counterclaim defendant’s use of the mark, including the necessity of maintaining strictly kosher premises and compliance with health code rules and regulations. Moreover, the counterclaim plaintiffs trained the counterclaim defendant’s employees and provided it with menus. Although the counterclaim plaintiffs had sold one of their restaurants to a former manager who apparently continued to operate it under the mark in question, the court found that the counterclaim plaintiffs reasonably could rely on the former manager’s familiarity with its requirements. As consequence, the court held that the counterclaim plaintiffs had not lost their rights through naked licensing.<sup>943</sup>

### *f. Statute of Limitations*

Notwithstanding a burst of opinions within recent memory adopting state law statutes of limitations and applying them to bar

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939. *Halo Mgmt., LLC v. Interland, Inc.*, 308 F. Supp. 2d 1019, 1029 (N.D. Cal. 2003).

940. *Id.* at 1030.

941. *Id.* at 1030-31.

942. *See Alexander Ave. Kosher Rest. Corp. v. Dragoon*, 762 N.Y.S.2d 101 (App. Div. 2003).

943. *See id.* at 104.

federal Lanham Act claims,<sup>944</sup> several courts rejected this methodology on the ground that “the Lanham Act, which has no statute of limitations, is not subject to the usual borrowing rule that adopts an analogous state statute of limitations as a federal substitute.”<sup>945</sup> As the Sixth Circuit explained, “[i]n determining when a plaintiff’s suit should be barred under the Act, courts have consistently used principles of laches as developed by courts of equity.”<sup>946</sup> Nevertheless, state statutes of limitations remained useful benchmarks in applications of equitable defenses, especially for courts evaluating whether plaintiffs’ delays were unreasonable.<sup>947</sup>

## 2. Equitable Defenses

### a. *Unclean Hands*

Courts have proven increasingly resistant to claims of plaintiffs’ unclean hands, and the past year proved to be no exception.<sup>948</sup> For example, in a case in which the court had held that the plaintiff was likely to prevail on the merits of its false advertising claims, the defendant alleged that the plaintiff had engaged in comparable misconduct through the issuance of a press release that falsely described the characteristics of its own product.<sup>949</sup> In rejecting the defendant’s bid to defeat entry of a preliminary injunction, the court explained that a successful unclean hands defense contemplates a two-fold showing. First, “courts do not apply the unclean hands doctrine just because plaintiffs have engaged in *some* inequitable conduct; rather the inequitable conduct identified by the defendant must evince a very

944. For an example of an opinion over the past year in which the issue was not formally adjudicated, but in which the parties agreed that the plaintiffs’ Lanham Act claims were subject to the four-year statute of limitations applicable to the plaintiffs’ corresponding California state law claims, see *Miller v. Glenn Miller Prods.*, 318 F. Supp. 2d 923, 943 (C.D. Cal. 2004).

945. *Micromuse, Inc. v. Micromuse, PLC*, 304 F. Supp. 2d 202, 218 n.21 (D. Mass. 2004); see also *Mario Valente Collezione, Ltd. v. AAK, Ltd.*, 280 F. Supp. 2d 244, 258 n.13 (S.D.N.Y. 2003) (“[E]quitable principles, rather than the statute of limitations, should be applied.”).

946. *Ford Motor Co. v. Catalanotte*, 342 F.3d 543, 550, 68 U.S.P.Q.2d 1050, 1055 (6th Cir. 2003) (quoting *Tandy Corp. v. Malone & Hyde*, 769 F.2d 362, 365, 226 U.S.P.Q. 703, 704 (6th Cir. 1985)).

947. See, e.g., *Deere & Co. v. MTD Holdings Inc.*, 70 U.S.P.Q.2d 1009, 1024 (S.D.N.Y. 2004) (“[A] presumption of laches will arise in a trademark action if the plaintiff fails to bring suit within the six-year statute of limitations period used in New York state law fraud actions.”).

948. See, e.g., *Yurman Design, Inc. v. Golden Treasure Imports, Inc.*, 275 F. Supp. 2d 506, 519 (S.D.N.Y. 2003) (rejecting defendants’ claim of unclean hands in light of absence of record evidence supporting claim).

949. See *Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P.*, 292 F. Supp. 2d 594 (D.N.J. 2003).

close nexus to the defendant's own misconduct that initially gave rise to the suit."<sup>950</sup> Second, "the defendant must do more than merely allege misconduct; there must also be a claim that the defendant was injured as a result of the misconduct."<sup>951</sup> With the defendant unable to establish that the allegedly false statements in the plaintiff's press release had anything to do with the defendant or that the defendant had suffered any resulting damage, the defendant's allegations of unclean hands were unavailing.<sup>952</sup>

### *b. Laches*

As one court explained over the past year, a successful laches defense requires a defendant asserting it to demonstrate an unreasonable delay by the plaintiff in bringing suit and a resulting material prejudice to the defendant.<sup>953</sup> Finding that the plaintiff's predecessor had delayed in challenging the defendant's use for more than four and a half years after becoming aware of it, the court noted that this period was longer than the analogous three year statute of limitations under state law. Because the defendant had expanded its operations during those years "in reasonable reliance on the tacit assurance . . . that such use was permissible," the plaintiff's claims were time-barred.<sup>954</sup>

In another case, the parties disputed how long the plaintiffs' delay in challenging the defendant's use had been, but the court concluded that it had been at least five, and possibly twenty-three, years.<sup>955</sup> Moreover, during the period of the plaintiffs' unjustified failure to act, the defendant had invested a significant amount of time and money into its business and therefore faced a tremendous loss of goodwill if it were forced to abandon the challenged uses. Indeed, if forced to stop its licensing operations, the defendant would be subject to damages claims from its licensees. Under these circumstances, the court had little difficulty finding laches as a matter of law.<sup>956</sup>

Significantly, the Fourth Circuit identified circumstances under which an even more extended delay might be excused.<sup>957</sup>

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950. *Id.* at 610 (emphasis added).

951. *Id.* (internal quotation marks omitted).

952. *See id.* at 610-11.

953. *See Johnny's Fine Foods Inc. v. Johnny's Inc.*, 286 F. Supp. 2d 876, 881, 68 U.S.P.Q.2d 1505, 1508 (M.D. Tenn. 2003).

954. *See id.*, 67 U.S.P.Q.2d at 1508-09.

955. *See Miller v. Glenn Miller Prods.*, 318 F. Supp. 2d 923, 942-43 (C.D. Cal. 2004).

956. *See id.* at 944-45.

957. *See What-A-Burger of Va., Inc. v. Whataburger of Corpus Christi, Tex.*, 357 F.3d 441, 69 U.S.P.Q.2d 1829 (4th Cir. 2004).

Feeling threatened by the Texas-based senior user of the federally registered WHATABURGER mark for restaurant services, a junior user of the WHAT-A-BURGER mark in Virginia filed a declaratory judgment action in its home state. One argument advanced by the junior user was that the senior user had been aware of its geographically remote use since 1970 and that the senior user's ability to enjoin the junior's use therefore was trumped by laches. The district court found this position meritorious, but the Fourth Circuit disagreed. According to the appellate court, "[t]he primary obstacle to the application of laches here is that there was never any *infringing* use of the mark by [the junior user] to which [the senior user] was required to respond."<sup>958</sup> In other words, because the parties had not occupied the same markets, "[t]he district court . . . mistakenly measured the period of delay from [the senior user's] first knowledge of [the junior user's] use of the mark without considering whether such use of the mark was an infringing use that required action by [the senior user]."<sup>959</sup> In light of the absence of any evidence that the parties' areas of operation were on the verge of overlapping, the court reversed the district court's finding of unreasonable delay.

Notwithstanding this holding, however, one court hearing a declaratory judgment action rejected the proposition that the counterclaim defendant had the burden of demonstrating that its use was an infringing one during the period of the counterclaim plaintiff's delay.<sup>960</sup> The delay in question was over nearly thirty years, and the court was unsympathetic to the counterclaim plaintiff's attempts to diminish the significance of its inaction:

The underlying rationale for laches is to prevent a party from sleeping on its rights; accordingly, a party cannot sue claiming conduct X is infringement when conduct X has been occurring for many years with the party's knowledge. Requiring [the counterclaim defendant] to admit infringement—and, therefore, concede liability as to [the counterclaim plaintiff's] counterclaim—would render the laches defense spineless.<sup>961</sup>

The court was equally unreceptive to the counterclaim plaintiff's arguments that its laches had been cured by the counterclaim defendant's progressive encroachment and by the inevitable confusion between the parties' marks. As to progressive encroachment, the court acknowledged that the counterclaim plaintiff was entitled to some latitude in the timing of a challenge

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958. *Id.* at 448, 69 U.S.P.Q.2d at 1883 (emphasis in original).

959. *Id.* at 450, 69 U.S.P.Q.2d at 1835.

960. See *Tillamook Country Smoker, Inc. v. Tillamook County Creamery Ass'n*, 311 F. Supp. 2d 1023 (D. Or. 2004).

961. *Id.* at 1032 (internal quotation marks omitted).

to the counterclaim defendant's conduct. Nevertheless, although the counterclaim plaintiff argued that recent changes to the counterclaim defendant's packaging constituted progressive encroachment, the court found that the changes did not in any way make the packaging more similar to that of the counterclaim plaintiff. Likewise, the court also rejected the counterclaim plaintiff's allegations that the counterclaim defendant had increased its sales through grocery stores on the ground that this putative change represented nothing more than business growth, and not a substantial or qualitative change in the counterclaim defendant's business.<sup>962</sup>

As to inevitable confusion, the counterclaim plaintiff adduced at least some evidence of actual confusion between the parties' products. Although such a showing ordinarily might "go a long way in establishing inevitable confusion,"<sup>963</sup> the court noted that the counterclaim defendant's products at one time had appeared in the counterclaim plaintiff's factory store and catalogs. With the passage of time since the discontinuance of this practice, the extent of actual confusion had decreased, leading the court to conclude that the counterclaim plaintiff had failed to carry its "heavy burden" of demonstrating that confusion was inevitable between the parties' respective uses.<sup>964</sup>

Following the Fourth Circuit's lead, a state appellate court in that jurisdiction also concluded that plaintiffs have no duty to challenge confusingly similar uses until such time as the threat of infringement looms large.<sup>965</sup> The particular claim of laches at issue was something of a novel one: Rather than focusing on the plaintiff's delay in challenging the defendant, the defendant instead alleged that it was the plaintiff's failure to challenge a third party that had resulted in the defendant's infringement. The court rejected this theory, however, concluding that the plaintiff had reasonably chosen not to challenge the third party after confirming that the third party's operations were of modest scope.<sup>966</sup> Moreover, the court noted that the defendant had continued its own use after receiving notice of the plaintiff's objections, and that the defendant's claims to have been prejudiced

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962. *See id.* at 1035-37.

963. *Id.* at 1039.

964. *Id.* at 1039-40.

965. *See Mid-S. Bldg. Supply of Md., Inc. v. Guardian Door & Window, Inc.*, 847 A.2d 463 (Md. Ct. App. 2004).

966. *See id.* at 485.

were “disingenuous.”<sup>967</sup> Accordingly, it upheld the trial court’s rejection of the defendant’s invocation of laches.<sup>968</sup>

One claim of laches in particular did not merit extended analysis. The defendant advancing the claim was an employee of the plaintiff and had registered a domain name incorporating one of the plaintiff’s marks years before the plaintiff sued.<sup>969</sup> Unfortunately for the defendant, the plaintiff did not know of the defendant’s conduct until the defendant ill-advisedly offered to sell the domain name to the plaintiff. Having been placed on notice, the plaintiff acted swiftly, filing suit approximately one month later. Noting that “a party’s notice or lack of notice that its rights are being infringed is particularly relevant to determining whether that party lacked diligence in protecting its rights,” the Sixth Circuit upheld the district court’s rejection of the defendant’s laches defense as a matter of law.<sup>970</sup> The defendant’s inability to prove detrimental reliance on the plaintiff’s brief delay was an additional reason for denying relief.<sup>971</sup>

An absence of prejudice also led to the rejection of a laches defense in an action under the ACPA.<sup>972</sup> The key to this holding was the defendant’s apparent assertion only of “unspecified, unsubstantiated costs” that it would incur if forced to answer for its conduct. With these insufficient as a matter of law, summary judgment of liability followed.<sup>973</sup>

### *c. Acquiescence*

In addition to the delay and irreparable harm prerequisites for a laches defense, acquiescence requires a defendant invoking the defense to demonstrate that it was misled by a representation by the plaintiff that the defendant’s continued use of the challenged mark was permissible.<sup>974</sup> As one court explained in rejecting the defendants’ claims that the plaintiffs’ two-year delay in bringing a challenge was unreasonable, “[a]cquiescence requires proof of three elements: (1) the senior user actively represented that it would not

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967. *See id.* at 485-86.

968. *See id.* at 486.

969. *See Ford Motor Co. v. Catalanotte*, 342 F.3d 543, 68 U.S.P.Q.2d 1050 (6th Cir. 2003).

970. *Id.* at 550, 68 U.S.P.Q.2d at 1056.

971. *See id.* at 550-51, 68 U.S.P.Q.2d at 1056.

972. *See Nike Inc. v. Circle Group Internet Inc.*, 318 F. Supp. 2d 688, 70 U.S.P.Q.2d 1853 (N.D. Ill. 2004).

973. *See id.* at 694, 70 U.S.P.Q.2d at 1858.

974. *See, e.g., What-A-Burger of Va., Inc. v. Whataburger of Corpus Christi, Tex.*, 357 F.3d 441, 69 U.S.P.Q.2d 1829 (4th Cir. 2004) (affirming rejection of acquiescence defense as a matter of law in light of junior user’s failure to identify evidence of actual consent by senior user).

assert a right or a claim; (2) delay between the active representation and assertion of the right or claim was not excusable; and (3) the delay caused the defendant undue prejudice.”<sup>975</sup> For the first factor to be satisfied, the representation must be clear and unambiguous.<sup>976</sup>

Several years before the escalation of a dispute between two condiment producers using variations on the mark JOHNNY’S, the plaintiff’s receipt of coupons issued by the defendant had led the plaintiff to propose that the defendant emphasize its address more prominently.<sup>977</sup> Noting that the plaintiff had identified this request as the “objective and the purpose” of its communication to the defendant, the court held that the plaintiff had acquiesced in the remainder of the defendant’s conduct: “[I]t would be difficult to construe this . . . as anything other than an assurance . . . that the [plaintiff] was simply seeking changes to the defendant’s coupons to ensure that they were more distinctly recognizable by customers and were routed properly, rather than asserting any trademark rights. . . .”<sup>978</sup> The plaintiff sought to escape the consequences of its acquiescence by arguing that relief still was appropriate because (1) the defendant had been engaged in progressive encroachment and (2) confusion between the parties’ marks had become inevitable. As to the first of these theories, the court noted that the conflict between the parties “could not have been more clear” at the time of the plaintiff’s acquiescence, and that the alleged evolution in the defendant’s business since that time had been “one of degree, not of kind.”<sup>979</sup> As to the second, the court was more sympathetic, but only partially so. Although concluding that the defendant’s uses of JOHNNY FLEEMAN’S and JOHNNY FLEEMAN’S GOURMET were distinguishable from the plaintiff’s uses of JOHNNY’S and JOHNNY’S LIGHT on competitive goods, the court found that the abbreviation of the defendant’s marks to JOHNNY’S and JOHNNY’S GOURMET would, in fact, produce inevitable confusion. Accordingly, it held, “this aspect of the plaintiff’s suit is revived from acquiescence, and any and all such use shall be enjoined.”<sup>980</sup>

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975. *New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195, 231 (D. Conn. 2004) (internal quotation marks omitted).

976. *See Information Superhighway, Inc. v. Talk Am., Inc.*, 274 F. Supp. 2d 466, 471-72 (S.D.N.Y. 2003).

977. *Johnny’s Fine Foods Inc. v. Johnny’s Inc.*, 286 F. Supp. 2d 876, 880, 68 U.S.P.Q.2d 1505, 1508 (M.D. Tenn. 2003).

978. *Id.* at 883, 68 U.S.P.Q.2d at 1510.

979. *Id.* at 884, 68 U.S.P.Q.2d at 1511.

980. *Id.* at 888, 68 U.S.P.Q.2d at 1514.



#### *d. Claim and Issue Preclusion*

The apparently never-ending dispute over the cello.com domain name produced several interesting applications of claim and issue preclusion principles in the same Second Circuit opinion.<sup>981</sup> The defendant was a trademark owner who: (1) had allowed the dismissal with prejudice of an earlier lawsuit against the plaintiff, a domain name registrant; but (2) nevertheless had prevailed in a Uniform Domain Name Dispute Resolution Policy (UDRP) proceeding that resulted in the transfer of the plaintiff's domain name to the defendant. Affirming the district court's rejection of the defendant's argument that the UDRP proceeding was *res judicata*, the appellate court concluded from the provision in the UDRP rules for independent judicial review that "[u]nlike traditional binding arbitration proceedings, UDRP proceedings are structured specifically to permit the domain name registrant two bites at the apple."<sup>982</sup> The court was more sympathetic to the defendant's argument that the first action between the parties, in which the defendant had not asserted an ACPA claim, did not preclude it from asserting an ACPA counterclaim in the second action. As the court noted, the plaintiff had offered the domain name in question for sale since the first action, therefore arguably engaging in new acts of cybersquatting. Nevertheless, "[i]n cases where the merits of the first action were actually litigated and resolved in the domain name owner's favor, *collateral estoppel* may bar relitigation of the confusion issue . . ., even if *res judicata* does not apply to bar the entire claim."<sup>983</sup>

The concept of estoppel also reared its ugly head in a Sixth Circuit opinion.<sup>984</sup> The case had its origins in an opposition proceeding initiated by the plaintiffs, which was suspended once the plaintiffs decided to take their grievances to federal court. When the district court dismissed the action before it with prejudice, the defendant requested an order dismissing the opposition as well because the plaintiffs had advised the TTAB that resolution of the infringement suit would be dispositive of the issues in the opposition proceeding. Reviewing the district court's refusal to issue such an order, the Sixth Circuit held that the issue of estoppel properly should have been raised in the Board proceeding: "[E]stoppel issues are ordinarily enforced by awaiting a second action in which they are pleaded and proved by the party

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981. See *Storey v. Cello Holdings LLC*, 347 F.3d 370, 68 U.S.P.Q.2d 1641 (2d Cir. 2003).

982. *Id.* at 381, 68 U.S.P.Q.2d at 1649.

983. *Id.* at 387, 68 U.S.P.Q.2d at 1652-53.

984. See *Eagles Ltd. v. Am. Eagle Found.*, 356 F.3d 724, 69 U.S.P.Q.2d 1681 (6th Cir. 2004).

asserting estoppel. The PTO, not the district court, must determine the preclusive effect of [the plaintiffs'] statements."<sup>985</sup>

These opinions notwithstanding, the most interesting opinion involving a claim of collateral estoppel came in a case in which the "action" in the prior proceeding was not necessarily a full trial on the merits, but instead an evidentiary hearing on a motion to vacate the defendants' default.<sup>986</sup> Applying Second Circuit law, the court identified four factors properly considered in the inquiry into whether the earlier findings at the hearing could be given preclusive effect: (1) whether the identical issue was raised in the previous proceeding; (2) whether the issue was actually litigated and decided; (3) whether the party allegedly estopped had a full and fair opportunity to litigate the issue; and (4) whether the resolution of the issue was necessary to support a valid and final judgment on the merits.<sup>987</sup> Noting that the evidentiary hearing had lasted three days and involved multiple witnesses, the court held that the ultimate denial of the motion to vacate the default was equivalent to a final decision on the merits. The court went on to conclude that findings at the hearing established that the defendants were collaterally estopped from contesting their liability for unfair competition, but that they were not precluded from arguing that they had not engaged in false advertising and infringement.<sup>988</sup>

## *E. Remedies*

### **1. Injunctive Relief**

#### *a. Preliminary Injunctions*

As always, courts evaluating the propriety of preliminary relief over the past year often focused on the issue of whether the plaintiff would suffer irreparable harm in the event of an injunction did not issue. One aspect of this analysis obviously is the extent to which a plaintiff delayed before seeking judicial intervention: The greater the delay, the less likely it is that the plaintiff genuinely will be injured.<sup>989</sup> Although not addressing the subject at length, one court held that a plaintiff's three-month delay in filing suit after learning of the defendant's use, followed

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985. *Id.* at 731, 69 U.S.P.Q.2d at 1686.

986. *See Mario Valente Collezioni, Ltd. v. AAK, Ltd.*, 280 F. Supp. 2d 244 (S.D.N.Y. 2003).

987. *See id.* at 252.

988. *See id.* at 254-60.

989. *See generally Hi-Tech Pharms. Inc. v. Herbal Health Prods., Inc.*, 311 F. Supp. 2d 1353, 1357-58 (N.D. Ga. 2004) (denying preliminary injunction in light of plaintiff's delay of unspecified length in seeking relief).

by an additional month before a preliminary injunction motion, did not defeat the plaintiff's allegation of irreparable harm.<sup>990</sup> Not surprisingly, another concluded that a mere twenty-seven-day delay in seeking preliminary relief after the once-discontinued conduct at issue was resumed was reasonable, particularly in light of ongoing settlement negotiations between the parties.<sup>991</sup> In contrast, however, an eight-to-nine-month delay was held to "independently rebut[] any presumption of irreparable harm."<sup>992</sup>

Although citing the plaintiff's delay as one reason for denying a preliminary injunction, one court cited other reasons as well. The parties were former joint venturers, who together had produced, packaged and sold high-end chocolate products.<sup>993</sup> When disagreements arose and the joint venture was terminated, the defendant was left with an inventory of goods bearing both parties' trademarks, which it continued to sell. Noting that the goods originally had been produced and packaged under the authority of both parties, the court rejected the plaintiff's objections to the defendant's liquidation of the inventoried goods. As it pointed out, "[the] constancy in production, packaging, and distribution is sufficient to rebut the presumption of irreparable harm that would follow from a showing of likelihood of confusion because the presumption presupposes artificial products or a fictional association."<sup>994</sup> In contrast, the case at hand had arisen out of "an actual contractual association."<sup>995</sup>

A plaintiff able to demonstrate a likelihood of success on the merits of its claims under the Lanham Act or the ACPA typically will enjoy the benefit of a presumption of irreparable harm,<sup>996</sup> but two courts hearing false allegations of false advertising between pharmaceutical manufacturers did not merely rest on this traditional principle. For example, the first court went beyond facts relating to the particular dispute before it and took into account the consequences of an earlier deceptive advertising

990. *See Deal LLC v. Korangy Publ'g Inc.*, 69 U.S.P.Q.2d 1775, 1779 (S.D.N.Y. 2004).

991. *See Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P.*, 292 F. Supp. 2d 611 (D.N.J. 2003).

992. *See Christopher Norman Chocolates, Ltd. v. Schokinag Chocolates N. Am., Inc.*, 270 F. Supp. 2d 432, 438 (S.D.N.Y. 2003).

993. *See id.* at 433-34.

994. *Id.* at 436.

995. *Id.*

996. *See, e.g., Garden of Life, Inc. v. Letzer*, 318 F. Supp. 2d 946, 956 (C.D. Cal. 2004); *1-800 Contacts Inc. v. WhenU.com*, 309 F. Supp. 2d 467, 506-07, 69 U.S.P.Q.2d 1337, 1367 (S.D.N.Y. 2003); *Nautilus Group v. Icon Health & Fitness, Inc.*, 308 F. Supp. 2d 1208, 1214 (W.D. Wash. 2003), *aff'd*, 372 F.3d 1330, 71 U.S.P.Q.2d 1173 (9th Cir. 2004); *Perfumania, Inc. v. Perfulandia, Inc.*, 279 F. Supp. 2d 86, 103-04 (D.P.R. 2003).

undertaken by the defendant.<sup>997</sup> In that case, the defendant had gained an advantage in the marketplace that exceeded its ultimate monetary liability. Concluding that the defendant's current advertising "is occurring at the inception of a new product launch, a time when the buying public is particularly attentive and educable," the court held that the plaintiff had carried its burden of demonstrating irreparable harm.<sup>998</sup>

The second court also found irreparable harm that warranted the entry of preliminary relief on the counterclaim plaintiff's counterclaims.<sup>999</sup> Having shown a likelihood of success on the merits, the counterclaim plaintiff was also able to demonstrate that the counterclaim defendant's sales had risen "significantly" during the short period of time in which the counterclaim defendant's literally false television commercial had run.<sup>1000</sup> Because the counterclaim plaintiff was faced with the risk of concomitant loss of market share, it was at a "significant risk of harm" if the challenged advertising were permitted to continue.<sup>1001</sup> Moreover, "[t]o the extent [the counterclaim defendant] would be injured by an injunction against showing [the challenged commercial], that injury would have been caused by [the counterclaim defendant's] own misconduct in making the . . . false claims contained in the commercial."<sup>1002</sup>

As usual, several courts held that plaintiffs who were unsuccessful in demonstrating a likelihood of success on the merits were not entitled to the benefit of the presumption.<sup>1003</sup> One court reaching this conclusion added insult to injury by inexplicably holding that any confusion that might result from the defendant's ongoing activities would actually benefit the plaintiff: According to the court, the much smaller size and lack of notoriety of the defendant made it likely that any customer seeking replacement goods would wind up purchasing them from the plaintiff.<sup>1004</sup>

One court tackled the perennial issue of whether a defendant's discontinuance of the challenged conduct necessarily renders moot

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997. See *Johnson & Johnson-Merck Consumer Pharms. Co. v. Procter & Gamble Co.*, 285 F. Supp. 2d 389, 68 U.S.P.Q.2d 1631 (S.D.N.Y. 2003).

998. *Id.* at 393, 68 U.S.P.Q.2d at 1634.

999. See *Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P.*, 292 F. Supp. 2d 611 (D.N.J. 2003).

1000. See *id.* at 623.

1001. *Id.*

1002. *Id.*

1003. See *ASICS Corp. v. Target Corp.*, 67 U.S.P.Q.2d 1835, 1840 (D. Minn. 2003).

1004. See *Iowa Paint Mfg. Co. v. Hirshfield's Paint Mfg. Inc.*, 296 F. Supp. 2d 983, 1002 & n.15, 69 U.S.P.Q.2d 1016, 1030 & n.15 (S.D. Iowa 2003); *Echo Design Group v. Zino Davidoff S.A.*, 283 F. Supp. 2d 963, 967-68 (S.D.N.Y. 2003).

a request for preliminary injunctive relief.<sup>1005</sup> The defendant's argument that this was indeed the case rested on an affidavit from one of its principals that the defendant had "no direct intention" to resume its allegedly unlawful activities. The court was unconvinced by this showing, regarding it as "a far cry from a guarantee" that might stave off an injunction.<sup>1006</sup> Rejecting the defendant's claim that the issuance of the requested relief would cause it irreparable harm by damaging its "unblemished" reputation, the court further held that the balance of the equities favored the plaintiff.<sup>1007</sup>

Several courts were more sympathetic to defendants' claims of irreparable injury. In one case—in contrast to the showing advanced by the plaintiff, which failed to establish either a likelihood of confusion or that the plaintiff would suffer any harm if an injunction did not issue—the defendants adduced considerable evidence that preliminary relief would cause them to suffer considerable losses.<sup>1008</sup> The challenged "mark" was the title of a television series, the renaming of which, according to the defendants, might well result in the cancellation of the entire series. This in turn would have a significant effect on anticipated sales of future advertising and reruns of the show. Concluding that "[t]he balance of the hardships in this case weighs in favor of the defendants," the court therefore denied the requested relief.<sup>1009</sup>

In another case in which the court accepted the defendant's claim that it would suffer irreparable harm if preliminary relief issued, the parties were competing publishers of monthly medical reference guides.<sup>1010</sup> Noting the time-sensitivity of the material challenged by the plaintiff, the court found that "[i]f enjoined from its imminent publication until after trial, the cost of destroying and then reprinting the issue with a new title would exceed \$125,000."<sup>1011</sup> Moreover, the defendant would also be forced to replace 800,000 marketing brochures at an additional cost of \$35,000. Particularly because the defendant would suffer additional intangible harm to its goodwill and reputation if it

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1005. See *1-800 Contacts Inc. v. WhenU.com*, 309 F. Supp. 2d 467, 69 U.S.P.Q.2d 1337 (S.D.N.Y. 2003).

1006. *Id.* at 507, 69 U.S.P.Q.2d at 1368.

1007. *Id.*

1008. See *PlayMakers LLC v. ESPN Inc.*, 297 F. Supp. 2d 1277, 69 U.S.P.Q.2d 1439 (W.D. Wash. 2003), *aff'd*, 376 F.3d 894, 71 U.S.P.Q.2d 1759 (9th Cir. 2004).

1009. *Id.* at 1285, 69 U.S.P.Q.2d at 1446.

1010. See *Med. Econs. Co. v. Prescribing Reference Inc.*, 294 F. Supp. 2d 456, 70 U.S.P.Q.2d 1130 (S.D.N.Y. 2003).

1011. *Id.* at 461, 70 U.S.P.Q.2d at 1133.

failed to deliver a product it had heavily promoted, the court held that the balance of the equities favored the defendant.<sup>1012</sup>

### *b. Permanent Injunctions*

Although counterfeiting is the most egregious form of infringement, a finding that it has occurred does not necessarily entitle a prevailing plaintiff to the full panoply of injunctive relief. In one case demonstrating this principle, the defendant chain of retail clothing stores had purchased an inventory of what appeared to be a number of GUCCI handbags from a usually dependable source of authentic goods.<sup>1013</sup> To confirm the bags' authenticity, the defendant consulted with a Gucci salesperson and also sent a damaged bag to a Gucci repair center, which repaired it without comment. When the bags ultimately were determined to be counterfeit, Gucci requested a full recall of those already sold and a permanent injunction against additional sales, but the district court demurred on both in a decision upheld on appeal. According to the Third Circuit, the district court had not abused its discretion in rejecting the recall request in substantial part because the high quality of the counterfeit bags precluded Gucci from demonstrating that the public would be harmed by the bags' continued circulation.<sup>1014</sup> Moreover, the appellate court held that the retailer's commitment not to sell any counterfeit Gucci products, coupled with the steps it had taken to determine the authenticity of the offending goods, justified the district court's denial of a permanent injunction.<sup>1015</sup>

Gucci also fell short of receiving its requested relief in another counterfeiting case.<sup>1016</sup> Having successfully prosecuted its case against defendants with a history of selling counterfeit products, Gucci sought an injunction that would bar the defendants from ever selling products bearing the GUCCI brand, whether real or counterfeit. The court declined to enter this "excessive" relief, concluding that a better option would be to require the defendants to make future purchases of Gucci's products only from Gucci-authorized dealers. To implement this scheme, the court ordered Gucci to identify its authorized dealers and the defendants to keep records of their purchases for two years. Addressing the defendants' concern for the confidentiality of their sources, the court obligated them to provide for an *in camera* review

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1012. *See id.* at 461-62, 70 U.S.P.Q.2d at 1133.

1013. *See Gucci Am. v. Daffy's Inc.*, 354 F.3d 228, 69 U.S.P.Q.2d 1321 (3d Cir. 2003).

1014. *See id.* at 233-34, 69 U.S.P.Q.2d at 1325-26.

1015. *See id.* at 236-39, 69 U.S.P.Q.2d at 1327-29.

1016. *See Gucci Am., Inc. v. Duty Free Apparel, Ltd.*, 315 F. Supp. 2d 511 (S.D.N.Y. 2004).

documentation of the origin of any products that Gucci might see fit to challenge.<sup>1017</sup>

For the most part, a party seeking modification of a prior permanent injunction faces an uphill battle. Nevertheless, one plaintiff successfully secured a revision to a permanent injunction that had originally barred the defendants' use of "Independent Living Aids" once it became apparent that Internet searches for the lowercase version of the phrase were yielding links to the defendants' website.<sup>1018</sup> Rejecting the defendants' argument that there was a "distinct difference" between the uppercase and lowercase versions of the phrase, the court properly noted that "Internet search engines are not case sensitive..."<sup>1019</sup> Accordingly, the court enjoined the defendants from using both versions.

### *c. Contempt*

Having been found liable for false advertising, a tax preparation service and its affiliates barred from promoting loans without "clearly and prominently" disclosing their nature found themselves defending against a motion for contempt based on a promotion that featured the terms "refund," "check today" and "instant money" in larger letters than the word "loan."<sup>1020</sup> The district court declined to hold the defendants in contempt of its earlier injunction, and the plaintiffs appealed to the Fourth Circuit. Reviewing the district court's decision for an abuse of discretion, the appellate court noted that the plaintiffs bore the burden of proving four elements by clear and convincing evidence: (1) the defendants had had actual or constructive knowledge of a valid decree; (2) the decree was in the plaintiffs' "favor"; (3) the defendants had violated the decree and had had at least constructive knowledge of that violation; and (4) the plaintiffs had been harmed as a result.<sup>1021</sup> In determining whether a violation had occurred, the court's analysis focused on the whether the district court properly had defined "prominent" as synonymous with "conspicuous": Concluding that the definition passed muster, the court held that the district court had not abused its discretion by failing to require the defendants to increase the size of their disclosures or to use contrasting colors for them.<sup>1022</sup>

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1017. *See id.* at 523-24.

1018. *See Independent Living Aids Inc. v. Maxi-Aids Inc.*, 303 F. Supp. 2d 327, 70 U.S.P.Q.2d 1238 (E.D.N.Y. 2004).

1019. *Id.* at 330, 70 U.S.P.Q.2d at 1241.

1020. *See JTH Tax, Inc. v. H & R Block E. Tax Servs., Inc.*, 359 F.3d 699 (4th Cir. 2004).

1021. *See id.* at 705.

1022. *See id.* at 706-07.

Another set of defendants charged with contempt fared less well.<sup>1023</sup> In earlier proceedings between the parties, the defendants had agreed to a consent judgment that imposed restrictions on their ability to market “liquidated” pianos without disclosing how many and at what location the pianos were available. The defendants then advertised a “piano liquidation” in Rockville, Maryland, which the plaintiffs challenged as a violation of the consent judgment. The plaintiffs urged the court to adopt a stringent definition of “liquidation” that would allow use of variations on the word only if the defendants were winding up their business, but the court demurred. As it saw things, “courts generally refrain from entering sanctions for civil contempt where the provision of a judicial order at issue is vague.”<sup>1024</sup> Accordingly, it held that the defendants were entitled to refer to their goods as “liquidated” if there was *any* element of distress associated with the goods’ sale that was not the result of ordinary business conditions or the defendants’ own making. Despite this minor victory, however, various other aspects of the defendants’ conduct were found to be in violation of the order: (1) the defendants had failed to disclose that certain of their goods were used; (2) one of the defendants’ advertisements had impermissibly promised savings “up to” a certain figure; (3) four other advertisements had created the impression that the defendants’ goods were available at “sale” prices, when in fact they were not.<sup>1025</sup> Accordingly, the court awarded fifty percent of the fees and costs incurred by the plaintiffs in preparing their motion.<sup>1026</sup>

## 2. Monetary Recovery

### *a. Actual Damages*

#### (1) Plaintiffs’ Entitlement to Awards of Actual Damages

A plaintiff able to demonstrate the existence of actual confusion clearly is entitled to an award of its actual damages,<sup>1027</sup> but whether the quantum of this category of relief can be calculated in the absence of a showing of actual confusion is a question that continues to divide courts. One view of the issue

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1023. See *Al C. Rinaldi, Inc. v. Bach to Rock Music School, Inc.*, 279 F. Supp. 2d 624 (E.D. Pa. 2003).

1024. *Id.* at 630.

1025. See *id.* at 631-35.

1026. See *id.* at 635-36.

1027. See, e.g., *Zelinski v. Columbia 300, Inc.*, 335 F.3d 633, 638, 67 U.S.P.Q.2d 1446, 1449 (7th Cir. 2004) (affirming award of actual damages based on “not overwhelming” evidence of two instances of actual confusion).



arose in a case before a Third Circuit district court that had found infringement as a matter of law.<sup>1028</sup> Although acknowledging the existence of conflicting authority on the subject, as well as the relevance of actual confusion to the threshold determination of liability, the court nevertheless concluded without extended analysis that the mark owner's inability to show actual confusion did not foreclose it from pursuing a Lanham Act claim for monetary relief. As a consequence, the court denied the junior user's motion for summary judgment.<sup>1029</sup>

In a similar disposition of a similar motion, a Second Circuit district court concluded that justiciable issues of fact prevented it from dismissing claims for monetary relief under the Lanham Act and the Connecticut Unfair Trade Practices Act<sup>1030</sup> brought by manufacturers and distributors of revolvers.<sup>1031</sup> As the court interpreted prevailing Second Circuit authority, an award of actual damages would be warranted if either actual confusion or intentional deception existed.<sup>1032</sup> Referencing survey evidence introduced by the plaintiff, as well as the defendants' admitted intent to create "replicas" of the plaintiffs' products, the court concluded that summary disposition of the plaintiffs' claims was inappropriate.<sup>1033</sup>

In contrast, however, another district court in the Second Circuit applied the law in that jurisdiction to opposite effect.<sup>1034</sup> It also noted that a plaintiff seeking actual damages must demonstrate either the existence of actual confusion or that the defendant's actions were sufficiently intentionally deceptive as to give rise to a rebuttable presumption of consumer confusion. Because the plaintiff before it failed to make either showing, summary judgment in the defendant's favor was appropriate on the subject of damages, even if the plaintiff otherwise had successfully demonstrated liability for infringement as matter of law.<sup>1035</sup>

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1028. *See Video Pipeline Inc. v. Buena Vista Home Entm't Inc.*, 67 U.S.P.Q.2d 1887 (D.N.J. 2003).

1029. *See id.* at 1911-12.

1030. Conn. Gen. Stat. § 42-110(a) & (g) (2004).

1031. *See New Colt Holding Corp. v. RJG Holdings of Fla., Inc.*, 312 F. Supp. 2d 195 (D. Conn. 2004).

1032. *See id.* at 232.

1033. *See id.* at 232-33.

1034. *See Pfizer Inc. v. Y2K Shipping & Trading Inc.*, 70 U.S.P.Q.2d at 1592 (E.D.N.Y. 2004).

1035. *See id.* at 1601.

## (2) Plaintiffs' Entitlement to Awards of Statutory Damages

Although awards of statutory damages are available against cybersquatters under the ACPA,<sup>1036</sup> the Act on its face precludes monetary relief unless the challenged cybersquatting takes place after the Act's effective date.<sup>1037</sup> One defendant learned the limits of the apparent safe harbor when he registered a domain name incorporating the plaintiff's mark prior to the Act's passage, but then sought to sell the name to the plaintiff after the Act's effective date.<sup>1038</sup> In affirming an award of \$5,000 of statutory damages, the Sixth Circuit was unsympathetic to the defendant's argument that his trafficking in the name was immune to monetary relief by his pre-ACPA registration of it. As the court properly held, "liability may be based on trafficking that occurred after the Act's enactment, regardless of when the domain name was registered."<sup>1039</sup>

Another court was equally receptive to a plaintiff's request for statutory damages in a case in which the defendant had been held liable for counterfeiting as a matter of law.<sup>1040</sup> Finding that the defendant had sold nine categories of goods, the court awarded a total of \$900,000 under Section 35.<sup>1041</sup> In doing so, however, it required the plaintiff to elect between this award and an accounting of profits.<sup>1042</sup>

## (3) Plaintiffs' Entitlement to Awards of Punitive Damages

The specter of punitive damages reared its ugly head in only two reported opinions over the past year. In the first case, the defendants sought to dismiss the plaintiffs' claims for punitive damages under New York competition law by arguing that they had not displayed the requisite gross, wanton or willful fraud or other morally culpable conduct.<sup>1043</sup> Having entered summary judgment of liability in the plaintiffs' favor, however, the court was not inclined to agree. As it pointed out, the jury might credit the

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1036. For a case awarding statutory damages under the ACPA following the defendant's default, see *Tiffany (NJ) Inc. v. Luban*, 282 F. Supp. 2d 123 (S.D.N.Y. 2003).

1037. See 15 U.S.C. § 1116(a)(2) (2004).

1038. See *Ford Motor Co. v. Catalanotte*, 342 F.3d 543, 68 U.S.P.Q.2d 1050 (6th Cir. 2003).

1039. *Id.* at 548, 68 U.S.P.Q.2d at 1054.

1040. See *Nike Inc. v. Variety Wholesalers, Inc.*, 274 F. Supp. 2d 1352 (S.D. Ga. 2003).

1041. See *id.* at 1374.

1042. See *id.*

1043. See *Car-Freshener Corp. v. Big Lots Stores Inc.*, 314 F. Supp. 2d 145, 70 U.S.P.Q.2d 1758 (N.D.N.Y. 2004).

defendants' denials of deliberate infringement at trial. Nevertheless, the jury also might reasonably conclude that the defendants' creation of a likelihood of confusion had been undertaken either knowingly or with a reckless disregard for the plaintiffs' rights.<sup>1044</sup> Moreover, the court was equally unsympathetic to the defendants' claims that the plaintiffs had failed to demonstrate actual damages, concluding that "[p]unitive damages may be awarded on the basis of nominal damages, although it should be remembered that any award of punitive damages must not be grossly excessive."<sup>1045</sup>

In the second opinion, the plaintiffs secured from a jury punitive damages under Illinois law to the tune of \$710,000, only to have the district court reverse the award.<sup>1046</sup> Affirming, the Seventh Circuit noted that state punitive damages doctrine required the plaintiffs to demonstrate that the defendant had "exhibited a conscious and deliberate disregard for the rights of others."<sup>1047</sup> Under this standard, the plaintiffs fell short: Although the defendant clearly had infringed the plaintiffs' mark, it was able to argue credibly that it believed the plaintiffs had authorized its use of the plaintiffs' mark. Consequently, notwithstanding errors in judgment that had led to the finding of liability in the first instance, the defendant's conduct was nothing more than simple negligence.<sup>1048</sup>

#### (4) Calculation of Damages

An unusual set of facts led to an unusual methodology for calculating actual damages in a common law disparagement action brought under New York law.<sup>1049</sup> The plaintiffs were art collectors, whom the court found had been falsely accused by the defendants of having knowingly relied on forged certificates of authenticity for certain of the paintings in their portfolio. The plaintiffs' failure to establish that there was a market for the paintings in question in the first instance prevented an easy determination of the damage to the paintings' value. Nevertheless, the court accepted the argument that the defendants' statements had entirely destroyed the paintings' marketability. Accordingly, it awarded the plaintiffs the purchase price of those items as actual damages.<sup>1050</sup>

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1044. *See id.* at 154, 70 U.S.P.Q.2d at 1764.

1045. *Id.*, 70 U.S.P.Q.2d at 1765.

1046. *See Zelinski v. Columbia 300, Inc.*, 335 F.3d 633, 67 U.S.P.Q.2d 1446 (7th Cir. 2003).

1047. *Id.* at 641, 67 U.S.P.Q.2d at 1451.

1048. *See id.* at 642, 67 U.S.P.Q.2d at 1451.

1049. *See Boule v. Hutton*, 320 F. Supp. 2d 132 (S.D.N.Y. 2004).

1050. *See id.* at 139-40.

Affirming a jury finding in another case that the plaintiffs were entitled to damages in the form of lost royalties and the costs of a corrective advertising campaign, the Seventh Circuit was unconcerned that the plaintiffs were not actually using their mark at the time the infringement had occurred.<sup>1051</sup> As the court pointed out, “[l]ost royalties aren’t dependent on [the plaintiffs’] current production status.”<sup>1052</sup> Moreover, although “[c]orrective advertising to rehabilitate an unused mark may seem unnecessary,” the jury had had before it evidence and testimony that the plaintiffs intended to resume use of the mark.<sup>1053</sup> With respect the corrective advertising award, however, the court did require the plaintiff to demonstrate that “repair” of the plaintiffs’ mark, rather than adoption of a new one, was the most cost-effective way for the plaintiffs to proceed.<sup>1054</sup>

One plaintiff struck pay dirt in a counterfeiting action in which the parties stipulated prior to trial that the court had the discretion to enter statutory damages in a range between \$2,000 and \$2 million.<sup>1055</sup> Seeking guidance from case law awarding statutory damages under the Copyright Act, the court identified seven factors warranting consideration: (1) the expenses saved and the profits reaped by the defendants; (2) the revenues lost by the plaintiff; (3) the value of the copyright; (4) the deterrent effect of any award; (5) whether the defendants’ conduct was innocent or willful; (6) whether the defendants had cooperated in providing information on their activities; and (7) the potential for discouraging the defendants from additional infringements.<sup>1056</sup> Applying these factors, the court found that the defendants had enjoyed an estimated \$720,000 in profits while either “at best, acting with willful blindness or, at worst, exhibiting bold contempt for the law.”<sup>1057</sup> Particularly because the defendants had violated an earlier injunction, the court found that an award of the full \$2,000,000 was appropriate.

One case presented an opportunity for a straightforward calculation of damages.<sup>1058</sup> The plaintiff was a hotel franchisor suing a former franchisee that had failed to discontinue its use of the plaintiff’s mark following the termination of the franchise. Because the license agreement between the parties provided for

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1051. See *Zelinski v. Columbia 300, Inc.*, 335 F.3d 633, 67 U.S.P.Q.2d 1446 (7th Cir. 2004).

1052. *Id.* at 640, 67 U.S.P.Q.2d at 1449.

1053. *Id.*, 67 U.S.P.Q.2d at 1450.

1054. *Id.*

1055. See *Gucci Am., Inc. v. Duty Free Apparel, Ltd.*, 315 F. Supp. 2d 511 (S.D.N.Y. 2004).

1056. See *id.* at 520.

1057. *Id.* at 521.

1058. See *Ramada Franchise Sys., Inc. v. Boychuk*, 283 F. Supp. 2d 777 (N.D.N.Y. 2003).

monthly recurring fees of 8.5% of the defendant's gross revenues, the court predictably found this to be an appropriate measure of the plaintiff's damages during the holdover period. As it explained, the figure produced by the "simple calculation . . . represents [the plaintiff's] actual damages and is in no way punitive to [the defendant]." <sup>1059</sup>

### (5) Augmentation of Damages

Section 35 provides that "[i]n assessing damages, the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount."<sup>1060</sup> Despite this clear statutory language, courts generally have been reluctant to augment awards of damages, and opinions during the past year did nothing to buck this tendency. For example, in a case in which the defendant believed that it had received an oral license to use the plaintiffs' mark, neither the district court nor the Seventh Circuit was convinced that a trebling of the plaintiffs' damages was appropriate.<sup>1061</sup> As the appellate court explained, "the evidence does not support a finding that [the defendant] intentionally used a mark that it knew to be counterfeit. Rather, the evidence indicates that [the defendant] negligently infringed on [the plaintiffs'] mark. . . ." <sup>1062</sup>

The same result held in an action against a fairly substantial retailer that claimed to have sold counterfeit products inadvertently and without a bad faith intent.<sup>1063</sup> Although the court acknowledged that willful intent was not a prerequisite for liability for counterfeiting, it nevertheless was unsympathetic to the plaintiff's claims that the defendant had been willfully blind to the unlawful nature of the goods it was selling. To be sure, there were a number of steps that "a reasonably prudent company" such as the defendant could have taken to confirm the authenticity of the goods. Nevertheless, the court was sufficiently convinced that the defendant's conduct rose to the level only of gross negligence, and not willful blindness. Accordingly, it rejected the plaintiff's request for an award of treble damages.<sup>1064</sup>

By the same token, another court also declined to treble the plaintiff's award of actual damages, notwithstanding the plaintiff's

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1059. *Id.* at 790.

1060. 15 U.S.C. § 1117(a) (2004).

1061. *See Zelinski v. Columbia 300, Inc.*, 335 F.3d 633, 67 U.S.P.Q.2d 1446 (7th Cir. 2003).

1062. *Id.* at 642, 67 U.S.P.Q.2d at 1452.

1063. *See Nike Inc. v. Variety Wholesalers, Inc.*, 274 F. Supp. 2d 1352 (S.D. Ga. 2003).

1064. *See id.* at 1370-71.

request for such an augmentation.<sup>1065</sup> The court's decision was helped by a contract between that parties that, when the recited royalty rate was applied to the defendant's revenues during the period of infringement, yielded an easily calculated award of actual damages. This led the court to conclude that it had ordered all the remedial damages to which the plaintiff was entitled. Noting that the plaintiff had failed to offer any non-punitive reasons for the proposed enhancement, it concluded that "this is not a situation where there is no evidentiary basis for actual damages, or where the amount so awarded was speculative."<sup>1066</sup>

### *b. Accountings of Profits*

#### **(1) Plaintiffs' Entitlement to Accountings**

A case presenting the apparently unintentional sale of counterfeit goods by a retailer that had taken steps to confirm the goods' authenticity gave the Third Circuit the opportunity to confirm the rule in that jurisdiction that success on the merits of an infringement action does not necessarily entitle the plaintiff to an accounting of profits.<sup>1067</sup> Challenging the district court's refusal to order an accounting as an abuse of discretion, the plaintiff invoked the 1999 amendments to the Lanham Act<sup>1068</sup> to authorize accountings "[w]hen a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under [Section 43(a)] or (d) of this title, or a willful violation under [Section 43(c)] of this title, shall be established."<sup>1069</sup> According to the plaintiff, the revised language removed willfulness as a consideration in actions to redress violations of Section 32 and 43(a), making it a relevant consideration only in dilution actions under Section 43(c). Relying on Section 35's express acknowledgement that monetary relief should be "subject to the principles of equity," the Third Circuit rejected this theory, concluding instead that equitable considerations should continue to drive the inquiry into the propriety of an accounting.<sup>1070</sup>

Another court identified the equitable consideration that might properly go into the relevant analysis.<sup>1071</sup> As it explained, "[p]rofits may be awarded in cases of trademark infringement or unfair competition: (1) as a measure of plaintiff's damages; (2) if

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1065. See *Ramada Franchise Sys., Inc. v. Boychuk*, 283 F. Supp. 2d 777 (N.D.N.Y. 2003).

1066. *Id.* at 791.

1067. See *Gucci Am. v. Daffy's Inc.*, 354 F.3d 228, 69 U.S.P.Q.2d 1321 (3d Cir. 2003).

1068. Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 218.

1069. 15 U.S.C. § 1117(a) (2000).

1070. See *Gucci Am.*, 354 F.3d at 240-41, 69 U.S.P.Q.2d at 1329-32.

1071. See *Pfizer Inc. v. Y2K Shipping & Trading Inc.*, 70 U.S.P.Q.2d 1592 (E.D.N.Y. 2004).

the defendant has been unjustly enriched; or (3) if necessary to deter a willful infringer from doing so again. A finding of [a] defendant's willful deceptiveness is a prerequisite for awarding profits under any of these three grounds."<sup>1072</sup> Applying this standard, the court held that an accounting was appropriate "based on the strong and uncontroverted evidence of Defendant's willful deception and the likelihood that Defendant benefited from its association with the [plaintiff's] mark."<sup>1073</sup>

## (2) The Accounting Process

Cases getting into the nuts and bolts of the accounting process appeared infrequently. In the best example of such an opinion, a defendant held liable for counterfeiting and infringement sought to deduct a variety of expenses from its overall revenues.<sup>1074</sup> Many of these were classified as "Corporate Overhead and Occupancy Costs," which the court declined to deduct because "it appears that [the defendant] would have incurred these costs even without selling the Accused Goods" and because the defendant's sales of the infringing products were only a small percentage of its overall sales.<sup>1075</sup> Although the court was more receptive in theory to the defendant's request for deductions of its advertising expenditures, its payroll expenses, and its operating expenses, the defendant's failure to tie those expenses to sales of the infringing products resulted in their disallowance as well.<sup>1076</sup>

## (3) Augmentation of Accountings

Section 35 provides that "[i]f the court shall find that the amount of recovery based on [an accounting of] profits is either inadequate or excessive the court may, in its discretion, enter judgment for such sum as the court shall find just, according to the circumstances of the case."<sup>1077</sup> In a case in which the defendant had been held liable for intentional infringement after it sold directly competitive goods bearing a mark identical to that of the plaintiff, a Maryland trial court held that the plaintiff was entitled to a 30 percent markup on the defendant's profits.<sup>1078</sup> Over the defendant's strong objections, a panel of the Maryland Court of

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1072. *Id.* at 1601 (internal quotation marks omitted).

1073. *Id.*

1074. *See Nike Inc. v. Variety Wholesalers, Inc.*, 274 F. Supp. 2d 1352 (S.D. Ga. 2003).

1075. *See id.* at 1373.

1076. *See id.*

1077. 15 U.S.C. § 1117(a) (2004).

1078. *See Mid-S. Bldg. Supply of Md., Inc. v. Guardian Door & Window, Inc.*, 847 A.2d 463 (Md. Ct. App. 2004).

Appeals affirmed. As the appellate court saw it, the record established that the plaintiff would not have sold its own goods without at least some kind of markup, usually in the neighborhood of 50 percent.<sup>1079</sup> It therefore saw no reason to disturb the trial court's decision to augment the accounting by a lesser percentage.<sup>1080</sup>

### 3. Attorneys' Fees

Section 35 of the Lanham Act authorizes awards of attorneys' fees in "exceptional cases,"<sup>1081</sup> and state unfair competition statutes often contain similar provisions. Both prevailing plaintiffs and prevailing defendants are potentially eligible to seek fees.

#### *a. Awards in Favor of Prevailing Plaintiffs*

Within the universe of cases in which the issue was actually litigated,<sup>1082</sup> the most scholarly analysis in years of a plaintiff's entitlement to an award of fees came courtesy of the Ninth Circuit.<sup>1083</sup> On the merits, the case was tailor-made for a finding of infringement as a matter of law: Not only had the defendant knowingly adopted a mark similar to that of the plaintiff for directly competitive goods featuring model numbers "nearly identical" to those on the plaintiff's goods, it had violated an earlier agreement to end these practices. Not surprisingly, the result was considerable actual confusion and an award to the plaintiff of its fees.

On appeal, the defendant pointed out that the district court had failed expressly to label its conduct exceptional, but the Ninth Circuit rejected the defendant's claims that this omission constituted reversible error and that the case was, in fact, not an exceptional one. According to the appellate court, "a case is exceptional within the meaning of 15 U.S.C. § 1117(a) where the infringement is willful, deliberate, knowing, or malicious."<sup>1084</sup> The court was unimpressed with the defendant's arguments that this

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1079. *See id.* at 484-85.

1080. *See id.* at 485.

1081. 15 U.S.C. § 1117(a) (2004).

1082. For opinions entering awards of attorneys' fees following the defendants' failure to appear, see *Playboy Enters. Int'l, Inc. v. Muller*, 314 F. Supp. 2d 1037 (D. Nev. 2004); *Philip Morris USA Inc. Castworld Prods., Inc.*, 219 F.R.D. 494 (C.D. Cal. 2003); *Scott Fetzer Co. v. Gehring*, 288 F. Supp. 2d 696 (E.D. Pa. 2003); *see also Ahava (USA), Inc. v. J.W.G., Ltd.*, 286 F. Supp. 2d 321 (S.D.N.Y. 2003) (awarding fees after defendant appeared only by transmitting letter to court expressing its intent to continue with challenged conduct).

1083. *See Earthquake Sound Corp. v. Bumper Indus.*, 352 F.3d 1210, 69 U.S.P.Q.2d 1119 (9th Cir. 2003).

1084. *Id.* at 1216, 69 U.S.P.Q.2d at 1124.



standard could not be satisfied because it had not acted in bad faith and because it had not made any money as a result of its infringing activities. As to the first of these propositions, the court observed that “[t]he issue is not necessarily one of bad faith: willful or deliberate infringement will suffice.”<sup>1085</sup> As to the second, “a trademark holder should not be precluded from recovering attorney’s fees simply because the deliberate infringer is not greatly successful in its business.”<sup>1086</sup> Because “[t]he total picture in this case is one of deliberate, willful infringement,” the court affirmed the award of fees.<sup>1087</sup>

Fees also were awarded in a case in which the defendant was a “holdover” franchisee of the plaintiff, a national hotel chain.<sup>1088</sup> Following the plaintiff’s termination of the franchise, the defendant continued to use the plaintiff’s marks during a period of post-termination negotiations between the parties and even after suit was filed. Although the court was willing to give the defendant the benefit of the doubt where the defendant’s initial misuse of the plaintiff’s marks was concerned, its tolerance extended only so far. As it explained in ordering an award of the plaintiff’s fees, “[i]f the infringing conduct was truly innocent, or in good faith, or of a non-willful and deliberate nature, the unauthorized use should have ceased once suit was filed. It did not.”<sup>1089</sup>

Of course, awards of fees properly should remain the exception, rather than the rule. In an opinion entering summary judgment of infringement, one court nevertheless found that the defendant had established a justiciable question of fact on the issue of its good faith intent when adopting its mark.<sup>1090</sup> Although otherwise granting the relief requested by the plaintiff, the court was disinclined to award the plaintiff its fees as a result. Other considerations entering into the court’s decision were the absence of any evidence of actual confusion in the marketplace, that the defendant had made “only the slimmest of profits” from its infringement, and that the infringement “was very limited both geographically and temporally.”<sup>1091</sup>

Another case resulted in mixed judicial treatment of the plaintiffs’ request for fees.<sup>1092</sup> The defendants were counterfeiters

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1085. *Id.* at 1218, 69 U.S.P.Q.2d at 1125.

1086. *Id.* at 1219, 69 U.S.P.Q.2d at 1125.

1087. *Id.*, 69 U.S.P.Q.2d at 1125.

1088. *See Ramada Franchise Sys., Inc. v. Boychuk*, 283 F. Supp. 2d 777 (N.D.N.Y. 2004).

1089. *Id.* at 793.

1090. *See Anheuser-Busch, Inc. v. Caught-on-Bleu, Inc.*, 288 F. Supp. 2d 105 (D.N.H. 2003), *aff’d without op.*, 2004 WL 1718357 (1st Cir. Aug. 02, 2004), *petition for certiorari filed*, No. 04-793, 72 U.S.L.W. (Dec. 4, 2004).

1091. *See id.* at 127.

1092. *See Gucci Am., Inc. v. Duty Free Apparel, Ltd.*, 315 F. Supp. 2d 511 (S.D.N.Y. 2004).

who had violated a prior injunction by the court. On the merits of the plaintiff's case, the defendants' conduct was sufficiently egregious that the court awarded \$2 million in statutory damages. This award ironically harmed the plaintiff's petition for fees, however, because the expansive number "more than sufficiently advances the goals of deterrence and compensation in this case."<sup>1093</sup> The court was more generous in measuring the appropriate consequences of the defendants' violation of the injunction, awarding the plaintiff "reasonable attorney's fees and costs associated with investigating and litigating that violation."<sup>1094</sup>

One opinion otherwise favorable to the plaintiffs demonstrated that, even if an award of the fees incurred through trial is appropriate, this does not necessarily guarantee that a similar award will be made to cover fees occasioned by the defendant's appeal.<sup>1095</sup> In support of their motion, the plaintiffs asserted that the court of appeals had affirmed their victory in all respects, but the district court disagreed. Rather, it concluded, the appellate court had agreed with the defendants that a gap existed in the original injunction entered by the district court: Because "the defendants' appeal was not groundless or unreasonable," an award of fees was inappropriate.<sup>1096</sup>

### *b. Awards in Favor of Prevailing Defendants*

Three appellate opinions demonstrated that a defendant must do more than simply prevail on the merits to deserve an award of fees. In the first case, an application of Eleventh Circuit law by the Federal Circuit, the district court had faulted the plaintiffs for having brought trademark and trade dress claims without owning a federal registration and had awarded fees to the defendant largely on that basis.<sup>1097</sup> As the appellate court properly pointed out, however, the plaintiffs had advanced a Section 43(a) cause of action, rather than one under Section 32. Because the former section does not require a preexisting federal registration, the defendant had failed to show that "the claimed use of the unregistered trademark could not form the basis for a proper Lanham Act claim, since the plaintiffs had alleged that the mark

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1093. *Id.* at 522.

1094. *Id.* at 524.

1095. *See Independent Living Aids Inc. v. Maxi-Aids Inc.*, 303 F. Supp. 2d 327, 70 U.S.P.Q.2d 1238 (E.D.N.Y. 2004).

1096. *Id.* at 332, 70 U.S.P.Q.2d at 1242.

1097. *See Waymark Corp. v. Porta Sys. Corp.*, 334 F.3d 1358, 67 U.S.P.Q.2d 1303 (Fed. Cir. 2003).

was distinctive and identified with them.”<sup>1098</sup> Accordingly, the award of fees had been inappropriate.

Likewise, the Sixth Circuit affirmed a denial of fees to a defendant that had prevailed only when the plaintiffs, faced with the prospect of going to trial without key witnesses, voluntarily dismissed their case less than two weeks before the trial date.<sup>1099</sup> Reviewing the governing standards from its past decisions, the court concluded that an award of fees would be appropriate only if the plaintiffs’ conduct in bringing suit had been “oppressive.”<sup>1100</sup> It went on to observe that “[t]he test requires an objective inquiry into whether the suit was unfounded when it was brought and a subjective inquiry into the plaintiff’s conduct during litigation.”<sup>1101</sup> Although the defendant invoked the plaintiffs’ brinkmanship in the period leading up to the trial date, the appellate court held that the district court had not abused its discretion because the plaintiffs “had colorable legal arguments and legitimate reasons for choosing to dismiss the lawsuit.”<sup>1102</sup>

In the case producing the final appellate opinion, this one from the Fourth Circuit, the counterclaim-defendants had successfully prosecuted a declaratory judgment action that resulted in the invalidation on genericness grounds of the counterclaim-plaintiff’s incontestably registered mark as a matter of law.<sup>1103</sup> Despite this success, the district court declined the counterclaim-defendants’ request for fees *sua sponte*. On appeal, the counterclaim-defendants did not contest the district court’s finding that the counterclaim-plaintiffs had had a subjective, good faith belief in the viability of their trademark claims. Nevertheless, the counterclaim-defendants took issue with positions taken by the counterclaim-defendants below that allegedly were either inconsistent with the record or objectively untenable under controlling precedent. The appellate court rejected this approach, noting that “[t]he question . . . is not whether snippets of the record or isolated arguments clearly lack merit,” but instead “whether [the counterclaim-plaintiffs’] claims and assertions were so lacking in merit that the action as a whole was ‘exceptional.’”<sup>1104</sup>

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1098. *Id.* at 1364, 67 U.S.P.Q.2d at 1308.

1099. *See Eagles Ltd. v. Am. Eagle Found.*, 356 F.3d 724, 69 U.S.P.Q.2d 1681 (6th Cir. 2004).

1100. *Id.* at 728, 69 U.S.P.Q.2d at 1684.

1101. *Id.* at 729, 69 U.S.P.Q.2d at 1685.

1102. *Id.*, 69 U.S.P.Q.2d at 1685.

1103. *See Retail Servs. Inc. v. Freebies Publ’g*, 364 F.3d 535, 70 U.S.P.Q.2d 1603 (4th Cir. 2004).

1104. *Id.* at 551, 70 U.S.P.Q.2d at 1616.

Concluding that the record did not support such a conclusion, the court affirmed the denial of fees.<sup>1105</sup>

Rejection of defense motions for fees also took place at the district court level. In a case in which the plaintiff's tactics had "on occasion been misguided," the court nevertheless held that the defendants were not entitled to an award of their fees.<sup>1106</sup> The gravamen of the defendants' motion was that the plaintiff had blindly pursued the action without taking reasonable steps to establish its *prima facie* case. In particular, the plaintiff had failed to depose the defendants' principal, conduct any third-party discovery, or commission an admissible likelihood of confusion survey. The court was satisfied that the dismissal of the plaintiff's case as a matter of law adequately served the interests of justice. As it pointed out, "Plaintiff's discovery failures are partly the reason Plaintiff was unable to raise a genuine issue [as to the defendants' liability]. That Plaintiff lost its case is a sufficient sanction for its sloppy discovery conduct."<sup>1107</sup>

These cases notwithstanding, one set of prevailing defendants did succeed in securing an award of their fees, albeit under Louisiana state law.<sup>1108</sup> Although the complaint alleged that the defendants had engaged in unfair trade practices, one of the plaintiffs admitted that he did not know of any witnesses with knowledge of the defendants' alleged activities. What's more, he had not done any meaningful investigation to identify facts that might support the plaintiff's claims. Under the circumstances, a panel of the Louisiana Court of Appeals had little difficulty concluding that the plaintiffs had acted in bad faith in filing the suit and that they therefore were liable for the defendants' fees.<sup>1109</sup>

### *c. Calculation of Attorneys' Fees*

Most cases addressing the calculation of attorneys' fees do so in the context of awards to prevailing litigants on the merits, but the most detailed examination of the subject over the past year came in a opinion determining the proper amount of fees to award as sanctions.<sup>1110</sup> The court's treatment of the subject did not break any new ground but instead focused on the reasonableness of the

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1105. *See id.*

1106. *See M2 Software, Inc. v. M2 Communications, L.L.C.*, 281 F. Supp. 2d 1166, 1176 (C.D. Cal. 2003).

1107. *Id.* at 1177.

1108. *See Bobby & Ray Williams P'ship, LLP v. Shreveport La. Hayride Co.*, 873 So. 2d 739 (La. Ct. App. 2004).

1109. *See id.* at 746.

1110. *See China Healthways Institute Inc. v. Hsin Ten Enter. USA Inc.*, 67 U.S.P.Q.2d 1561 (C.D. Cal. 2003).

billing rates of the plaintiff's counsel. California counsel successfully established that their rates of \$210 and \$235 per hour were reasonable by relying upon documentation that the average billing rate for intellectual property attorneys in the state three years earlier had been \$240 per hour. New York counsel, however, were less successful. Although the New Yorkers averred that their rates of \$450 per hour for a "principal attorney," \$285 per hour for an associate, and \$160 and \$130 per hour for paralegals were consistent with the rates charged by other New York City firms, the court found their documentation unconvincing. Accordingly, the court discounted the New York rates to the \$240 per hour established by California counsel. In the process, however, it declined to disturb the proffered rates for the New York paralegals.<sup>1111</sup>

Another opinion from the Southern District of New York was more sympathetic to a prevailing plaintiff's catalog of the fees it had incurred in successfully prosecuting a motion for contempt in a counterfeiting action against defendants with a history of that activity.<sup>1112</sup> Reviewing first the rates charged by the New York City partner and associate representing the plaintiff—\$425 and \$290 per hour, respectively—the court concluded that "those rates are reasonable and . . . within the range of rates approved by other courts in this District."<sup>1113</sup> Addressing the defendants' objections to the records kept by the plaintiff's counsel, the court was untroubled by the lawyers' practice of "grouping" entries or, in other words, describing multiple tasks within single time entries. Nor, with respect to the substance of the tasks and disbursements described by those records, did the court have concerns about (1) both lawyers attending individual depositions, (2) the plaintiff's retention of a translator for a translator, (3) the costs for the expedited processing of a deposition transcript, or (4) the costs associated with electronic legal research. Accordingly, the court awarded the full amount of the \$59,584.62 in fees and costs requested by the plaintiff.<sup>1114</sup>

#### 4. Personal Liability for Monetary Relief

One court granting a motion to dismiss in part did not do so because of what appeared to be the legal infirmities of the *pro se* plaintiff's theory of the case—he alleged "patent law violations under the Lanham Act"<sup>1115</sup>—but instead because the complaint

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1111. *See id.* at 1572-73.

1112. *See Gucci Am., Inc. v. Duty Free Apparel, Ltd.*, 315 F. Supp. 2d 511 (S.D.N.Y. 2004).

1113. *Id.* at 525.

1114. *See id.* at 524-26.

1115. *See DeWitt v. Hutchins*, 309 F. Supp. 2d 743, 747 (M.D.N.C. 2004).

failed to identify a basis for holding an individual defendant personally liable for the alleged torts of the corporation she controlled. Applying North Carolina corporate law, the court noted that “corporate officers and directors are generally not liable for the debts of their corporation.”<sup>1116</sup> Nevertheless, it also observed that the corporate entity could be disregarded if the plaintiff were able to establish: (1) that the individual defendant had complete control over the conduct challenged by the plaintiff; (2) the individual defendant’s control over the corporation had been misused in violation of a legal duty of a dishonest act in contravention of the plaintiff’s legal rights; and (3) the plaintiff had suffered damages as a result.<sup>1117</sup> Evaluating the adequacy of the plaintiff’s complaint in light of this standards, the court held that the plaintiff had failed to do anything more than allege that the individual defendant was a shareholder and employee of the defendant corporation and that she was exclusively responsible for the management and marketing of its products. Accordingly, it dismissed the action as to the individual defendant.<sup>1118</sup>

A similar outcome resulted after a bench trial in a case in which an individual defendant was an officer in a corporation that in practice was run and controlled by his brother.<sup>1119</sup> The corporation was a franchisee of the plaintiff, a national hotel chain, which terminated the franchise following the death of the defendant’s brother, only to have the corporation continue to use the plaintiff’s marks. Between the brother’s death and the termination, the defendant stepped in to manage certain of the corporation’s affairs and to hire a new general manager for the hotel. Under these circumstances, the court declined to hold the defendant liable for the corporation’s post-termination infringement. As it explained, “though a corporate officer . . . [the defendant] was not the moving, active conscious force behind the hotel’s Lanham Act violations.”<sup>1120</sup>

Other attempts to impose personal liability on individual defendants met with greater success.<sup>1121</sup> In one, the counterclaim defendants were retailers of the counterclaim plaintiffs’ line of

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1116. *Id.* at 752.

1117. *Id.*

1118. *See id.* at 753.

1119. *See Ramada Franchise Sys., Inc. v. Boychuk*, 283 F. Supp. 2d 777 (N.D.N.Y. 2003).

1120. *Id.* at 788-89.

1121. *See, e.g., Microsoft Corp. v. Computer Serv. & Repair, Inc.*, 312 F. Supp. 2d 779, 786 (E.D.N.C. 2004) (imposing personal liability on individual defendant in light of his personal involvement in counterfeiting and his status as officer and sole owner of defendant corporation).

high end furniture.<sup>1122</sup> The parties' relationship began amicably enough, but the counterclaim defendants eventually realized that they could generate greater profits by charging consumers for the counterclaim plaintiffs' furniture but fulfilling orders with cheaper goods manufactured by third parties. The evidence before the court demonstrated that the counterclaim defendants routinely instructed their sales representatives either to specify the third-party manufacturers on sales orders or to leave the relevant space blank, with the counterclaim defendants apparently filling it in themselves. Particularly because the counterclaim defendants "oversaw every aspect" of their relatively small business, personal liability was appropriate.<sup>1123</sup>

## ***F. Procedural Matters***

### **1. Jurisdictional Issues**

#### ***a. Personal Jurisdiction***

In the United States, a defendant's exposure to suit in a particular forum depends on a combined application of state and federal law. As the Fourth Circuit explained over the past year, "for a . . . court to assert personal jurisdiction over a nonresident defendant, two conditions must be satisfied: (1) the exercise of jurisdiction must be authorized under the state's long-arm statute; and (2) the exercise of jurisdiction must comport with the due process requirements of the Fourteenth Amendment."<sup>1124</sup> Recent applications of this test under the Lanham Act have led to characteristically disparate outcomes.

#### **(1) Opinions Exercising Personal Jurisdiction**

One court exercising personal jurisdiction over a pair of non-resident defendants found a different justification for doing so for each defendant.<sup>1125</sup> The court found that the first defendant operated an interactive website accessible within the state, through which the defendant had done \$6,000 worth of business with state residents. Concluding that this volume of business represented a "substantial and sustained" connection to the state, the court required that defendant to demonstrate why an exercise of jurisdiction would be constitutionally unreasonable. With the

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1122. See *Turner Greenberg Assocs. v. C & C Imports, Inc.*, 320 F. Supp. 2d 1317 (S.D. Fla. 2004).

1123. See *id.* at 1334-35.

1124. See *Carefirst of Md. Inc. v. Carefirst Pregnancy Ctrs. Inc.*, 334 F.3d 390, 396, 67 U.S.P.Q.2d 1243, 1246 (4th Cir. 2003).

1125. See *Novak v. Overture Servs., Inc.*, 309 F. Supp. 2d 446 (E.D.N.Y. 2004).

defendant unable to do so to the court's satisfaction, its motion to dismiss fell short.<sup>1126</sup>

The second defendant also had a website accessible in the forum state, but the court found that the site "sells no goods, solicits no offers for business, lists no phone numbers and sells no advertising."<sup>1127</sup> Nevertheless, although the passive nature of the website did not provide a basis for jurisdiction, the defendant's contractual relationship with another defendant, which was a resident of the forum, did. As the court noted, this relationship had yielded at least \$17,000 in a single year for the defendant challenging an exercise of jurisdiction. What's more, the plaintiff's case turned in part on allegations concerning the relationship between the two defendants. Accordingly, the court concluded that an exercise of jurisdiction would be consistent with principles of due process.<sup>1128</sup>

In a fairly cursory analysis, one Massachusetts district court adopted an extraordinarily lenient interpretation of the requirements of that state's long-arm statute and the Due Process Clause.<sup>1129</sup> The defendants were domiciled in California, and most of their sales took place on the West Coast. Moreover, as the court acknowledged, "there is no indication that [the defendants] targeted Massachusetts residents in any way, and no evidence has been presented regarding sales to Massachusetts residents."<sup>1130</sup> Nevertheless, in addition to operating an interactive website accessible in Massachusetts, the defendants had allegedly infringed the rights of a Massachusetts domiciliary, a consideration that the court gave dispositive weight: "[W]hile the mere existence of an interactive website might not be enough to establish personal jurisdiction over [the defendants] in a randomly chosen East Coast state, [the defendants'] alleged misuse of trademarks belonging to a Massachusetts company is enough to constitute minimum contacts for the purposes of establishing personal jurisdiction."<sup>1131</sup>

## (2) Opinions Declining to Exercise Personal Jurisdiction

Two interesting opinions were sympathetic to defendants' challenges to exercises of jurisdiction over them by Maryland

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1126. *See id.* at 456.

1127. *Id.*

1128. *See id.* at 457.

1129. *See Venture Tape Corp. v. McGills Glass Warehouse*, 292 F. Supp. 2d 230 (D. Mass. 2003).

1130. *Id.* at 233.

1131. *Id.*



federal courts. In the first, the defendants were based in Cairo and, in addition to having a website in Maryland, acknowledged having a relationship with a Maryland business.<sup>1132</sup> Nevertheless, they were able to establish in the course of successfully moving to dismiss a suit brought by a British company that their semi-interactive website did not target Maryland residents and that their interaction with the Maryland entity was unrelated to the subject matter of the lawsuit—indeed, it had been undertaken in pursuit of business opportunities in Africa. Because an exercise of jurisdiction under these circumstances would violate the constitutional requirements of fair play and substantial justice, the court found that dismissal was appropriate.<sup>1133</sup>

The second Maryland district court opinion was unsympathetic to a favorite tactic of plaintiffs seeking to hale defendants into court in the plaintiffs' own jurisdiction, namely, the plaintiffs' own purchases of allegedly infringing products and services from that jurisdiction. The defendant was a Chicago-area non-profit organization that accepted an online donation from the plaintiff's Maryland counsel.<sup>1134</sup> In affirming the dismissal of the plaintiff's subsequent infringement suit in Maryland, the Fourth Circuit was not impressed with the plaintiff's argument that acceptance of the donation constituted a sufficient tie to warrant an exercise of jurisdiction by the courts of that state. As the court noted, the donation in question was the only one that the defendant ever had received from Maryland. Moreover, the defendant's website had a strongly local character that established to the court's satisfaction that the defendant served only Chicago-area women. Under these circumstances, the facts that the site was accessible in Maryland and that it contained a generalized request for donations did not affect the court's conclusion that the defendant "did not thereby direct electronic activity into Maryland with the manifest intent of engaging in business or other interactions within that state in particular."<sup>1135</sup>

A defendant's online activities also fell short of the required nexus with the forum in another case in which the plaintiff sought to hale a domiciliary of St. Kitts & Nevis into a Wisconsin federal court.<sup>1136</sup> The evidence showed that the defendant operated an online site styled as *The Ripoff Report*, which allowed consumers

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1132. See *Elec. Broking Servs. Ltd. v. E-Business Solutions & Servs.*, 285 F. Supp. 2d 686, 68 U.S.P.Q.2d 1531 (D. Md. 2003).

1133. See *id.* at 689-93, 68 U.S.P.Q.2d at 1532-36.

1134. See *Carefirst of Md. Inc. v. Carefirst Pregnancy Ctrs.*, 334 F.3d 390, 67 U.S.P.Q.2d 1243 (4th Cir. 2003).

1135. *Id.* at 401, 67 U.S.P.Q.2d at 1250.

1136. See *Hy Cite Corp. v. Badbusinessbureau.com LLC*, 297 F. Supp. 2d 1154, 70 U.S.P.Q.2d 1266 (W.D. Wis. 2004).

to post complaints about various businesses. Targeted businesses then had the opportunity to respond to four complaints, with additional opportunities for response available for a fee. At the time the action was brought, the Wisconsin-based plaintiff had been the subject of “30 to 40” complaints, but the defendant had no other readily apparent ties to the state other than the online sale of a single book to a Wisconsin resident and negotiations it had had with the plaintiff. Dismissing the action, the court held that an exercise of either general or specific jurisdiction would be inappropriate. With respect to the former, the plaintiff had failed to demonstrate that the defendant had the required “continuous and systematic contacts” with the forum.<sup>1137</sup> With respect to the latter, the court concluded that the defendant had not solicited complaints from Wisconsin residents in particular and that, in any case, it was the *consumers* who were creating the material found objectionable by the plaintiff. As the court explained, “[i]f defendant is not creating the text, then defendant is not purposefully directing its activities toward any particular company or state.”<sup>1138</sup> Moreover, the book sale had no relationship to the causes of action asserted by the plaintiff.<sup>1139</sup> Accordingly, dismissal was appropriate.

In a somewhat closer case involving online activities, the defendants maintained a website accessible in the plaintiffs’ home state, but otherwise had no clear ties to it.<sup>1140</sup> Although the defendants had not made any sales in the forum at the time the suit was filed, the plaintiffs were able to point to two sales that occurred after their complaint was lodged. The court dismissed the significance of this evidence, noting “the defendant[s]’ minimum contacts must exist prior to the filing of the lawsuit.”<sup>1141</sup> Moreover, “even were the Court to consider these post-filing sales, they are more akin to fortuitous or attenuated contacts than to the substantial connection required under due process.”<sup>1142</sup> Finally, the court rejected the plaintiffs’ allegations that jurisdiction was proper in their home forum because the defendants’ infringement had damaged them there. As the court explained, the defendants had not purposefully directed their conduct there, nor was the constructive notice attaching to the plaintiffs’ registration

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1137. *See id.* at 1158, 70 U.S.P.Q.2d at 1271-72.

1138. *Id.* at 1165-66, 70 U.S.P.Q.2d at 1275.

1139. *See id.* at 1164-65, 70 U.S.P.Q.2d at 1273-76.

1140. *See Lindgren v. GDT, LLC*, 312 F. Supp. 2d 1125 (S.D. Iowa 2004).

1141. *Id.* at 1131.

1142. *Id.* (internal quotation marks omitted).

meaningful on this point in light of the USPTO's approval of the defendants' application to register their own mark.<sup>1143</sup>

A similar result held in a case in which a New York plaintiff argued that the defendants' reverse passing off had damaged him there.<sup>1144</sup> Those actions took place only in California, however, and the evidence apparently was undisputed that the defendants had neither regularly done business in New York nor had derived revenue from interstate commerce connected to the state. Under these circumstances, no personal jurisdiction existed.<sup>1145</sup>

Likewise, a New York defendant that had sent demand letters alleging utility patent infringement to a third-party customer of the Washington-based plaintiff escaped an exercise of jurisdiction by a Washington court when the plaintiff was unable to demonstrate any other ties of the defendant to that state.<sup>1146</sup> Applying Federal Circuit law, the court noted that whether an exercise of jurisdiction would satisfy due process requirements depended on three factors: (1) whether the defendant had purposefully directed its activities to residents of the forum; (2) whether the claim arose out of or related to the defendant's activities in the forum; and (3) whether haling the defendant into the forum would be reasonable and fair. The court noted that "the sending of letters threatening infringement litigation does not, without more, confer personal jurisdiction."<sup>1147</sup> Moreover, it rejected the plaintiff's contention that the defendant's putative bad faith in sending the letter constituted the additional element necessary to render jurisdiction proper: "To hold otherwise would wholly eviscerate the rule . . . that a patent holder is permitted (and obligated) to notify out-of-state potential infringers of his claim, without thereby subjecting himself to the jurisdiction of the court where [a] potential infringer is located."<sup>1148</sup> Accordingly, the court dismissed the action for want of personal jurisdiction.

### ***b. Subject Matter Jurisdiction***

The issue of federal subject matter jurisdiction arose with uncommon frequency over the past year in trademark disputes. In one case in which the issue did take center stage, the Fourth Circuit reversed a district court's conclusion that the district court lacked jurisdiction over a reverse domain name hijacking claim

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1143. *See id.* at 1133.

1144. *See Carroll v. Kahn*, 68 U.S.P.Q.2d 1357 (N.D.N.Y. 2003).

1145. *See id.* at 1359-60.

1146. *See Int'l Elecs., Inc. v. Human Elecs., Inc.*, 320 F. Supp. 2d 1085 (W.D. Wash. 2004).

1147. *Id.* at 1088.

1148. *Id.* at 1089.

against a mark owner that had secured an order transferring the domain name from a French court.<sup>1149</sup> According to the district court, the fact that the transfer already had occurred deprived the plaintiff of the requisite case and controversy. Referring to Section 32(2)(D)(v)'s recognition of a cause of action where an improper transfer has occurred,<sup>1150</sup> the appellate court held both that federal jurisdiction was proper and that the plaintiff had sufficiently stated a claim to move forward.<sup>1151</sup>

Another case upholding an exercise of subject matter jurisdiction focused on the McCarran-Ferguson Act,<sup>1152</sup> the primary federal statute regulating the insurance industry, and addressed the extent to which the Lanham Act might properly be applied to insurance companies.<sup>1153</sup> The defendant was a carrier that allegedly had distributed across state lines an advertisement containing literal falsehoods about several of its plans. Challenging the district court's entry of a preliminary injunction under the Lanham Act, the defendant invoked the McCarran-Ferguson Act's provision that "[n]o act of Congress shall be construed to invalidate, impair, or supersede any law enacted by any State for the purpose of regulating the business of insurance. . . ."<sup>1154</sup> According to the defendant, this provision barred the use of the Lanham Act (as opposed to applicable state law) in a challenge to the defendant's advertising.

Reviewing the district court's rejection of this argument, the Third Circuit applied a tripartite test for evaluating the defendant's claims:

Federal jurisdiction is barred if three requirements are met: (1) the federal law at issue does not specifically relate to the business of insurance; (2) the state law regulating the activity was enacted for the purpose of regulating the business of insurance; and (3) applying federal law would invalidate, impair, or supersede the state law.<sup>1155</sup>

Applying this test, the court first concluded that the Lanham Act "does not specifically or otherwise relate to the business of insurance" under this test and that Pennsylvania indeed had

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1149. See *Hawes v. Network Solutions Inc.*, 337 F.3d 377, 67 U.S.P.Q.2d 1276 (7th Cir. 2003).

1150. See 15 U.S.C. § 1114(2)(D)(v) (2004).

1151. See *Hawes*, 337 F.3d at 385, 67 U.S.P.Q.2d at 1282-83.

1152. Pub. L. No. 79-15, 59 Stat. 33 (1945), *codified as amended at* 15 U.S.C. §§ 1011-1015 (2004).

1153. *Highmark Inc. v. UPMC Health Plan Inc.*, 276 F.3d 160, 68 U.S.P.Q.2d 1823 (3d Cir. 2001).

1154. 15 U.S.C. § 1012(b) (2004).

1155. *Highmark*, 276 F.3d at 166, 68 U.S.P.Q.2d at 1826.

enacted its own statute aimed at the industry's regulation. It was under the third prong of the relevant analysis, however, that the defendant's claims fell short. The appellate court concluded that the Lanham Act's stronger remedies and private causes of action did not interfere with Pennsylvania's administrative regulatory regime, and that the McCarran-Ferguson Act's preemptive effect did not apply.<sup>1156</sup>

In contrast, another plaintiff successfully kept its suit in state court after fending off an attempt at removal by the defendant.<sup>1157</sup> The trigger for the suit was the defendant's distribution of an advertising brochure that questioned the plaintiff's claims of ownership of a patent covering a method for cutting diamonds. Faced with a variety of Illinois state law causes of action turning on the alleged falsity of the brochure, the defendant sought to remove the action on the theory that an evaluation of the accuracy of the brochure's contents required the court to refer to federal patent law. Reviewing the brochure on the plaintiff's motion for a remand, the court noted that it stopped short of claiming that the plaintiff's patent was either invalid or unenforceable. Under these circumstances, the plaintiff could prove the falsity of the brochure's contents without creating a federal question. With the defendant equally unable to establish diversity jurisdiction, the court remanded the action back to state court.<sup>1158</sup>

One court deciding that it did not enjoy subject matter jurisdiction over the action before it did so in the context of the plaintiff's attempt to reopen a once-settled Lanham Act proceeding and to enforce the parties' earlier settlement agreement.<sup>1159</sup> The flaw in the plaintiff's strategy was that although the settlement agreement provided that the court would retain jurisdiction over the action, the agreement had never been filed with the court, nor had the court been asked to approve of its continued jurisdiction. As the court explained in dismissing the action:

While these parties certainly wished to have the Court retain jurisdiction for purposes of enforcing their agreement, they never submitted the settlement to the Court and did not so provide [for continued jurisdiction] in their stipulation of dismissal [of the earlier action]. The Court therefore did not retain jurisdiction for the purpose of enforcing the settlement

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1156. *See id.* at 166-70, 68 U.S.P.Q.2d at 1827-29.

1157. *See Flanders Diamond USA Inc. v. Nat'l Diamond Syndicate Inc.*, 68 U.S.P.Q.2d 1056 (N.D. Ill. 2002).

1158. *See id.* at 1058-59.

1159. *See Cross Media Mktg. Corp. v. Budget Mktg., Inc.*, 319 F. Supp. 2d 482 (S.D.N.Y. 2004).

agreement and lacks jurisdiction over plaintiff's current claim. Plaintiff's remedy is to sue on the settlement agreement.

This is not a matter of formalism. A district court is not obligated to retain jurisdiction to enforce a settlement simply because parties may wish it to do so. . . . Hence, if parties wish to have a district court retain jurisdiction to enforce a settlement, they must apply for that relief and allow the court to make a reasoned determination as to whether retention is appropriate.<sup>1160</sup>

At least one dispute over subject matter jurisdiction arose in an action under the Anticybersquatting Consumer Protection Act.<sup>1161</sup> In an earlier action between the parties, the defendant had brought suit against the plaintiff in the Southern District of New York, only to have its suit dismissed with prejudice after the court was advised (erroneously) that the parties had settled. Although the defendant failed to object to the dismissal, it then initiated a UDRP arbitration proceeding against the plaintiff, which resulted in the transfer of the plaintiff's domain name to the defendant. When the plaintiff subsequently brought an action for reverse domain name hijacking against the defendant in the Southern District of New York, the defendant argued that that court lacked subject matter jurisdiction because (1) the first (and now dismissed) action between the parties had not created jurisdiction; and (2) the Southern District of New York was not an appropriate venue under the UDRP for review of a transfer order.

Affirming the rejection of each argument, the Second Circuit held that the district court properly had exercised subject matter jurisdiction over the second action. As to the former, the appellate court properly noted that the plaintiff was proceeding under the ACPA, which contained its own basis for jurisdiction. As to the latter, the Second Circuit was unconvinced by the defendant's argument that paragraph 4(k) of the UDRP rules restricted aggrieved domain name registrants from proceeding except in jurisdictions to which UDRP complainants had consented:

The jurisdictional restrictions in UDRP Paragraph 4(k) . . . address the limitations on the registrar's obligations that arise in response to a lawsuit; they do not affect the jurisdictions in which the complainant may seek an "independent resolution" from the courts. Only if a domain name registrant seeks to delay implementation of a UDRP panel's decision is he or she obligated

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1160. *Id.* at 483 (citation omitted). For an opinion exercising jurisdiction over the enforcement of a prior settlement agreement that the parties *did* have incorporated into a court order, see *Bldg. Materials Corp. v. Certainteed Corp.*, 273 F. Supp. 2d 552, 553 (D.N.J. 2003).

1161. See *Storey v. Cello Holdings LLC*, 347 F.3d 370, 68 U.S.P.Q.2d 1641 (2d Cir. 2003).

to commence his or her lawsuit against the complainant within the ten-day window and to bring it in a court to whose jurisdiction the complainant has submitted contractually.<sup>1162</sup>

## 2. Standing

### *a. Cases Finding Standing*

One perennial argument by false advertising defendants—that direct competition is necessary between the parties for standing to exist—took a hit in an opinion denying a defense motion to dismiss.<sup>1163</sup> The plaintiff was the owner of a patent covering a method for “spiral slicing” meat, while the defendants advertised their meat products as “spiral sliced.” Pointing out that the plaintiff had failed to allege that he was in competition with the defendants, the defendants argued that the plaintiff did not have standing under Section 43(a) to challenge their advertising as false. The court disagreed, concluding that “a plaintiff need not be in actual competition with the defendant in order to have standing to bring a false advertising suit under the Lanham Act.”<sup>1164</sup> Rather, it explained, “[a]ll that is required is that he have a reasonable interest in being protected against the false advertising.”<sup>1165</sup> Because the complaint established that the plaintiff had “a reasonable interest in preventing others from falsely advertising that their meat products are also ‘spiral sliced,’” dismissal was inappropriate.<sup>1166</sup>

### *b. Cases Declining to Find Standing*

The perennial issue of whether consumers enjoy standing to bring suit under the Lanham Act—they do not<sup>1167</sup>—took a new twist in a Fourth Circuit opinion.<sup>1168</sup> Rather than a consumer suit, the action was by a consumers’ group alleging that the defendant falsely had labeled its crab cakes as “Made in the USA,” when in fact they were composed of 90 percent Asian crabmeat. Affirming the district court’s dismissal of the action, the Fourth Circuit noted that all other circuits to address the issue had held that plaintiffs under the Lanham Act must be engaged in commercial activity—a

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1162. *Id.* at 380, 68 U.S.P.Q.2d at 1648.

1163. *See Logan Farms v. HBH, Inc.*, 282 F. Supp. 2d 776 (S.D. Ohio 2003).

1164. *Id.* at 797.

1165. *Id.*

1166. *Id.*

1167. *See, e.g., Von Grabe v. Sprint PCS*, 312 F. Supp. 2d 1285, 1302-03 (S.D. Cal. 2003) (granting defendants’ motion to dismiss).

1168. *See Made in the USA Found. v. Phillips Foods, Inc.*, 365 F.3d 278 (4th Cir. 2004).

requirement the precluded individual consumers from bringing actions. Because the plaintiff had sued in its capacity as a representative of consumers, it was subject to the same rule and therefore lacked standing to proceed with its action.<sup>1169</sup>

The flip side of the consumer standing issue, namely whether an undeniably commercial plaintiff has standing to sue a consumer under Section 43(a), is a far less frequently litigated question. Nevertheless, one court was faced with just such an action brought by two physicians against a dissatisfied patient and his attorney, who had broadcast their concerns about the plaintiffs' abilities on a website and in letters to the FDA.<sup>1170</sup> Weighing the defendants' motion to dismiss, the court identified five factors as relevant to the inquiry into whether the plaintiffs enjoyed standing to bring their action: (1) the nature of the plaintiffs' alleged injury; (2) the directness or indirectness of that injury; (3) the proximity or remoteness of the plaintiffs to the challenged conduct; (4) the speculativeness of the damages claim; and (5) the risk of duplicative damages.<sup>1171</sup> According to the court, "[t]he Lanham Act is primarily intended to protect commercial interests and provides a private remedy to a commercial plaintiff who meets the burden of proving that its commercial interests have been harmed by a competitor's false advertising."<sup>1172</sup> Under this restrictive view of the Act, the plaintiffs' allegations were insufficient to establish their standing because the complaint failed to aver that "the defendants sought to divert the plaintiffs' business to themselves or to personally reap any financial benefit from their actions."<sup>1173</sup>

### 3. Right to Jury Trial

The issue of a litigant's entitlement to a jury trial for resolution of Lanham Act claims arose in a single reported opinion over the past year.<sup>1174</sup> Although the *pro se* plaintiff had checked a box on the civil cover sheet indicating his desire for a jury trial, he had failed to serve a written demand for one within the meaning of Rule 38(b). The court nevertheless treated the plaintiff's persistent references to a jury as a Rule 39(b) motion for relief from his earlier waiver. Evaluating the relevant factors governing such a motion, the court held that relief was appropriate because: (1) the issues in the case were not too complex for a jury; (2) the

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1169. *See id.* at 281.

1170. *Neuyas v. Morgan*, 309 F. Supp. 2d 673 (E.D. Pa. 2004).

1171. *See id.* at 679.

1172. *Id.* at 678.

1173. *Id.* at 680.

1174. *See DeWitt v. Hutchins*, 309 F. Supp. 2d 743 (M.D.N.C. 2004).



defendants would not suffer any prejudice from a jury trial; (3) the defendants still had time to prepare their case for presentation to a jury; and (4) a jury trial would have no more effect on the court's docket than a bench trial.<sup>1175</sup>

#### 4. Pleading Requirements

Rule 9(b) of the Federal Rules of Civil Procedure requires that claims of fraud be pleaded with particularity, and this requirement occasionally has been cited by defendants seeking to dismiss cases against them under the Lanham Act. In a case presenting just this scenario, a counterclaim plaintiff alleged that the counterclaim defendant had violated Section 43(a) by disseminating the complaint in the action, as well as vaguely-described "product comparisons" that presumably portrayed the counterclaim plaintiff in an unfavorable light.<sup>1176</sup> On the counterclaim defendant's motion to dismiss under Rule 9(b), the court concluded that "while the law . . . may be unclear as to whether or not claims for false advertising must be pled with particularity *generally*, the Court finds that such a heightened pleading requirement is appropriate in this case, since the counterclaim is essentially a claim for fraud."<sup>1177</sup> Because the counterclaim plaintiff's allegations failed to identify the allegedly false and misleading statements made by the counterclaim defendant, or when, where, or by whom the statements were made, dismissal was appropriate.<sup>1178</sup>

#### 5. Expert Witness Testimony

Outside the survey context, expert witness testimony is often disfavored in unfair competition litigation. In one case holding to this trend, a group of HMOs sued a number of tobacco companies under Minnesota law, alleging that the companies' conspiracy to deprive consumers of accurate information on the dangers of smoking had increased health care costs in that state.<sup>1179</sup> To support their claims of actual damages, the plaintiffs introduced testimony by an expert who sought to create for the district court a "'counterfactual' world in which smoking would have been safer and fewer people would have smoked because [the defendants] would not have so conspired."<sup>1180</sup> According to the plaintiffs, some

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1175. *See id.* at 754-55.

1176. *See Volunteer Firemen's Ins. Servs., Inc., McNeil & Co.*, 221 F.R.D. 388 (W.D.N.Y. 2004).

1177. *Id.* at 393.

1178. *See id.* at 394.

1179. *See Group Health Plan, Inc. v. Philip Morris USA, Inc.*, 344 F.3d 753 (8th Cir. 2003).

1180. *Id.* at 758.

degree of speculation was necessary because they were unable to “undo” the conspiracy and establish what might have happened had it not taken place. The district court, however, held that the expert’s testimony was too speculative to be admitted. On appeal, the Eighth Circuit was more receptive to the expert’s theories, but nevertheless noted that they “often involve[d] inferences that approach leaps of faith.”<sup>1181</sup> It therefore held that the district court had not abused its “gatekeeping” function by excluding the expert’s testimony altogether.<sup>1182</sup>

Another court was equally unreceptive to expert testimony on the critical issue of likely confusion.<sup>1183</sup> In response to the defendants’ motion for summary judgment, the plaintiff relied on two experts who opined that the defendants’ use of the mark would damage the plaintiff. Unfortunately for the plaintiff, however, the court found that “[t]he ultimate conclusions in these expert declarations contain nothing more than bottom-line opinions that are completely devoid of any foundation, factual basis, reasons, or evidence.”<sup>1184</sup> It went on to hold that “[w]hen the expert opinion is not supported by sufficient facts to validate it in the eyes of the law or when indisputable record facts contradict or otherwise render the opinion unreasonable, summary judgment is appropriate.”<sup>1185</sup>

Not all expert testimony on damages failed to make the grade, however. In a case in which the plaintiffs introduced expert testimony to establish the quantum of their actual damages, the Seventh Circuit held that “[t]o gauge reliability, the district judge must determine whether the expert is qualified in the relevant field and whether the methodology underlying the expert’s conclusion is reliable.”<sup>1186</sup> The defendant attacked the testimony of the plaintiffs’ expert because: (1) the expert testified that the cost of a corrective advertising campaign would not vary with the number of the infringing products sold by the defendant; (2) his calculations of the plaintiffs’ projected income allegedly failed to take into account time periods in which the plaintiffs were not using their mark; and (3) he allegedly had chosen an inflated royalty rate when calculating revenues lost by the plaintiff and attributable to the defendant’s conduct.<sup>1187</sup> The appellate court was

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1181. *Id.* at 760.

1182. *See id.*

1183. *See Matrix Motor Co. v. Toyota Jidosha Kabushiki Kaisha*, 290 F. Supp. 2d 1083 (C.D. Cal. 2003).

1184. *Id.* at 1096.

1185. *Id.* at 1097 (quoting *Rebel Oil Co. v. Atlantic Richfield Co.*, 51 F.3d 1421, 1440 (9th Cir. 1995) (emphasis omitted)).

1186. *Zelinski v. Columbia 300, Inc.*, 335 F.3d 633, 640, 67 U.S.P.Q.2d 1446, 1450 (7th Cir. 2004).

1187. *See id.* at 640-41, 67 U.S.P.Q.2d at 1450.

unconvinced that these criticisms showed that the testimony was inherently unreliable and held that the district court had not abused its discretion when admitting it.<sup>1188</sup>

One opinion was both hostile and receptive to testimony coming from an expert proffered by the defendant.<sup>1189</sup> The expert, a marketing professional, opined that consumers would not be confused by the defendant's use of the challenged mark, which the expert assumed was used with the defendant's house mark. Because the court had found that the defendant did not always use the challenged mark with the house mark, however, the court found that this testimony was "not helpful."<sup>1190</sup> The court was equally unimpressed with the expert's testimony that relatively few consumers in the relevant market were confused by print advertising in light of evidence that the plaintiff advertised primarily through infomercials.<sup>1191</sup> Nevertheless, the court did accept the expert's testimony that consumers of the parties' products bought them only after careful consideration because the testimony was grounded in academic studies and in the expert's review of recorded calls of consumers placing orders.<sup>1192</sup>

## 6. Declaratory Judgment Actions

The propriety of declaratory judgment actions under the Lanham Act was infrequently addressed over the past year, and the leading case on the subject produced only a cursory opinion.<sup>1193</sup> It arose out of dealings between the owners of a restaurant and a former associate, whose relationship with the restaurant had never been memorialized. When the parties went their separate ways, the plaintiffs sued the defendant, apparently seeking a declaratory judgment that the defendant's plans included the infringement of the plaintiffs' trade dress. Concluding that the plaintiffs had failed to allege a definite intent by the defendant to undertake the feared infringement, the court held that the plaintiffs had failed to establish the existence of a cognizable case and controversy.<sup>1194</sup>

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1188. *Id.* at 641, 67 U.S.P.Q.2d at 1450.

1189. *See Nautilus Group v. Icon Health & Fitness, Inc.*, 308 F. Supp. 2d 1208 (W.D. Wash. 2003), *aff'd*, 372 F.3d 1330, 71 U.S.P.Q.2d 1173 (9th Cir. 2004).

1190. *Id.*

1191. *See id.*

1192. *See id.*

1193. *See O Zon Inc. v. Charles*, 272 F. Supp. 2d 307 (S.D.N.Y. 2003).

1194. *See id.* at 312.

## 7. Extraterritorial Applications of the Lanham Act

In a case in which the plaintiff alleged both misconduct taking place in the United States and abroad, one of the defendants moved to dismiss the complaint's allegations as to the latter.<sup>1195</sup> Rejecting this challenge, the court pointed out that "three factors must be analyzed in deciding whether jurisdiction over extraterritorial disputes is present: 1) whether the defendant is a United States corporation; 2) whether the foreign activity had substantial effects in the United States; and 3) whether exercising jurisdiction would interfere with the sovereignty of another nation."<sup>1196</sup> Concluding that all three factors favored an exercise of jurisdiction, the court denied the motion.<sup>1197</sup>

## 8. Sanctions

One unfortunate defendant received a lesson in the multiple bases on which awards of sanctions can rest after it responded to a demand letter by filing a declaratory judgment action in its home forum.<sup>1198</sup> The court in that forum promptly ordered the action transferred to the plaintiff's home district and consolidated with the infringement action the plaintiff had filed there. The second court took an even dimmer view of the defendant's anticipatory filing than had the first court. Like the first court, the second court found that defendant's DJ action had been filed with an improper purpose and that the defendant's opposition to the plaintiff's challenge to that filing had been equally improper. This ordinarily would have been sufficient to subject the defendant to sanctions under Rule 11, but the court found that the plaintiff had failed to comply with the "safe harbor" requirements of that rule.<sup>1199</sup> Nevertheless, the defendant was not so lucky where it came to the plaintiff's request for sanctions under 28 U.S.C. § 1927 and pursuant to the court's inherent authority. Although acknowledging that the statute required a showing that the defendant had acted in subjective bad faith when making its filings in the first action, the court found this standard satisfied.<sup>1200</sup> Likewise, the fact that the defendant had misled the plaintiff into thinking that the defendant wanted to discuss possible settlement terms, when in fact the defendant was

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1195. See *Air Turbine Tech., Inc. v. Atlas Copco AB*, 295 F. Supp. 2d 1334 (S.D. Fla. 2003).

1196. *Id.* at 1343.

1197. See *id.*

1198. See *China Healthways Inst. Inc. v. Hsin Ten Enter. USA Inc.*, 67 U.S.P.Q.2d 1561 (C.D. Cal. 2003).

1199. See *id.* at 1568-71.

1200. See *id.* at 1571-72.

preparing its DJ action, warranted the invocation of the court's inherent authority as an additional basis for sanctions.<sup>1201</sup>

A defense attorney's "return to the well" one too many times proved to be the trigger for Rule 11 sanctions in a case involving a false declaration.<sup>1202</sup> Seeking to disparage the quality of the plaintiff's pharmaceutical product, the defendants introduced the declaration testimony of "Ana-Maria Santi, M.D." Unfortunately, to the extent that it was undertaken at all, the defendants' due diligence into "Dr." Santi's credentials failed to disclose that her medical license had been either suspended or revoked during the period covered by her testimony. Even had defendants' initial reliance on the declaration been excusable, their failure to avail themselves of Rule 11's safe harbor after learning of the declaration's falsity, coupled with their counsel's continued reliance on it in a subsequent submission to the court, warranted referral of the matter to state disciplinary authorities.<sup>1203</sup>

Litigants fared better in escaping sanctions in two other cases. In the first, the defendant successfully appealed a blizzard of Rule 11 sanctions entered by a district court that had concluded the defendant had made misrepresentations of both fact and law.<sup>1204</sup> In overturning the sanctions with respect to the factual issues, the appellate court relied alternatively on the plaintiff's failure to provide the notice required by Rule 11 and on the court's determination that many of the disputed factual assertions actually were legal propositions. On the legal front, the court held that sanctions were inappropriate either because the defendant actually had been correct in its arguments or because the defendant's position, although weak, was not objectively unreasonable.<sup>1205</sup>

In the second case, a prevailing defendant sought an award of its attorneys' fees under 28 U.S.C. § 1927 on the theory that the plaintiff had unreasonably and vexatiously prosecuted its case before voluntarily dismissing it less than two weeks before the trial date.<sup>1206</sup> The district court declined to grant the defendant's request, and the appellate court held that this was not an abuse of discretion. It noted that "[h]aving handled the case over the course of four years, the district court was in the best position to

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1201. *See id.* at 1572.

1202. *See Pfizer Inc. v. Y2K Shipping & Trading Inc.*, 70 U.S.P.Q.2d 1592 (E.D.N.Y. 2004).

1203. *See id.* at 1602-03.

1204. *See Storey v. Cello Holdings LLC*, 347 F.3d 370, 68 U.S.P.Q.2d 1641 (2d Cir. 2003).

1205. *See id.* at 387-93, 68 U.S.P.Q.2d at 1653-57.

1206. *See Eagles Ltd. v. Am. Eagle Found.*, 356 F.3d 724, 69 U.S.P.Q.2d 1681 (6th Cir. 2004).

determine whether the circumstances of the case and conduct of [the plaintiff] warranted an award of attorney's fees."<sup>1207</sup>

## 9. Venue

In the event of competing lawsuits by the same parties, the "first-to-file" rule generally provides that the court hearing the first action will enjoy jurisdiction over both parties' claims, with the usual result that the second-filed suit will either be dismissed or transferred.<sup>1208</sup> Thus, in a dispute in which the defendant responded to allegations that it had violated Section 43(a) by filing a declaratory judgment action in another forum, the plaintiff's second-filed suit for unfair competition met with a hostile judicial reception.<sup>1209</sup> As the court explained in transferring the plaintiff's infringement action to the forum where the defendant's declaratory judgment action was pending, "[t]here is generally a strong presumption in favor of the first-filed suit."<sup>1210</sup>

Nevertheless, as one court properly held, the first-to-file rule applies with reduced force in cases involving an anticipatory declaratory judgment action filed by the true defendant in interest to gain the advantage of a favorable forum.<sup>1211</sup> Faced with just such a situation and hearing the second-filed case filed by the party alleging infringement, the court declined to stay its proceedings in deference to the court hearing the first-filed action for noninfringement. The second court identified three considerations underlying its decision: (1) the "preemptive strike" nature of the defendant's first-filed action; (2) both actions had been filed closely together in time; and (3) the plaintiff in the second-filed action had requested a temporary restraining order and "precious time would be lost if that motion had to be refiled in another court."<sup>1212</sup>

Another court was similarly unimpressed with another declaratory judgment plaintiff's pre-filing tactics.<sup>1213</sup> Two days before seeking declaratory relief, the plaintiff had requested additional time in which to consider the plaintiff's claims. What's

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1207. *Id.* at 727, 69 U.S.P.Q.2d at 1684.

1208. *See, e.g., SB Designs v. Reebok Int'l, Ltd.*, 305 F. Supp. 2d 88 (N.D. Ill. 2004) (transferring plaintiff's infringement action to court hearing defendant's prior-filed declaratory judgment action); *Alden Corp. v. Eazypower Corp.*, 294 F. Supp. 2d 233 (D. Conn. 2003) (same).

1209. *See Alden Corp., id.*

1210. *Id.* at 235.

1211. *See Fed'n Internationale de Football Ass'n v. Nike Inc.*, 285 F. Supp. 2d 64, 68 U.S.P.Q.2d 1849 (D.D.C. 2003).

1212. *Id.* at 68, 68 U.S.P.Q.2d at 1851.

1213. *See Obsolete Ford Parts v. Ford Motor Co.*, 306 F. Supp. 2d 1154 (W.D. Ok. 2004).

more, it delayed serving the defendant until after the defendant had filed its own suit for infringement. Entertaining the defendant's motion to dismiss, the court noted that "procedural fencing . . . may tip the balance against an otherwise proper declaratory judgment action."<sup>1214</sup> Concluding that this conduct had, in fact, occurred, the court dismissed the action "[b]ecause Plaintiff's use of the declaratory judgment action unfairly deprives the natural plaintiff of its choice of forum."<sup>1215</sup>

Although not directly addressing or invoking the first-to-file rule, the Seventh Circuit declined to disturb an Illinois district court decision not to transfer the plaintiffs' federal law infringement and unfair competition causes of action for resolution by a Texas state court.<sup>1216</sup> The claims in the two cases did not directly overlap—rather, the Texas case was one for breach of contract and had been filed by a "sister entity" of the defendant. Not surprisingly, these facts led the district court and the appellate court to view the defendant's motion to transfer with jaundiced eyes, and the defendant's failure to file its request until a month before the scheduled trial date tipped the balance against it.<sup>1217</sup>

In a more conventional dispute over the propriety of venue, a group of New York plaintiffs sued a New York insurance carrier, along with some 95 small California businesses that had received policies through the carrier, in the Northern District of New York.<sup>1218</sup> Not surprisingly, the California defendants sought to have the plaintiff's false advertising claims heard in their home state and therefore moved to transfer the action under 28 U.S.C. § 1404(a) for the convenience of the parties and the witnesses. Although the defendants invoked their residency and the fact that their anticipated witnesses included representatives of the California Department of Insurance, the court made short shrift of their motion. As it pointed out, the role of the California small businesses would be limited to providing proof of their ownership of the policies in question; moreover, because agents of the California Department of Insurance would not be offering evidence on the merits of their case, their physical presence in New York would not be necessary. Likewise, the locus of the operative facts was in New York because the negotiations in which the challenged representations occurred had taken place in New York.<sup>1219</sup> Finally,

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1214. *Id.* at 1157.

1215. *Id.* at 1158.

1216. *See Zelinski v. Columbia 300, Inc.*, 335 F.3d 633, 67 U.S.P.Q.2d 1446 (7th Cir. 2003).

1217. *See id.* at 643, 67 U.S.P.Q.2d at 1451.

1218. *See Oriska Ins. Co. v. Power P.E.O., Inc.*, 317 F. Supp. 2d 161 (N.D.N.Y. 2004).

1219. *See id.* at 164-66.

the plaintiffs' reliance on Section 43(a) was an additional basis for the action to remain in New York: "As this is a federal statute, a federal court in New York is as well equipped as one in any other state to determine the outcome."<sup>1220</sup>

One case presenting a dispute over venue turned on a forum selection clause that required the filing of suits between the parties to take place in a forum other than the one in which the action was lodged.<sup>1221</sup> Seeking to escape the effect of the clause, the plaintiff advanced three arguments: (1) he had an inadequate opportunity to read the clause; (2) because he had no opportunity to negotiate the terms of the overall contract, it must be unenforceable; and (3) enforcement of the contract would be unconscionable. The court rejected each of these arguments, noting in particular that "Plaintiff had a full and fair opportunity to read the entire document, which is only seven and a half pages long and is written in an easy to read font. Moreover, no time limitation limited Plaintiff's opportunity to scroll through the terms and conditions."<sup>1222</sup> Although acknowledging that the ultimate decision on whether to enforce the clause lay within its discretion, the court nevertheless found that the absence of any overreaching, fraud, or unconscionability warranted enforcement and the concomitant dismissal of the action.<sup>1223</sup>

### 10. Court Review of, and Deference to, Patent and Trademark Office Decisions

The issue of what degree of deference properly should be accorded to a prior finding by the USPTO arose in few cases over the past year. For example, in one infringement case, the defendant's application to register its mark had been approved by the examining attorney despite the prior registration of the plaintiff's mark.<sup>1224</sup> Although not explaining the significance of this action at length, the court nevertheless cited it in support of its own finding that the parties' marks were not sufficiently similar to support a finding of liability.<sup>1225</sup>

In another case, and although not deferring to a prior factual finding relevant to the litigation before it, the Second Circuit nevertheless enthusiastically endorsed the methodology employed by the TTAB when evaluating the distinctiveness of composite

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1220. *Id.* at 166.

1221. *See Novak v. Overture Servs., Inc.*, 309 F. Supp. 2d 446 (E.D.N.Y. 2004).

1222. *Id.* at 451.

1223. *See id.* at 452.

1224. *See Comerica Inc. v. Fifth Third Bankcorp.*, 282 F. Supp. 2d 557 (E.D. Mich. 2003).

1225. *See id.* at 570.



marks.<sup>1226</sup> Noting that Board decisions were to be accorded “great weight,” the court ratified the Board’s practice of taking into account all of a mark’s elements: “[T]he question of whether or not [a] composite mark is entitled to protection ultimately turns on whether it, as a whole, is distinctive.”<sup>1227</sup>

### 11. Court Review of, and Deference to, UDRP Proceedings

Whether the results of UDRP arbitrations are entitled to deference in later litigation arose infrequently during the past year. In one case that did address the issue, the court took a dim view of the defendants’ attempts to demonstrate the unprotectability of the plaintiff’s mark by relying on a prior administrative decision finding the mark generic.<sup>1228</sup> Part of the court’s unwillingness to accord dispositive weight to the outcome of the arbitration stemmed from the defendants’ reliance on it as part of a motion to dismiss. Nevertheless, the court also held that, because the arbitration panel’s decision had not come from either a state or federal court, it was not entitled to precedential significance.<sup>1229</sup>

### G. Constitutional Issues

As applied by the Supreme Court in *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries*,<sup>1230</sup> the *Noerr-Pennington* doctrine<sup>1231</sup> requires a defendant seeking to impose liability on the plaintiff owner of intellectual property rights to demonstrate (1) that the plaintiff’s suit is so objectively baseless that no reasonable litigant could realistically expect success on the merits; and (2) that the plaintiff has a subjective intent to damage the defendant.<sup>1232</sup> Although not expressly identified as such, *Noerr-Pennington* principles resulted in the dismissal on a Rule 12(c)

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1226. See *Courtenay Communications Corp. v. Hall*, 334 F.3d 210, 67 U.S.P.Q.2d 1210 (2d Cir. 2003).

1227. *Id.* at 217, 67 U.S.P.Q.2d at 1215.

1228. See *Novak v. Overture Servs.*, 309 F. Supp. 2d 446 (E.D.N.Y. 2004).

1229. See *id.* at 458.

1230. 508 U.S. 49, 26 U.S.P.Q.2d 1641 (1993).

1231. In *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961), the Supreme Court held that communications aimed towards changing certain legislation could not form the basis of an antitrust claim. This “immunity” was extended to communications directed to the executive in *United Mine Workers v. Pennington*, 381 U.S. 657 (1965), and to communications directed to courts in *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972).

1232. See generally *Estee Lauder, Inc. v. Fragrance Counter, Inc.*, 52 U.S.P.Q.2d 1786, 1789 (S.D.N.Y. 1999).

motion of a Section 43(a) unfair competition claim grounded in the theory that the defendant falsely had accused the plaintiff of utility patent infringement in letters sent to the plaintiff's customers.<sup>1233</sup> Noting that "patent law bars the imposition of liability for publicizing a patent in the marketplace unless the plaintiff can show that the patent holder acted in bad faith,"<sup>1234</sup> the court was unimpressed with the plaintiff's allegations that this was the case. As the court noted, the defendant's letter did not expressly accuse the plaintiff of unlawful conduct but instead recited (accurately) that the defendant was the owner of the patent in question and enclosed promotional information on the defendant's product. With the plaintiff unable to identify any allegedly false statements in the challenged letter, no inference of the required bad faith could be drawn.<sup>1235</sup>

### ***H. Judicial Authority Over Federal Registrations and Applications***

Under Section 37 of the Lanham Act, courts of competent jurisdiction "may determine the right to registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action."<sup>1236</sup> As the Sixth Circuit held, however, this is not a general authorization to enter relief bearing on marks not at issue in the case before the court.<sup>1237</sup> This conclusion came in a dispute that began as an opposition proceeding, which was suspended when the opposers decided to bring an infringement and dilution action in federal district court. When the district court action was dismissed with prejudice shortly before trial, the defendant sought to bootstrap this victory into an order by the district court to either the plaintiffs or to the USPTO to dismiss the opposition. Affirming the district court's refusal to do so, the Sixth Circuit held that the apparently differing marks at issue in the two proceedings precluded the relief sought.<sup>1238</sup>

The defendants in two other cases invoked Section 37 in support of their claims that the registrations being asserted against them had been fraudulently procured, but they fared no

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1233. See *DCI Mktg. Inc. v. Justrite Mfg. Co.*, 213 F. Supp. 2d 971, 67 U.S.P.Q.2d 1221 (E.D. Wis. 2002).

1234. *Id.* at 972, 67 U.S.P.Q.2d at 1222.

1235. See *id.* at 972-73, 67 U.S.P.Q.2d at 1223-24.

1236. 15 U.S.C. § 1119 (2004).

1237. See *Eagles Ltd. v. Am. Eagle Found.*, 356 F. 3d 724, 69 U.S.P.Q.2d 1681 (6th Cir. 2004).

1238. See *id.* at 730, 69 U.S.P.Q.2d at 1686.

better. According to the defendants in the first case, the plaintiff had fraudulently procured its registration by filing a statement of use reciting goods and services for which no use had been made; what's more, the sales that had in fact been made were allegedly the result of personal relationships between the plaintiff's customers and its principals and therefore were not bona fide transactions with third parties.<sup>1239</sup> The court acknowledged that the defendants' theory of fraud was "not unpersuasive" and the plaintiff's recitations in its statement of use had been "imprecise or overly optimistic."<sup>1240</sup> Nevertheless, the court held that the defendants had failed to show "by clear and convincing evidence an intent to defraud the PTO vis-à-vis a material aspect of the registration process."<sup>1241</sup>

In the second case, the defendant launched multiple attacks on the plaintiff's registration, which covered a guitar configuration.<sup>1242</sup> It first asserted that the plaintiff had improperly represented in both the application process and in filing its Section 15 affidavit that no other party was entitled to use its mark, but the court found that the defendant's proof failed to satisfy the rigorous "clear and convincing evidence" standard governing such a claim.<sup>1243</sup> Next, the defendant unsuccessfully asserted that the three-dimensional nature of the plaintiff's product was fundamentally inconsistent with the two-dimensional portrayals submitted as part of the plaintiff's application: As the court explained, "[t]he core consideration is whether the [plaintiff's] guitar is covered by [its] trademark [registration]. Here, the undisputed facts are that the [plaintiff's] guitar is the same shape of the guitar shown in [its] trademark [registration] and application papers."<sup>1244</sup>

## ***I. Miscellaneous Matters***

### **1. The Paris Convention**

Not content merely to assert domestic causes of action, plaintiffs often are unable to resist the temptation to invoke various sections of the Paris Convention as bases for relief. Just as often, courts hold that the convention is not self-executing and that U.S. accession to it does not create rights in addition to those

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1239. See *Halo Mgmt., LLC v. Interland, Inc.*, 308 F. Supp. 2d 1019 (N.D. Cal. 2003).

1240. *Id.* at 1031.

1241. *Id.* at 1032.

1242. See *Gibson Guitar Corp. v. Paul Reed Smith Guitars, L.P.*, 311 F. Supp. 2d 690, 70 U.S.P.Q.2d 1911 (M.D. Tenn. 2004).

1243. See *id.* at 718, 70 U.S.P.Q.2d at 1931-32.

1244. *Id.* at 719, 70 U.S.P.Q.2d at 1932.

provided for by statutory law.<sup>1245</sup> As one court has explained, “the Paris Convention . . . creates no new cause of action for unfair competition. Any cause of action based on unfair competition must be grounded in the substantive provisions of the Lanham Act.”<sup>1246</sup>

Nevertheless, the past year produced something of an exception to this general rule.<sup>1247</sup> The plaintiff was a Cuban company that, although the owner of the well-known COHIBA mark for cigars in multiple jurisdictions, was prevented from selling its goods domestically by the U.S. trade embargo against products of Cuban origin. Well aware of the plaintiff’s mark, the defendant registered it in the United States and sporadically sold cigars under it, at times using a trade dress that deliberately imitated that of the plaintiff. Adding injury to insult, the defendants also convinced the U.S. Customs Service to seize the plaintiff’s goods from travelers otherwise entitled to bring back small amounts of Cuban-origin products intended for personal use.

When the plaintiff sued under Section 43(a), the defendants not surprisingly argued that the legal impossibility of the plaintiff using its mark in the United States precluded the plaintiff from establishing superior U.S. rights to it. Following a bench trial, the court acknowledged in a lengthy opinion that foreign use ordinarily cannot provide a basis for a domestic claim of priority. Nevertheless, it invoked Article 6*bis* of the Paris Convention to hold that a party with a well-known mark at the time a junior party begins using the same mark has priority over the junior user.<sup>1248</sup> Without clear guidance in the case law on how to evaluate whether the plaintiff’s mark fell within this category, the court rejected the defendants’ suggestion that the plaintiff should be held to the high standard for mark fame contained in the FTDA.<sup>1249</sup> Rather, the court cited approvingly to WIPO’s *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks* before falling back on what apparently was nothing more than a conventional examination of the secondary meaning of the plaintiff’s mark.<sup>1250</sup> Even within this limited inquiry, the court

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1245. See, e.g., *Int’l Café S.A.L. v. Hard Rock Café Int’l*, 252 F.3d 1274, 58 U.S.P.Q.2d 1925 (11th Cir. 2001).

1246. *Id.* at 1278, 58 U.S.P.Q.2d at 1927; accord *Int’l Bancorp LLC v. Societe des Bains de Mer et du Cercle de Etrangers a Monaco*, 192 F. Supp. 2d 467, 487, 62 U.S.P.Q.2d 1621, 1637 (E.D. Va. 2002) (“[T]he Paris Convention . . . creates no substantive rights beyond those independently provided [for] in the Lanham Act.”), *aff’d*, 329 F.3d 359 (4th Cir. 2003), *cert. denied*, 124 S. Ct. 1052 (2004).

1247. See *Empresa Cubana del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650 (S.D.N.Y. 2004).

1248. See *id.* at 1675-76.

1249. See *id.* at 1676-78.

1250. See *id.* at 1678-79.

focused only on three relevant factors: (1) the plaintiff's survey evidence of secondary meaning; (2) unsolicited media coverage of the plaintiff and its mark; and (3) the defendants' documented intent to associate themselves with the plaintiff and to plagiarize its mark.<sup>1251</sup> Having concluded from an application of these factors merely that the plaintiff's mark possessed secondary meaning, the court improbably jumped to a finding that "[t]he COHIBA mark is therefore famous within the meaning of the famous marks doctrine. . . ."<sup>1252</sup> Thus armed with a finding of priority, the plaintiff was entitled to injunctive relief and the cancellation of the defendants' registration, notwithstanding the court's subsequent (and wholly inconsistent) finding that the plaintiff's mark was *not* famous within the meaning of Section 43(c).<sup>1253</sup>

## 2. Assignments in Gross

As usual, the issue of whether assignments of marks were invalid for failure to transfer the marks' goodwill arose infrequently in the case law over the past year. In a case in which allegations of an assignment in gross did push themselves to the fore, the defendant had purchased the rights of a third party whose use predated that of the plaintiff and then had licensed use of the purchased mark back to the third party.<sup>1254</sup> When the defendant asserted a counterclaim for infringement based on its new mark, the plaintiff responded by arguing that, as a matter of law, the transaction with the third party had failed to transfer any rights to the mark and that the defendant therefore lacked standing to assert the counterclaim.<sup>1255</sup>

In a scholarly treatment of the issue of whether the transaction constituted an assignment in gross, the court held that a number of factual disputes precluded a grant of the plaintiff's summary judgment motion. The court held that contractual recitations of the assignment of good will are not necessarily dispositive: Rather, "the courts instead conduct a case-by-case analysis to determine whether an assignee's use of a mark maintains sufficient continuity with the prior use. . . . Many courts conduct this analysis by asking whether the goods offered under the mark post-assignment are . . . substantially similar to prevent customers from being misled from established associations with the mark."<sup>1256</sup> Examining the defendant's license-back

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1251. *See id.* at 1679-82.

1252. *Id.* at 1682 (emphasis added).

1253. *See id.* at 1692.

1254. *See Glow Indus. v. Lopez*, 273 F. Supp. 2d 1095 (C.D. Cal. 2003).

1255. *See id.* at 1106-07.

1256. *Id.* at 1108 (internal quotation marks omitted).

arrangement with the third party, the court noted that “assignment/license back agreements can constitute a valid transfer of a trademark and its associated goodwill.”<sup>1257</sup> Nevertheless, the court was troubled by the temporally limited nature of the license, which was scheduled to expire after a year, as well as differences between the products sold by the now-licensed third party and those the defendant intended to sell under the mark. It therefore ultimately concluded that “[w]ithout a more fully developed record on these points, the court cannot conclude, as a matter of law, that [the defendant’s] intended use is not substantially similar to [the third party’s], and that the assignment was invalid.”<sup>1258</sup>

### 3. Licensee Estoppel

Licensors of marks frequently include in their licenses “no-challenge” clauses, pursuant to which licensors agree not to challenge the validity of the licensed mark or any registration covering it. For the most part, courts are willing to enforce these clauses under the doctrine of licensee estoppel. Nevertheless, the Second Circuit declined to bar a challenge to the registration of licensed certification marks in an opinion that called into question altogether the applicability of licensee estoppel in that context.<sup>1259</sup> The court began its analysis with a review of the Supreme Court’s refusal in *Lear, Inc. v. Adkins*<sup>1260</sup> to enforce a no challenge provision against a utility patent licensee: As it explained “[c]ourts applying the principles articulated in *Lear* to patent disputes have enforced no challenge contract provisions only when the public interests in doing so outweigh the public interest in discovering invalid patents.”<sup>1261</sup> Furthermore, “[t]he *Lear* balancing test has also been frequently applied to trademark licensing contracts.”<sup>1262</sup>

It was in the application of the test to the *certification* mark license in question that the court’s analysis took an unexpected turn. In conducting the required balancing test, the court observed that:

[T]he certification mark regime protects a further public interest in free and open competition among producers and distributors of the certified product. It protects the market

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1257. *Id.* at 1110.

1258. *Id.* at 1114.

1259. See *Idaho Potato Comm’n v. M&M Produce Farm & Sales*, 335 F.3d 130, 67 U.S.P.Q.2d 1348 (2d Cir. 2003), *cert. denied*, 124 S. Ct. 2066 (2004).

1260. 395 U.S. 653, 162 U.S.P.Q. 1 (1969).

1261. See *Idaho Potato Comm’n*, 335 F.3d at 135, 67 U.S.P.Q.2d at 1352.

1262. *Id.* at 136, 67 U.S.P.Q.2d at 1352.

players from the influence of the certification mark owner, and aims to ensure the broadest competition, and therefore the best price and quality, within the market for certified products. From our review of the cases, it appears to us that this interest is akin to the public interest in the “full and free use of ideas in the public domain” embodied in the patent laws.<sup>1263</sup>

Having equated certification mark registrations with utility patents, the court found three reasons why the licensor should not be able to avail itself of the no challenge clause in its license to ward off a challenge to its registration by the licensee. The first was that “the provision places a non-quality control related restriction on the sellers of the certified product and other licensees that benefits the mark owner in contravention of the mark owner’s obligation not to interfere with the free market for products meeting the certification criteria.”<sup>1264</sup> Second, the court concluded, “parties that have entered into a licensee relationship with [the licensor] may often be the only individuals with enough economic incentive to challenge the [licensor’s] licensing scheme. . . .”<sup>1265</sup> Finally, the court examined the special grounds for cancellation of registrations covering certification marks (which the licensor had invoked) to conclude that “[a]ll of these challenges implicate the public interest in maintaining the free market for the certified product unaffected by the possible competing economic interests of the certification mark owner.”<sup>1266</sup>

What the court intended the precedential significance of this opinion to be is difficult to discern with certainty. On the one hand, the court might have meant for the outcome of its balancing test to turn on the particular facts and circumstances underlying the case before it.<sup>1267</sup> On the other hand, however, the court may have intended to invalidate no challenge clauses in *all* certification mark licenses and for its putative balancing test to produce a bright-line rule applicable across the board. If the latter approach is what the court intended, its putative basis—that the enforcement of no challenge clauses in certification mark licenses would inhibit competition in the market for certified products—flies in the face of the modern economic recognition that markets do not consist of individual brands.<sup>1268</sup> And, indeed, a producer

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1263. *Id.* at 138, 67 U.S.P.Q.2d at 1354 (quoting *Lear*, 395 U.S. at 674, 162 U.S.P.Q. at 8) (citations omitted).

1264. *Id.* at 139, 67 U.S.P.Q.2d at 1354.

1265. *Id.*, 67 U.S.P.Q.2d at 1354.

1266. *Id.* at 139, 67 U.S.P.Q.2d at 1354-55.

1267. In particular, although the Second Circuit did not address this issue expressly, the certification program in question was not voluntary but instead mandatory (under pain of criminal liability) for most participants in the Idaho potato industry.

1268. See, e.g., *United States v. E. I. Du Pont de Nemours & Co.*, 351 U.S. 377, 393 (1956).

dissatisfied with a proffered certification mark license can, under ordinary circumstances, choose to do without the use of the mark in the same manner as a would-be trademark licensee. The owner's attempt to impose commercially unreasonable terms unrelated to the non-quality-control function of the mark will be self-correcting, without the need for judicial intervention.

#### 4. Licensor Liability

Although once often discussed in the case law and literature alike, the issue of whether a trademark licensor can be held liable for injuries resulting from defects in the licensed product is one that has not arisen frequently in recent years. One opinion that did address the issue came in a case in which the plaintiffs alleged that an umbrella bearing the licensor's trademark had flown to pieces and struck one of the plaintiffs in the face.<sup>1269</sup> Although the trial court entered summary judgment in the licensor's favor, the Indiana Supreme Court vacated this holding. According to the appellate court, a bright-line rule that shielded trademark licensors from liability would encourage them to assert the so-called "Sergeant Schultz defense"—"I know noothing, noothing"—a result that would be "hardly in the best interest of consumers."<sup>1270</sup> Thus, the proper approach:

should treat trademark licensors as having responsibility for defective products placed in the stream of commerce bearing their marks, but only so much of the liability for those defects as their relative role in the larger scheme of design, advertising, manufacturing, and distribution warrants. Consumers rightly expect that products bearing logos . . . have been subject to some oversight by those who put their name on the product, but those same consumers can well imagine that in modern commerce the products they buy may have actually been manufactured by someone else.

The process of sorting out comparative fault in such settings can well be left to juries.<sup>1271</sup>

#### 5. Exhaustion of Rights and Diverted Goods

Exhaustion of rights disputes arise most often in one of two contexts. The first is that of diverted goods, in which genuine branded goods are sold or distributed outside of their authorized

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1269. See *Kennedy v. Guess, Inc.*, 806 N.E.2d 776 (Ind. 2004).

1270. *Id.* at 786.

1271. *Id.*



channels. The second involves the sale of refurbished or repaired goods bearing their original marks.<sup>1272</sup>

In one case presenting allegations falling into the first scenario, the plaintiff, a purveyor of highly specialized equipment for the blind, allowed its products to be sold to certain purchasers and in certain markets at deep discounts.<sup>1273</sup> When the plaintiff discovered that the defendants were purchasing the products under false pretenses and then reselling them with a weaker warranty than that offered by the plaintiff, the plaintiff sued, averring trademark infringement. Rejecting the argument that the plaintiff had failed to state a claim, the court accepted the truth of the complaint's allegations that the defendants' practices were likely to cause confusion over the quality and the source of the goods being resold under the plaintiff's mark and to dilute the mark's distinctive quality. Accordingly, the court held that the plaintiff was entitled to offer evidence to support its various causes of action.<sup>1274</sup>

Applying Eleventh Circuit law, the Federal Circuit tackled a case falling into the second category.<sup>1275</sup> The goods in question were used TITLELIST and TITLELIST PRO VI golf balls featuring stains, scuffs, or other blemishes, which the appellee "refurbished." The appellee's refurbishing process included stripping the outside layers of paint and trademarks from the balls, then repainting them and reaffixing the appellant's trademarks. The evidence before the district court established that the appellee's packaging was replete with notice of the refurbished nature of the balls. Challenging the district court's refusal to issue preliminary relief, the appellant sought to rely on gray market doctrine holding that material differences in quality, even if relatively minor ones, could remove resold products from the ambit of "genuine" goods.<sup>1276</sup> The Federal Circuit was unconvinced that authority involving new products had any relevance where used goods were concerned:

The context is important because consumers of new goods have different expectations than consumers of used goods. For new goods, any variation of the product from a new condition . . . may signal imitation, counterfeiting, falsity or some other

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1272. See, e.g., *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 73 U.S.P.Q. 133 (1947).

1273. See *Perkins Sch. for the Blind v. Maxi-Aids Inc.*, 274 F. Supp. 2d 319, 69 U.S.P.Q.2d 1932 (E.D.N.Y. 2003).

1274. See *id.* at 323-24, 69 U.S.P.Q.2d at 1934-35.

1275. See *Nitro Leisure Prods., L.L.C. v. Acushnet Co.*, 341 F.3d 1356, 67 U.S.P.Q.2d 1814 (Fed. Cir. 2003).

1276. See, e.g., *Davidoff & Cie. v. PLD Int'l Corp.*, 263 F.3d 1297, 60 U.S.P.Q.2d 1046 (11th Cir. 2001).

irregularity affecting a customer's decision whether to purchase the product. . . .

For used or refurbished goods, customers have a different expectation. They do not expect the product to be in the same condition as a new product. There is an understanding on the part of consumers of used or refurbished products that such products will be degraded or will show signs of wear and tear and will not measure up to or perform at the same level as if new. For used or refurbished products, consumers are not likely to be confused by—and indeed expect—differences in the goods compared to new, unused goods. Thus, the tests applied to assess likelihood of confusion by courts will not necessarily be the same when determining trademark infringement in the resale of altered new goods and when considering trademark infringement in the resale of used and refurbished goods.<sup>1277</sup>

As a consequence, it upheld the denial of relief on the theory that “on the evidence before [the district court], the differences in the goods were nothing more than what would be expected for used golf balls.”<sup>1278</sup>

## 6. State and Local Regulation of Federally Registered Marks

Section 39(b) of the Lanham Act prohibits the states and their political subdivisions from requiring the alteration of a registered mark or its display in conjunction with other names or marks.<sup>1279</sup> Faced with a Tempe, Arizona zoning ordinance that required the signs for their franchised restaurants to be displayed in particular colors, a group of plaintiffs challenged the ordinance as inconsistent with federal law.<sup>1280</sup> Noting that the registered marks used by the plaintiffs recited colors as elements of the marks, the court was convinced. Moreover, it rejected the city's argument that the plaintiffs could easily use older versions of the marks that featured the colors required by the ordinance. As it explained in granting a preliminary injunction against the enforcement of the ordinance, the federal statute protected the plaintiffs' ability to project a uniform image throughout their system.<sup>1281</sup>

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1277. *Nitro Leisure Prods.*, 341 F.3d at 1362-63, 67 U.S.P.Q.2d at 1819 (citations omitted).

1278. *Id.* at 1363, 67 U.S.P.Q.2d at 1819.

1279. 15 U.S.C. § 1121(b) (2004).

1280. *See Desert Subway, Inc. v. City of Tempe*, 322 F. Supp. 2d 1036 (D. Ariz. 2003).

1281. *See id.* at 1040-41.

## 7. Relationship Between the Lanham Act and the Food, Drug, and Cosmetic Act

The theory that the Lanham Act can be “preempted” by other federal statutes has made increasing appearances in the case law, but one defendant’s attempt to invoke the Food, Drug, and Cosmetic Act<sup>1282</sup> as a basis for dismissing false advertising claims fell short.<sup>1283</sup> The plaintiff’s complaint averred that the defendant had falsely represented its pharmaceutical products as the generic equivalents of, and fungible substitutes for, those of the plaintiff. Rejecting the defendant’s argument that the matter should best be left to the expertise of the FDA, the court observed that “FDA approval is not required in order to substitute the products or to make a determination of bioequivalence or therapeutic equivalence.”<sup>1284</sup> As a consequence, allowing the case to go forward would not “run the risks . . . of usurping the FDA’s approval or encroaching upon FDA jurisdiction when no FDA regulatory approval over the substitution is either alleged or in effect.”<sup>1285</sup>

## 8. Insurance Coverage

### a. Cases Ordering Coverage

The recent trend toward cases ordering coverage of the costs of defending against allegations of trademark infringement continued with an opinion from the Third Circuit.<sup>1286</sup> The insured’s policy contained a standard “advertising injury” policy that obligated the carrier to cover the defense of an action to recover for “‘advertising injury’ caused by an offense committed in the course of advertising your goods, products or services.”<sup>1287</sup> The policy further defined “advertising injury,” as *inter alia*, “misappropriation of advertising ideas or style of doing business.”<sup>1288</sup> Applying Pennsylvania law, the court of appeals had little difficulty affirming the district court’s holding that the carrier had a duty to defend the underlying infringement action: “[W]hen a complaint alleges that an insured misappropriates and uses trademarks or ideas in connection with marketing and sales and for the purpose of gaining customers, the conduct constitutes

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1282. Pub. L. No. 75-717, 52 Stat. 1040 (1938).

1283. *See Solvay Pharms. Inc. v. Global Pharms.*, 298 F. Supp. 2d 880, 69 U.S.P.Q.2d 1530 (D. Minn. 2004).

1284. *Id.* at 884, 69 U.S.P.Q.2d at 1533.

1285. *Id.* at 885, 69 U.S.P.Q.2d at 1533.

1286. *See CAT Internet Servs. v. Providence Wash. Ins. Co.*, 67 U.S.P.Q.2d 1056 (3d Cir. 2003).

1287. *See id.* at 1057.

1288. *See id.*

‘misappropriation of an advertising idea or style of doing business.’”<sup>1289</sup>

A similar analysis led to a similar result, albeit on dissimilar facts.<sup>1290</sup> The plaintiff in the underlying action alleged that the insured, a former distributor of the plaintiff, had sold products not authorized by the plaintiff but nevertheless bearing the plaintiff’s mark. The plaintiff additionally objected to the insured’s alleged practice of “reverse passing off” of the plaintiff’s products as its own. Finally, the plaintiff averred that the insured had made statements in trade industry publications that it, rather than the plaintiff, owned the technology under the products at issue.<sup>1291</sup> Although taking issue with the arguments advanced by the insured, the court nevertheless agreed with the insured’s ultimate position that the plaintiff had sufficiently alleged an advertising injury to trigger coverage under the insured’s policy. That the plaintiff had alleged other causes of action that overshadowed these allegations did not excuse the carrier from coverage: “[I]t would be entirely wrong . . . to hold that any potential causes of action that are minor in comparison to the overall complaint do not give rise to the duty to defend.”<sup>1292</sup>

In a relatively unusual reported opinion in a dispute between two carriers, the Fourth Circuit rejected a district court’s entry of summary judgment in favor of one carrier seeking to avoid participation in the defense of a domain name dispute undertaken by the other.<sup>1293</sup> The policy in question contained standard references to “misappropriation of advertising ideas,” which led the Fourth Circuit to conduct a broad examination of the meaning of “misappropriation.” In the context of the policy, it concluded, the tort “refers to wrongful acquisition generally, rather than to common law misappropriation only.”<sup>1294</sup> With the insured in the underlying action having been accused of the wrongful acquisition of property, namely the challenged domain name, “the ambiguity in the term ‘misappropriation’ must be interpreted in favor of coverage.”<sup>1295</sup> This conclusion was reinforced by the court’s concomitant holding that the claimant’s trademark was an “advertising idea or style of doing business” because “[a]

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1289. *Id.* at 1059.

1290. *See Cen. Mut. Ins. Co. v. Stunfence, Inc.*, 292 F. Supp. 2d 1072 (N.D. Ill. 2003).

1291. *See id.* at 1074-75.

1292. *Id.* at 1080-81.

1293. *See State Farm Prop. & Cas. Ins. Co. v. Travelers Indemnity Co. of Am.*, 343 F.3d 249, 67 U.S.P.Q.2d 1914 (4th Cir. 2003).

1294. *Id.* at 256, 67 U.S.P.Q.2d at 1918.

1295. *Id.* at 257, 67 U.S.P.Q.2d at 1919.

trademark, by identifying and distinguishing the trademark holder's products, promotes those products to the public."<sup>1296</sup>

Sympathy for owners of advertising injury clauses over the past year was such that even the Sixth Circuit, home of the much-maligned opinion denying coverage in *Advance Watch Co. v. Kemper National Insurance Co.*,<sup>1297</sup> showed signs of retreating from its earlier hard line. In a case turning on a policy covering the defense of allegations of, *inter alia*, "infringement of [a] copyright, title or slogan," the appellate court affirmed entry of summary judgment in favor of the insured, which had been accused of trademark and trade dress infringement and dilution.<sup>1298</sup> Applying Michigan law, the court noted that that state "requires an insurer to defend not only when the underlying claim is actually covered by the policy, but also when the underlying claim is 'arguably' covered by the policy."<sup>1299</sup> To defeat an application of this principle, the carrier argued that the plaintiff in the underlying action never had characterized the insured's word mark as a "slogan," but the court disagreed, relying on a dictionary definition of slogan as a "'distinctive cry, phrase, or motto of any party, group, manufacturer, or person; catch-word or catch phrase."<sup>1300</sup> Because the infringement causes of action by the plaintiff in the underlying challenge to the insured's mark were "arguably allegations of slogan infringement," a duty to defend the entire case existed.<sup>1301</sup>

Likewise, a state appellate court within the Sixth Circuit also ordered coverage in a declaratory judgment action in which the insured previously had been accused of trade dress infringement.<sup>1302</sup> Although the plaintiff in the underlying action had failed to use the words "advertisement" or "advertising" when referring to the insured, its complaint had accused the insured of selling and marketing a product that had confused consumers. Observing that "trade dress infringement necessarily involves advertising," the court also took note that the plaintiff in the underlying action had attached pages from the insured's website promoting the sale of the product.<sup>1303</sup> Finally, it rejected the carrier's argument that the insured's alleged intentional

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1296. *Id.* at 258 n.12, 67 U.S.P.Q.2d at 1919 n.12.

1297. 99 F.3d 795, 40 U.S.P.Q.2d 1545 (6th Cir. 1996).

1298. *See Cincinnati Ins. Co. v. Zen Des. Group Ltd.*, 329 F.3d 546, 67 U.S.P.Q.2d 1141 (6th Cir. 2003).

1299. *Id.* at 552, 67 U.S.P.Q.2d at 1145.

1300. *See id.* at 556, 67 U.S.P.Q.2d at 1147 (*quoting* Random House Unabridged Dictionary 1800 (2d ed. 1993)).

1301. *See id.* at 557, 67 U.S.P.Q.2d at 1148.

1302. *See Westfield Cos. v. O.K.L. Can Line*, 804 N.E.2d 45 (Ohio Ct. App. 2003).

1303. *Id.* at 51.

infringement triggered the operation of a clause in the policy excluding coverage for willful conduct on the basis that the complaint had also accused the insured of unintentional infringement as well.<sup>1304</sup>

### ***b. Cases Declining to Order Coverage***

Bucking the trend of cases ordering “advertising injury” coverage, the Fifth Circuit took the opportunity to affirm entry of summary judgment in favor of two carriers that had declined to reimburse their insured for the costs of defending a counterclaim brought by a party with which the insured formerly had had an exclusive agency agreement.<sup>1305</sup> The appellate court was unmoved by the insured’s argument that the policy’s reference to “misappropriation of advertising ideas” encompassed allegations of trademark infringement. Applying Texas law, the court held that “the primary function of a trademark is to serve as a label—a mark that identifies and distinguishes a particular product.”<sup>1306</sup> Thus, “it appears that the term ‘advertising’ in an insurance policy is used in a conventional sense: to refer to a public announcement (such as on a billboard, in a newspaper, on a signpost, or in a television or radio commercial) that induces the public to patronize a particular establishment or to buy a particular product.”<sup>1307</sup> Because the insured had not been accused of torts bearing on advertising, coverage was inappropriate.

The proper scope of the phrase “misappropriation of advertising ideas” also came into play in a case in which the insured had been accused unsuccessfully in the underlying case of the reverse passing off of a computer-assisted police dispatch and reporting system.<sup>1308</sup> Reversing the trial court’s entry of summary judgment in the insured’s favor, the court distinguished between the torts of passing off, on the one hand, and reverse passing off, on the other. The court noted that the complaint in the underlying case had not alleged that the insured had misappropriated the methods used by the plaintiff to advertise its product; rather, it “claimed that the insured used its own advertising ideas and style of business to profit from its misappropriation of the product created by [the plaintiff].”<sup>1309</sup> According to the court, therefore,

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1304. *See id.* at 52-53.

1305. *See Sport Supply Group Inc. v. Columbia Casualty Co.*, 335 F.3d 453, 67 U.S.P.Q.2d 1225 (5th Cir. 2003).

1306. *Id.* at 461, 67 U.S.P.Q.2d at 1229.

1307. *Id.* at 464, 67 U.S.P.Q.2d at 1232 (internal quotation marks and brackets omitted).

1308. *See Information Spectrum, Inc. v. Hartford*, 834 A.2d 451 (N.J. Super. Ct. App. Div. 2003).

1309. *Id.* at 457.

“[w]hile advertising injury provisions obligate the defense of an insured accused of taking and using an advertising idea, we conclude that [they do] not cover falsely advertising that a product created by another was designed and manufactured by the advertiser.”<sup>1310</sup>

Another appellate court relied on the express text of the complaint in the underlying case to deny coverage.<sup>1311</sup> In that case, the insured had been an authorized distributor of the plaintiff’s products before deciding to sell “vastly inferior” copies of them. Not surprisingly, the insured was held liable for intentional and willful counterfeiting, prompting the carrier to file a declaratory judgment action to relieve itself from the duty to cover the insured’s monetary exposure or its fees and expenses.<sup>1312</sup> Affirming entry of summary judgment in the carrier’s favor, the court held that the carrier was under no duty to indemnify the insured because, to the extent that the insured’s conduct had caused an advertising injury within the meaning of the policy, the policy excluded damages arising out of material published with knowledge of its falsity.<sup>1313</sup> Moreover, and despite the general rule that the carrier’s duty to defend was “far broader” than its duty to indemnify, that the plaintiff in the underlying action had chosen to accuse the insured of intentional and knowing misconduct also triggered the operation of the exclusion clause.<sup>1314</sup> Accordingly, the trial court’s entry of summary judgment in the carrier’s favor had been appropriate.<sup>1315</sup>

## 9. Franchise Issues

Under ordinary circumstances, the termination of a franchise agreement obligates the franchisee to cease all use of marks licensed under the agreement.<sup>1316</sup> As one court explained over the past year, “a franchisee’s continued use of the franchisor’s trademarks creates a sufficient likelihood of confusion to entitle [the franchisor] to at least nominal damages.”<sup>1317</sup> Nevertheless, the applicability of this principle in some jurisdictions depends on whether the franchise was terminated properly, an issue that precluded summary judgment in favor of one franchisor seeking

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1310. *Id.* at 457-58.

1311. *See Atlantic Mut. Ins. Co. v. Terk Techs. Corp.*, 763 N.Y.S.2d 56 (App. Div. 2003).

1312. *See id.* at 58-59.

1313. *See id.* at 60-61.

1314. *See id.* at 63-64.

1315. *See id.* at 64.

1316. *See, e.g., Alexander Ave. Kosher Rest. Corp. v. Dragoon*, 762 N.Y.S.2d 101 (App. Div. 2003) (ordering judgment of liability as a matter of law in favor of licensor without extended analysis).

1317. *7-Eleven, Inc. v. McEvoy*, 300 F. Supp. 2d 352, 356 (D. Md. 2004).

injunctive relief against the authorized use of its marks by what it believed to be former franchisees.<sup>1318</sup> Unfortunately for the franchisor, the court concluded that the franchisees had never received the termination notice required under the franchise agreement. As a consequence, not only did the court decline to find liability as a matter of law, it invited the franchisees to move to dismiss the franchisor's infringement and unfair competition claims prior to trial.<sup>1319</sup>

### 10. Interpretation of Trademark-Related Contracts

A case between the sons of bandleader Glenn Miller's widow and a corporation she helped establish following his death presented a wealth of issues turning on the interpretation of a 1956 license she had granted to the corporation.<sup>1320</sup> Chief among them was the question of whether the license conveyed to the corporation the right to use the bandleader's name as a trademark. The document's express terms referred to "the right and license to use the name and likeness of Glenn Miller . . . in connection with the business activities of [the corporation]."<sup>1321</sup> Noting that this language was "ambiguous on its face and . . . reasonably susceptible to multiple interpretations," the court held that "extrinsic evidence is admissible to prove the parties' intent when they executed the agreement."<sup>1322</sup> With the record clear that the parties intended to strike a deal concerning Miller's right of publicity, the court concluded that "it is hard to imagine that [the corporation] could exploit Miller's publicity rights without using a trademark containing the Glenn Miller name."<sup>1323</sup> As a consequence, the license lent itself "to only one reasonable interpretation—that it conveys both a trademark license and a license of Glenn Miller's publicity rights."<sup>1324</sup>

The same court also addressed the issue of whether the license was sublicensable in the absence of an express provision in the license addressing the subject. The court held that it was not, observing:

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1318. See *Papa John's Int'l, Inc. v. Dynamic Pizza, Inc.*, 317 F. Supp. 2d 740 (W.D. Ky. 2004).

1319. See *id.* at 744.

1320. See *Miller v. Glenn Miller Prods.*, 318 F. Supp. 2d 923 (C.D. Cal. 2004).

1321. *Id.* at 935.

1322. *Id.*

1323. *Id.*

1324. *Id.*



[A] trademark owner has an affirmative duty to supervise and control the licensee's use of its mark, in order to protect the public's expectation that all products sold under a particular mark derive from a common source and are of like quality. Licensors who fail to meet this obligation may lose their right to enforce the trademark license. Common sense suggests that if a trademark licensee could unilaterally sub-license a mark without notifying or obtaining consent from the licensor, then a trademark licensor would lose his ability to police his mark, thereby becoming estopped from enforcing his ownership rights vis-a-vis the licensee. Such a result is illogical, undesirable, and at odds with the nature of intellectual property rights.<sup>1325</sup>

In an unrelated matter, a dispute over the terms of a settlement agreement from a prior infringement action was the occasion for a Sixth Circuit opinion on the proper forum for the agreement's enforcement.<sup>1326</sup> The agreement provided that the district court hearing the earlier case would have "exclusive and continuing jurisdiction" over any enforcement action. When the former plaintiff sued a third party affiliated with the former defendants for infringement in a Portuguese court, the former defendants alleged that the former plaintiff had breached the agreement. Neither the district court nor the court of appeals was unimpressed, with the latter pointing out that "the settlement agreement is completely silent as to [the former plaintiff's] ability to file a lawsuit in any forum it chooses for purposes other than enforcing the agreement."<sup>1327</sup> Accordingly, the former defendants' request for an injunction against the continued prosecution of the Portuguese action was inappropriate.<sup>1328</sup>

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1325. *Id.* at 937 (citations omitted).

1326. *See Hidrofiltros de Mexico, S.A. de C.V. v. Rexair, Inc.*, 355 F.3d 927, 69 U.S.P.Q.2d 1246 (6th Cir. 2004).

1327. *Id.* at 930, 69 U.S.P.Q.2d at 1249.

1328. *See id.* at 931, 69 U.S.P.Q.2d at 1249.

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