Developments in IP Law Series:

2003 in Review

Trademarks

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at the D.C. Bar CLE Program

December 9, 2003

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SUPREME COURT

SCOPE OF SECTION 43(a)

Dastar Corp. v. Twentieth Century Fox Film Corp., 66 USPQ2d 1611 (US SupCt 2003)

How broadly can Section 43(a) be applied to prevent the false designation of origin or reverse passing off? The respondent, Fox claims that in marketing and selling "Campaigns in Europe" as Dastar's own product without acknowledging its nearly wholesale reliance on the "Crusade in Europe" television series previously owned by Fox but in the public domain at the time the Campaigns videos were created, Dastar has made a "false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which ...is likely to cause confusion ... as to the origin ... of his or her goods." The Ninth Circuit agrees and affirmed the district court's summary judgment decision in favor of Fox and enjoined Dastar from distributing its "Campaigns in Europe" videos. The district and Circuit court concluded that Dastar had committed a "bodily appropriation" [and reverse passing off] of Twentieth Century Fox's TV series based on the Eisenhower book "Crusade in Europe" by copying much of the public domain TV series tapes, modifying them and making minor additions and marketing the new tapes without any reference to Fox.

In reversing the Ninth Circuit, the Supreme Court concludes that the term "origin of goods" in Section 43(a) refers to the producer of tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods. Plaintiffs cannot bring a Lanham Act claim for reverse passing off against the defendant since the defendant was the "origin" of products [the series of videotapes created by copying episodes of public domain TV series "without proper credit" to Fox] it sold as its own. Section 43(a) of the Lanham Act does not prevent the unaccredited copying of an uncopyrighted work.

STANDARD FOR RELIEF

Moseley v. V Secret Catalogue Inc., 65 USPQ2d 1801 (US SupCt 2003)

This case answers the question "whether objective proof of actual injury to the economic value of a famous mark (as opposed to a presumption of harm arising from a subjective "likelihood of dilution" standard) is a requisite for relief under the 1996 Federal Trademark Dilution Act (FTDA)?"

The Supreme Court granted certiorari when the Sixth Circuit affirmed the district court's entry of summary judgment under the FTDA against the Moseley's in holding that the "Victor's Little Secret" mark, used by the Moseley's in their rural lingerie and adult toy business, diluted the distinctive quality of the famous "Victoria's Secret" lingerie mark and constituted trademark dilution under the FTDA. No evidence of actual economic harm was presented by the respondent. The Fourth Circuit had interpreted the FTDA in 1999 to require proof of actual economic loss but the Sixth Circuit expressly rejected that interpretation and did not require proof of actual economic harm.

In reversing and remanding this case the Supreme Court noted that the FTDA provides relief if another's commercial use of a mark or trade name "causes dilution of the [mark's] distinctive quality," §1125(c)(1) (emphasis added). The Fourth Circuit's requirement of proof of actual economic loss was specifically rejected. The Court held that the FTDA unambiguously requires an actual "dilution showing" as confirmed by the FTDA's "dilution" definition in §1127. It went on to say that this does not mean that the consequences of dilution, such as an actual loss of sales or profits, must also be proved.

Since there is a complete absence of any evidence of any lessening of the VICTORIA'S SECRET mark's capacity to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs the evidence in this case file is insufficient to support summary judgment on the dilution count. Unfortunately, the decision does not clearly state what kind of "dilution showing" is required under the FTDA.

FEDERAL TRADEMARK DILUTION EXCEPTION

Mattel Inc. v. MCA Records Inc., 63 USPQ2d 1715 (CA 9 2002)

On January 27, 2003 the U.S. Supreme Court denied a petition for writ of certiorari from the Ninth Circuit's holding in *Mattel Inc. v. MCA* that use of "Barbie Girl" as the title and subject of a rock song did not infringe or dilute the registered "Barbie" trademark for fashion dolls.

Mattel sued MCA for trademark infringement and dilution under the Federal Trademark Dilution Act (FTDA) after MCA released Aqua's recording of "Barbie Girl" in the United States. The "Barbie Girl" song contains the juvenile lyrics including, "I'm a Barbie girl, in my Barbie world, Life in plastic it's fantastic, I'm a blond bimbo girl, in a fantasy world." In the record, one band member impersonates Barbie, singing in a high-pitched, doll-like voice while another impersonates Barbie's significant other, Ken (also a Mattel doll), who entices Barbie to "go party." The song lampoons the Barbie image and comments humorously on the cultural values Aqua claims she represents. The song proved to be a commercial success and made it onto Top 40 music charts.

On the issue of trademark infringement, the lower court said that the likelihood-of-confusion test generally strikes a balance between trademark owner's property rights and the public's expressive interests. But when a trademark owner asserts a right to control how we express ourselves—when we'd find it difficult to describe the product any other way (as in the case of aspirin), or when the mark (like Rolls Royce) has taken on an expressive meaning apart from its source-identifying function—applying the traditional test fails to account for the full weight of the public's interest in free expression. This sometimes happens when the trademark itself enters our public discourse and becomes an integral part of our vocabulary. Brands that transcend their identifying purpose often fill in gaps in our vocabulary, add a contemporary flavor to our expressions and assume a role outside the bounds of trademark law according to the appellate court. While Mattel's survey evidence shows that substantial actual confusion among consumers exists, the courts conclude that the likelihood-of-confusion test sometimes does not give adequate protection to free expression.

MCA's use of "Barbie" in the song title "Barbie Girl" is not a trademark infringement since it is clearly relevant to the song about Barbie and the values Aqua claims she represents. The title does not explicitly mislead anyone about the source or sponsorship of the song, in the court's view.

Unlike infringement, dilution usually occurs when consumers aren't confused about the product's source or sponsorship. Dilution (either tarnishment or blurring) protects owners from an appropriation of or free riding on the substantial investment that they have made in their famous trademarks. The court said, "With Barbie, Mattel created not just a doll, but a culture icon." The court found that "Barbie" is both a distinctive trademark and famous under the FTDA in view of the doll's fifty year commercial success. The court noted that dilutive uses of famous marks are prohibited under the FTDA unless they fall within one of three statutory exemptions namely, (1) comparative advertising, (2) news reporting and commentary and (3) noncommercial use. The evidence shows that MCA's use of "Barbie Girl" is dilutive but that use does not tarnish "Barbie's" image since the lyrics are non-obscene, though possibly offensive. The district and appellate court concludes that Aqua/MCA's use is a parody and a "noncommercial use" within the third exception. The court concludes that "Barbie Girl" in the title is not purely commercial speech, and is fully protected by the FTDA exemption. Because of the thorny issues raised by the parties, Judge Kozinski's opinion for the Ninth Circuit ends with the sentence, "The parties are advised to chill."

By denying the petition for writ of certiorari the Supreme Court tacitly appears to agree with this admonition.

COURT OF APPEALS FOR THE FEDERAL CIRCUIT

LIKELIHOOD OF CONFUSION

<u>In re Majestic Distilling Co., Inc.,</u> 65 USPQ2d 1201 (CA FC, 2003)

An applicant applied for the mark RED BULL for tequila. The Trademark Trial and Appeal Board (TTAB) affirmed the trademark examiner's refusal to register that mark based on prior registrations for RED BULL for malt liquor owned by a third party (Stroh's).

In affirming the TTAB, the Federal Circuit held that tequila (a distilled spirit) and malt liquor (a brewed product) are related goods for trademark purposes because they are both alcoholic beverages that are marketed in many of the same channels of trade to many of the same consumers, and many consumers are not even aware of the different ways each is made.

The Court also rejected the applicant's contention that there was no likelihood of confusion because the mark RED BULL for malt liquor was not "famous" saying, "Although we have previously held that the fame of a registered mark is relevant to likelihood of confusion, we decline to establish the converse rule that likelihood of confusion is precluded by a registered mark's not being famous."

The Court specifically discounted the fact that there was no evidence of actual confusion. "A showing of actual confusion would of course be highly probative, if not conclusive, of a high likelihood of confusion. The opposite is not true, however. The lack of evidence of actual confusion carries little weight, especially in an ex parte context."

PRIOR USE AND TIMING OF FAME

<u>Enterprise Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.,</u> 66 USPQ2d 1811 (CA FC 003)

Under the Trademark Amendments Act of 1999 and the Federal Trademark Dilution Act, the owner of a famous mark can oppose the registration of a diluting mark without establishing likelihood of confusion. This case presents the question whether an opposition based on the FTDA can be maintained when the applicant's mark was used in a limited geographic area before the opposer's mark became famous. It also raises the question of whether an opposition under the FTDA can be based on claims of trademark dilution under state dilution statutes.

Enterprise Rent-A-Car (Enterprise) owns the famous slogan PICK THE COMPANY THAT PICKS YOU UP for rental car services. Advantage Rent-A-Car (Advantage) applied to register the slogan WE'LL EVEN PICK YOU UP for the same services. Enterprise opposed registration of Advantage's slogan based on the Federal Trademark Dilution Act (FTDA). The Trademark Trial and Appeal Board dismissed the opposition with prejudice because Advantage has made limited use of its slogan before Enterprise's slogan had become famous.

In affirming the TTAB, the Federal Circuit observed that the FTDA provides that the owner of a famous mark is entitled to relief against the use of a diluting mark provided that such diluting use "begins after the mark has become famous." Relying on the legislative history of the FTDA, the Court held that any prior use of the mark in commerce, even in a limited geographical area, defeats an injunction under Section 1125(c), and, therefore, bars a claim of dilution as a ground for opposition under Section 1063. Prior use of a mark in commerce anywhere before the plaintiff's mark becomes famous will defeat a federal dilution claim. According to the Court, the prior use contemplated by the FTDA includes any use whatsoever, and is not limited to the use being challenged by the famous trademark owner.

GEOGRAPHICALLY DECEPTIVELY MISDESCRIPTIVE MARKS

<u>In re California Innovations Inc.,</u> 68 USPQ2d 853 (CA FC, 20003)

Applicant, a Canadian-based corporation, appeals the Trademark Trial and Appeal Board's refusal to register its mark CALIFORNIA INNOVATIONS and design under 15 U.S.C. §1052(e)(3) for thermal insulated bags not made in California. The mark appears as:

In reversing and remanding this case because the Board applied an outdated [pre-NAFTA] standard in its analysis under Section 1052(e)(3) the Federal Circuit noted that the implementing legislation of NAFTA obliterated the distinction between geographically deceptive marks denied registration under 15 U.S.C. §1052(a) and primarily geographically deceptively misdescriptive marks under 15 U.S.C. §1052(e)(3). It said that due to the NAFTA changes in the Lanham Act, the PTO must deny registration under 15 U.S.C. §1052(e) (3) only if (1) primary significance of mark is generally known geographic location, (2) the consuming public is likely to believe that place identified by mark indicates origin of goods bearing the mark, when in fact goods do not come from that place, and (3) the misrepresentation is material factor in consumer's purchasing decision. Geographically deceptively misdescriptive marks are forever barred from registration on both the Principal and Supplemental register as they may not acquire distinctiveness under Section 1052(f). The application is still pending at the USPTO.

HIGHER STANDARD FOR SERVICE MARK

<u>In re Les Halles De Paris J.V.,</u> 67 USPQ2d 1539 (CA FC, 2003)

Applicant sought registration of the service mark LE MARAIS for restaurant services offered in New York city and was denied registration based on Section 1052(e)(2) by the examiner and the Trademark Trial and Appeal Board. The TTAB reasoned that patrons of the New York restaurant would identify "Le Marais" [a fashionable Jewish neighborhood in Paris with fine restaurants] as the source of services at applicant's New York restaurant serving French kosher cuisine, and that such "services-place association" would be material factor in consumer's decision to patronize restaurant.

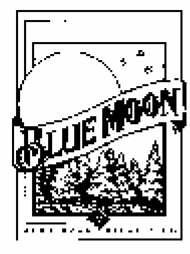
Applicant appealed arguing that the evidence of record is insufficient to support a finding that the public would be misled to believe that the "Le Marais" restaurant in New York has a connection to the region in Paris. In reversing the TTAB the Court of Appeals for the Federal Circuit finds that the TTAB applied an outdated standard when it affirmed the refusal to register the mark LE MARAIS as geographically misdescriptive of restaurant services provided in New York.

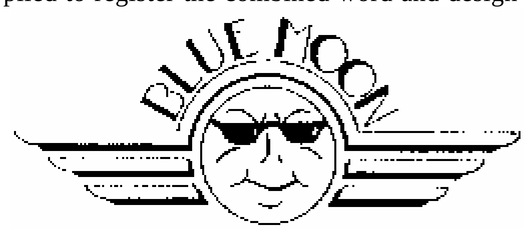
Under the new standard set forth in California Innovations, the PTO must deny registration under §1052(e)(3) of the Lanham Act only if (1) the primary significance of the mark is a generally known geographic location, (2) the consuming public is likely to believe the place identified by the mark indicates the origin of the goods [services] bearing the mark, when in fact the goods [services] do not come from that place, and (3) the misrepresentation was a material factor in the consumer's decision.

In addition, the decision in Les Halles raises the standard for satisfying the second prong of the test set forth in California Innovations, finding that, as applied to services, the services-place association prong requires a showing of an "additional reason" that consumers associate the location with the services. The Court states that this higher standard for refusal is required for services because "geographic marks used in conjunction with services are less likely to mislead the public than geographic marks on goods."

LIKELIHOOD OF CONFUSION

<u>In re Coors Brewing Co.,</u> 68 USPQ2d 1059 (CA FC 2003)

Coors applied to register the combined word and design trademark 

for beer. The examiner cited the mark 

in Registration No. 1,770,568 for restaurant services as a Section 2(d) grounds for refusal of the application. Both marks contain the words “Blue Moon” in all capital letters, and those words are prominent in each mark. The Coors mark contains the disclaimed words “Brewing Co.,” but because those words appear at the bottom of the mark in significantly smaller font, it was reasonable for the Board to find that those words do not significantly contribute to distinguishing the two marks. The Trademark Trial and Appeal Board (TTAB) affirmed that holding. This appeal followed.

The Federal Circuit notes that although both marks prominently display a full moon in conjunction with the words “Blue Moon,” the two moon figures are quite different. The cited registered mark contains a cartoon-type design of a moon with a face and wearing sunglasses, while the Coors mark features a large circular arc suggestive of a full moon rising over a forest scene. Because there are significant differences in the design of the two marks, the finding of similarity is a less important factor in establishing a likelihood of confusion than it would be if the two marks had been identical in design or nearly indistinguishable to a casual observer.

The pivotal portion of the Board’s decision was its conclusion that beer and restaurant services are related and that, as a result, consumers would be likely to assume from the similarity of the two marks that Coors’ beer and the registrant’s restaurant services had the same source. In light of the Board’s ruling that there is no likelihood of confusion between the registered “Blue Moon” marks for wine and Coors’ “Blue Moon and design” mark for beer, it is clear that the Board’s decision turned on its conclusion that beer and restaurant services are sufficiently related that the use of a similar mark for each would suggest to consumers that the two had a common source.

In reversing the TTAB the Court states that the Board’s finding that beer and restaurant services are related is not supported by substantial evidence. It further finds that beer and restaurant services are not sufficiently related such that use of similar “Blue Moon” marks for each would suggest to consumers that goods and services share common source. The evidence that some restaurants brew or serve their own private label beer does not warrant a conclusion by the TTAB that consumers are likely to assume common source for beer and restaurant services sold under somewhat similar marks. Reversed and Remanded.

COMPUTER ERROR

<u>Custom Computer Services, Inc. v. Paychex Properties, Inc.,</u> 67 USPQ2d 1638 (CA FC 2003)

As the practice of law moves inexorably to more dependence on computerized records and docketing systems, mistakes will infrequently occur in the input of information upon which attorney's must rely.

Custom Computer Services, Inc. filed two extensions of time to oppose Paychex's application to register the service mark PAY-AS-YOU-GO for payroll preparation services. Both extensions mistakenly identified the potential opposer as "Custom Computer Services, Inc., formerly known as The Payroll People." The attorney who filed the extensions thought that her client, "The Payroll People" had changed its name to "Custom Computer Services, Inc." when it had not done so. "Custom Computer Services, Inc." is a separate legal entity represented by the same attorney who represents "The Payroll People" and the founder of one of the entities is an owner of the other. When the opposition was filed in the name of Custom Computer Services, Inc. the Trademark Trial and Appeal Board dismissed the opposition as untimely filed. This appeal followed.

The Federal Circuit reversed the TTAB decision, noting that 37 C.F.R. § 2.102, says in part: (a) Any person who believes that he would be damaged by the registration of a mark on the Principal Register may file a written request to extend the time for filing an opposition. . . . (b) The written request to extend the time for filing an opposition must identify the potential opposer with reasonable certainty. Any opposition filed during an extension of time should be in the name of the person to whom the extension was granted, but an opposition may be accepted if the person in whose name the extension was requested was misidentified through mistake or if the opposition is filed in the name of a person in privity with the person who requested and was granted the extension of time. The PTO has interpreted the "mistake" provision of that regulation as follows:

> The term "mistake", within the context of the rule, means a mistake in the form of the potential opposer's name or its entity type. The term "mistake" does not encompass the recitation of a different existing legal entity that is not in privity with the party that should have been named.

The Court concludes that § 2.102(b) plainly sets forth two disjunctive conditions under which an opposer may claim the benefit of the extension granted to another named entity – privity and misidentification by mistake. Here, there never has been an entity named, "Custom Computer Services, Inc., formerly known as The Payroll People" so clearly, the extensions contained a "mistake" in the <u>form</u> of one entity's correct name, not an attempt to substitute one entity in the place of a different existing legal entity. REVERSED.

LIKELIHOOD OF CONFUSION

<u>Toro Co. v. GrassMasters Inc.,</u> 66 USPQ 2d 1032 (T.T.A.B. 2003)

GrassMaster filed an application to register its LAWN PUP trademark for lawn mowers based on use in commerce since 1997. GrassMasters began selling and continues to sell a small electric mower under the LAWN PUP brand and has sold less than 100,000 mowers to date. When the application was published for opposition Toro filed this opposition.

Toro claims ownership of the trademarks and federal registrations for LAWN-BOY for "lawn mowers, lawn mower blades, grass catcher bags, and various attachments to lawn mowers" and SNOW PUP for "snow plows." Sales under this mark are fifty million dollars per year. It also asserts ownership of the common law unregistered mark SNOW PUP for "printed materials for snow throwers and snow plows such as owner's manuals and parts catalogs." It claims continuous use of its LAWN-BOY mark through a predecessor in interest since 1933. Toro sold SNOW PUP snow plows from around 1964 through the late 1970s. Toro admitted it stopped selling SNOW PUP snow throwers by 1980.

In dismissing the opposition for lack of likelihood of confusion with respect to the marks LAWN-BOY and LAWN PUP, the Trademark Trial and Appeal Board (TTAB) noted that while the goods of the parties were identical, lawn mowers are expensive items. Expensive items presumably require that the relevant consumer exercise some care in making that purchase. Further, LAWN PUP and LAWN-BOY are not similar in sound, appearance, and connotation or meaning, especially in view of the dilution of the first element "LAWN" in each mark for mowers. Finally, the TTAB noted that despite the fact that the goods had been sold "virtually side-by-side" in some of the same stores there was no evidence of actual confusion.

With respect to the marks LAWN PUP and SNOW PUP and the second element "PUP", the TTAB noted that the opposer had stopped selling its SNOW PUP snow plows more than two decades earlier. Toro could not rely on its improperly renewed registration for the SNOW PUP mark as Toro had ceased use of the mark.

The TTAB found that GrassMasters' LAWN PUP mark was not confusingly similar to Toro's common law mark SNOW PUP for manuals and catalogs relating to snow plows base on the differences in the goods and the channels of trade for the goods. The opposition was dismissed and the application was allowed to register as Registration No. 2754682.

DISPARAGING MARKS

<u>Pro-Football Inc. v. Harjo,</u> 68 USPQ2d 1225 (DC DC 2003)

Plaintiff, Pro-Football Inc. brought an action in the District Court for the District of Columbia against Suzan Shown Harjo, et. al., seeking a de novo review of the Trademark Trial and Appeal Board's (TTAB) decision canceling plaintiff's trademark registrations for "Redskins" and related marks for professional football team and entertainment services (registration nos. 1,606,810, 1,085,092, 987,127, 986,668, 978,824, and 836,122). The TTAB previously concluded after a five year cancellation proceeding that the registrant's six registrations for "Redskins" marks for professional football team and entertainment services "may disparage" Native Americans within meaning of 15 U.S.C. §1052(a) and cancelled all six registrations.

Plaintiff argues in this action first that the "Redskins" trademarks do not disparage Native Americans and second that they do not bring Native Americans into contempt or disrepute. It also argues that laches bars Harjo from the relief the TTAB granted.

In a lengthy opinion reversing the TTAB on cross motions for summary judgment, the Court concludes that the TTAB's holding that the "Redskins" mark may disparage Native Americans is not supported by substantial evidence despite the survey evidence and expert testimony. Further the Court concludes that the cancellation petitioners' disparagement claim is barred by laches.

This decision in now on appeal.

SECOND CIRCUIT

LOSS OF EFFECTIVE ENFORCEMENT

<u>Patsy's Brand, Inc. v. I.O.B. Realty, Inc.,</u> 2003 U.S. App. LEXIS 614 (2nd Cir. Jan. 16, 2003)

The plaintiff and the defendant both use the name PATSY'S as part of their service mark for restaurant services in New York. The plaintiff first used PATSY'S ITALIAN RESTAURANT in 1944 and the defendant first used PATSY'S PIZZERIA in 1933. In 1993, the owners of Patsy's Italian Restaurant decided to begin selling pasta sauces in jars for retail distribution. For this purpose, they formed Patsy's Brand, Inc., the Plaintiff-Appellee in this action. In 1999, the defendant commenced the sale of pasta sauce at retail under the name PATSY'S. The plaintiff sued for trademark infringement and sought an injunction prohibiting the defendant's use of PATSY'S as a trademark for its pasta sauce. The district court awarded judgment to the plaintiff prohibiting the defendant from selling PATSY'S brand pasta sauces at retail.

The U.S. Court of Appeals for the Second Circuit affirmed holding that, "Where a senior user delays in enforcing its rights, a junior user may acquire a valid trademark in a related field enforceable against even the senior user." The defendant had allowed the plaintiff to use PATSY'S for more than 50 years without objection. The court found it was now too late for the defendant to object, even if the plaintiff's continued use of PATSY'S caused confusion. As the court put it, "the failure of [the defendant] to police its restaurant mark against [the plaintiff] has perhaps created a certain degree of now unavoidable confusion in the New York City market for restaurant services. As a result, it is now possible that [the plaintiff] will precipitate some confusion among customers of [the defendant's] who will think that the sauce comes from [the defendant]. But that risk is far preferable to denying the first to market sauce the opportunity to capitalize on [its] goodwill." The Court agreed with the Defendants that the injunction should be modified to permit some, although very limited, [small lettering] use of the name of the Defendants' restaurant "Patsy's Pizzeria" in their marketing of pasta sauce and other packaged food products and modified the scope of the district court's injunction.

THIRD CIRCUIT

LIMITED PERSONAL JURISDICTION

<u>Toys "R" Us Inc. v. Step Two S.A.,</u> 65 U.S.P.Q.2d 1628 (3d Cir. 2003)

Toys "R" Us Inc. (TR) operates the Toys "R" Us chain and a related toy store chain named IMAGINARIUM in the U.S. The Defendant, Step Two is a Spanish corporation that operates toy stores in Spain under the trade name Imaginarium and owns several Internet websites that include the word Imaginarium as part of the domain name. Apart from the websites, there is no known contact by the Defendant with the U.S.

When TR discovered these facts it filed suit against Step Two for trademark infringement and cybersquatting in violation of the Lanham Act. The district court denied TR' motion for jurisdictional discovery and granted the Defendant's motion to dismiss for lack of personal jurisdiction. This appeal followed.

The Third Circuit reversed. It cited prior Internet jurisdiction cases holding that a defendant must purposefully avail itself of minimum contacts with the forum state, and that in the case of Internet sites, this requires "something more" than merely being able to access the website in the forum. Not withstanding the fact that Step Two's websites were entirely in Spanish, were designed only to accept mailing addresses in Spain, and listed all prices in Euros or pesetas, it determined that limited jurisdictional discovery was needed to verify the extent of non-Internet contacts that were alleged by TR in the record. In reaching this conclusion it agreed that a plaintiff should have the opportunity to look for any other non-Internet contacts to help establish this "something more" for purposes of personal jurisdiction in the state. Contacts such as Defendant's business activities in the U.S. and its relationship with vendors and suppliers in the U.S. should be examined before dismissing the suit. As TR's allegations of the possibility of personal jurisdiction were asserted with reasonable particularity, TR should have been allowed to seek jurisdictional discovery from the Defendant.

FOURTH CIRCUIT

IN-HOUSE INFRINGEMENT

<u>Huthwaite Inc. v. Sunrise Assisted Living Inc.,</u> 66 USPQ2d 1902 (DC EVa 2003)

Plaintiff Huthwaite, Inc. ("Huthwaite") is a leading provider of sales training seminars and related publications to individual and corporate customers nationwide. Huthwaite owns by assignment the copyright in a sales training book and two federally registered federal trademarks namely SPIN, and SPIN SELLING for "training and questionnaire booklets and manuals" and other materials in the field of sales training development and for "educational services—namely, providing sales training programs and seminars."

Sunrise Assisted Living Inc. (Sunrise), a major assisted living service provider contacted Huthwaite and expressed an interest in purchasing sales force training services from it. The goal was to train Sunrise employees to be better telephone salespersons. The parties discussed a possible contract for sales training services, but in the end Sunrise declined to purchase Huthwaite's sales training services.

Thereafter, Sunrise hired Mark Hannan as its Senior Vice President of Sales and launched a "major sales transformation" that included the training of its sales staff using the SPIN Selling approach. Each student received a copy of SPIN Selling and the SPIN Selling Fieldbook, both authored by Rackham. In connection with this training program, Sunrise developed and used training guides and training materials.

When Huthwaite learned of this in-house training using SPIN Selling it claimed that the training guides and materials based thereon violated its retained rights to the copyright relating to SPIN Selling, as well as Huthwaite's rights under other SPIN related copyrighted works. It filed suit for copyright and trademark infringement and dilution of its registered trademarks.

With regard to the infringement claim Sunrise defended its actions on the theory that its in-house use of the accused SPIN materials was not a use in connection with the sale, offering for sale, distribution, or advertising of any goods or services in violation of Sections 32 or 43(a). It moved for summary judgment on the infringement and dilution claim but the Court denied the motion and held that such in-house activities by Sunrise amounted to use of the mark SPIN in commerce. It held that Sunrise did "provide valuable benefits to others under the in-house training program because the trainees might quit and take their training to new employers. Further, it held that an employer's sales training program offered only to current employees constitutes a 'service' within the meaning of the Lanham Act where, the employees receive a valuable benefit from the training and they constitute a segment of the relevant market for such services.

With regard to the dilution claim the Court found that in-house use of another's famous mark was a 'commercial use' as required under the Federal Trademark Dilution Act. It reasoned that Sunrise was a commercial company and that its training activities served the commercial purpose of increasing it sales in order to make a profit. Therefore, the in-house use was clearly a 'commercial use.' Accordingly, Huthwaite has clearly made a sufficient showing that Sunrise's use of the mark is "commercial use," and Sunrise's motion to dismiss the trademark dilution claim on this ground must be denied.

FIFTH CIRCUIT

GREY MARKET GOODS

Bayer Corp. v. Custom School Frames LLC., 67 USPQ2d 1185 (DC ELa 2003)

Defendant, Custom School Frames LLC (CSF) sold Bayer's ADVANCE brand pet flea control product in the U.S. when it had been manufactured and packaged to be sold in either Australia or the United Kingdom market. CSF also used the ADVANTAGE mark on its web site. Bayer learned of this activity and sued CSF for trademark infringement, dilution, and unfair competition under federal and state laws.

The foreign products are materially different from the ADVANCE product authorized by Bayer for U.S. sale in many ways. The Court notes 17 material differences between the foreign and U.S. product arising from Bayer's accommodation to different customs, laws and product quality requirements. These material differences give rise to a presumption of likelihood of confusion in violation of the Lanham Act. In finding trademark infringement and unfair competition under federal and state law, since defendants' sale of materially different foreign product injures and tarnishes plaintiff's reputation, and goodwill in its mark, in violation of federal and state antidilution laws, since use of ADVANCE mark on defendants' World Wide Web site, and in metatags for their site, creates initial interest confusion and constitutes appropriation of goodwill, and since defendants' use of “no-fleas.com” Internet domain name, which is nearly identical to plaintiff's “nofleas.com”domain name, exacerbates confusion caused by defendants' unauthorized use of the ADVANCE mark, the Court entered a permanent injunction against the defendants.

SIXTH CIRCUIT

FIRST AMENDMENT DEFENSE

ETW Corp. v. Jireh Publishing Inc., 67 USPQ2d 1065 (CA 6 2003)

ETW Corp., (ETW) owner of the right to exploit the Tiger Woods name, image, likeness and signature and all other publicity rights sued Jireh Publishing Inc., owner of the right to publish a Rick Rush painting that commemorates the 1997 Masters golf tournament victory by Tiger Woods, for trademark infringement, dilution, unfair competition, and false advertising under Lanham Act, and for unfair competition, trademark infringement, and violation of right of publicity under common law. ETW also owns a U.S. trademark registration for the mark “TIGER WOODS” for use in connection with “art prints, calendars, mounted photographs, notebooks, pencils, pens, posters, trading cards, and unmounted photographs.” The Rush painting in question contains three artist renditions of Tiger Woods in its foreground and other past Masters champions looking down on him. The Defendant counterclaimed for declaratory judgment that the artwork at issue is protected by First Amendment and does not violate Lanham Act.

On cross summary judgment motions the district court rejected Plaintiff’s claim that all images of Tiger Woods are protected under the Lanham Act and granted summary judgment to the Defendant. Plaintiff appeals from grant of summary judgment for defendant.

In reviewing the district court’s holding on the trademark infringement claim the Sixth Circuit agreed with the district court that use of the name Woods’ in the promotional literature by the Defendant was descriptive and in good faith to describe the content of the print. A celebrity’s names may also be used in the title of an artistic word when there is artistic relevance according to the Court. Further, the image of Woods’ in the picture was not performing a trademark function of indicating source, origin or sponsorship but was the subject of the artistic work. As such, Plaintiff cannot claim that this image is protected by the Lanham Act.

On the claims of unfair competition and false advertising under Section 43(a) the Circuit affirmed the district court’s rejection that the Defendant was guilty of either cause of action based on these facts. It concluded that Rush’s paintings are entitled to First Amendment protection as artistic works and the Lanham Act should be applied to artistic works so protected only where the public interest in avoiding confusion outweighs the public interest in free expression. In this case the risk of confusion is outweighed by the public’s interest in artistic impression so the Lanham Act does not apply.

AFFIRMED.

SEVENTH CIRCUIT

TRADE DRESS

Logan Graphic Products Inc. v. Textus USA Inc., 67 USPQ2d 1470 (DC NIll 2003)

Plaintiff is the national leader in mat cutting systems and has been in that business for 28 years. Defendant is its direct competitor in that business. This matter is before the Court on defendants' objections to Magistrate Judge's Report and Recommendation ("R&R") recommending that plaintiff's motion for a preliminary injunction be granted.

The R&R lists the requirements for issuing a preliminary injunction. First, the Court must find: 1) some likelihood of success on the merits; 2) no adequate remedy at law; and 3) that the plaintiff will suffer irreparable harm if the injunction is not granted. If these three conditions have been met, then the Court considers: 1) the harm to the defendant if the injunction is granted, weighed against the harm to the plaintiff if the injunction is denied; and 2) the public interest, i.e. the consequences to non-parties of granting or denying the injunction. The magistrate judge then undertook an examination of each of the preliminary injunction requirements. In order to demonstrate entitlement to trade dress protection, Logan must show: 1) that its "overall image" is inherently distinctive or has acquired distinctiveness through secondary meaning; and (2 that the similarity of the defendant's trade dress causes a likelihood of confusion on the source or affiliation of the product. In addition, Logan must show what it claims as trade dress is non-functional.

Defendant claims that two prior patents owned by Logan include most of the features used in its mat cutting systems. It argues that Logan is not entitled to relief recommended by the R&R since the trade dress is functional.

The Court disagrees with the defendant and notes that Logan is seeking protection of its color scheme, the shape and style of its mat cutting tools but not the cutting mechanism covered by its patents. It concludes that because the features Logan seeks to protect are not required for effective competition they are "non functional" features protected by trade dress.

Because Logan has established each of the requisite elements for obtaining a preliminary injunction, the Court grant Logan's preliminary injunction motion.

PERMANENT INJUNCTION MODIFICATION

V&V Food Products Inc. v. Cacique Cheese Co., 66 USPQ2d 1170 and 1179 (DC NIll 2003)

In a 1988 decision, this court issued permanent injunction prohibiting Cacique from using "Ranchero" as a trademark for Mexican cheese in Illinois, Indiana, Michigan, and Wisconsin, states where the Plaintiff had valid prior common law rights. The permanent injunction also prohibited the plaintiff from using its "Rancherito" trademark for Mexican cheese outside those four states. After more than a decade of operation under the permanent injunction the Defendant seeks permission to launch a national ad campaign using its registered "Ranchero" brand. Without the four state block included in the national campaign, the Defendant says it could not go forward.

The Defendant's motion to modify the 1988 permanent injunction to permit it to conduct Spanish-language radio and television advertising of its "Ranchero" products, which would air nationally including in prohibited states, was granted by the Court in light of the changed marketing conditions since 1988. Defendant remained enjoined from selling "Ranchero" brand Mexican cheese products in the four states. The Court found that "the factual circumstances cited by [Defendant] Cacique are indeed significant changes and . . . although perhaps foreseeable, these changed conditions were not actually contemplated by the parties at the time" the permanent injunction issued.

Plaintiff obtained an order from the Court that required the defendant include a voice-over disclaimer in its national media advertising stating that the “Ranchero” brand products shown in the commercial is not available in those four states, since such a disclaimer may reduce or prevent consumer confusion in four-state area.

EIGTH CIRCUIT

VANITY TELEPHONE NUMBERS

DaimlerChrysler AG v. Bloom, 65 USPQ2d 1359 (CA 8 2003)

Defendant, a Mercedes-Benz dealership owner in Minnesota, obtained the telephone number 1-800-637-2333 in the mid-1980’s and advertised that number to his customers. He credits the number as being an important factor in the growth of his dealership. One of the alphanumeric translations of his number is 1-800-MERCEDES.

Plaintiff made several unsuccessful attempts between 1988 and 1992 to acquire the defendant’s 1-800 number for its national Client Assistances Center. The main obstacle was the price. Plaintiff uses a different telephone number 1-800-FOR-MERCEDES for its Client Assistance Center. When those negotiations broke down the defendant formed MBZ Communications to license the use of his 1-800-637-2333 to other Mercedes dealerships throughout the country. Six licenses were issued by MBZ for multiple area codes. The use of the trademark MERCEDES was not part of the license agreement but all licensees are licensed dealerships and under that license from plaintiff they are entitled to use the trademark MERCEDES in association with the advertising of their services. MBZ did not advertise or use the MERCEDES mark on its web page. In one MBZ license to a Los Angeles Mercedes dealership, the initial license fee was $39,200 with a monthly fee of $3150 for the continued right to use the number within the agreed to area codes.

Plaintiff sued the defendant for Lanham Act trademark infringement and trademark dilution under the Federal Trademark Dilution Act. On cross motions for summary judgment the district court granted the defendant’s motion. It found that a trademark holder is generally not entitled to either relief requested unless the defendant advertises or otherwise promotes the alphanumeric translation of the 1-800 telephone number so that the public sees the protected mark and associates the defendant’s services or goods with those of the trademark owner. This appeal followed.

The Court affirmed the district court’s holding it concludes that the licensing of a toll-free telephone number, without more, is not a “use” within the meaning of the Lanham Act, even where one possible alphanumeric translation of such number might spell-out a protected mark. This conclusion is bolstered by those cases granting injunctive relief in favor of mark holders and against those who possess vanity phone numbers corresponding to protected marks. In those cases, the courts have fashioned limited remedies, enjoining only the advertisement of the alphanumeric translation of the number which incorporates the protected mark but not the use of the number generally.

NINTH CIRCUIT

INCONTESTABILITY / FAIR USE

<u>KP Permanent Make-Up Inc. v. Lasting Impression I Inc.,</u> 66 USPQ2d 1509 (CA 9 2003)

The defendant, Lasting Impression I, Inc. ("LI"), owns an incontestable trademark registration for MICRO COLORS and design for color pigments used in cosmetic tattooing as permanent make-up. The design element consists of the word MICRO above the word COLORS (in white lettering) on a black background, separated by a green horizontal bar. The words MICRO and COLORS are the dominant feature of the logo mark.

LI accused the plaintiff, KP Permanent Make-Up, Inc. ("KP"), a competitor in the permanent makeup industry, of infringing its registered and incontestable trademark above based on KP's use of "micro color" on its packaging directly before the pigment name for its permanent make-up. KP began using the words "micro color" in advertising flyers in 1990 and on its packaging in 1991 but has never registered the term. LI began using its mark in 1992 and federally registered the mark in 1993. KP filed a declaratory judgment action against LI claiming that the words "micro colors" is generic in the makeup industry and therefore incapable of trademark protection. LI counterclaimed for trademark infringement. The parties filed cross motions for summary judgment and summary adjudication.

The district court concluded that the term "micro colors" was generic, or if not generic, descriptive. The court then determined that KP was entitled to continue use of the term "micro color," in the manner that it had been since 1991, and that LI could continue to use its trademarked logo. LI appeals the district court's grant of summary judgment in favor of KP.

In reversing the district court on the genericness issue the Ninth Circuit found no credible evidence in the record that overcame the presumption of validity of the registration or supported the conclusion that "micro color" was generic. KP's affidavit asserting that the term "micro color" was generic and synonymous for "micro pigments" was highly doubtful and given too much weight by the district court.

The Ninth Circuit also reversed the district court's holding that the words "micro colors" were descriptive and had not acquired secondary meaning. The Court points out that the strong presumption of validity extends to the registered mark as a whole as well as to the most salient feature of the mark, the words "micro colors." KP cannot assert that the most salient feature of the incontestable registration is descriptive. Further, the district court should not have required LI to show that the salient feature apart from the mark as a whole had acquired secondary meaning.

The Ninth Circuit reversed the district court's grant of KP's summary judgment motion based on "fair use" and the district court's holding that a determination with respect to likelihood of confusion need not be made. The Court noted that there are two types of fair use: classic fair use and nominative fair use. Classic fair use is that in which the alleged infringer "has used the [trademark holder's] mark only to describe his own product, and not at all to describe the [trademark holder's] product." In contrast, nominative fair use occurs when the alleged infringer uses "the [trademark holder's] mark to describe the [trademark holder's] product, even if the [alleged infringer's] ultimate goal is to describe his own product." Nominative fair use also occurs if the only practical way to refer to something is to use the trademarked term. Since KP is using the term "micro color" to describe its own products the nominative fair use is not at issue. Classic fair use is this case dictates that summary judgment is inappropriate when a jury could reasonably conclude that there is a likelihood of confusion.

The Ninth Circuit said that it generally relies on an eight-factor test in AMF, Inc. v. Sleekcraft Boats in determining whether a likelihood of confusion exists. Those factors are: 1) the strength of the mark; 2) proximity or relatedness of the goods; 3) the similarity of the marks; 4) evidence of actual confusion; 5) the marketing channels used; 6) the degree of care customers are likely to exercise in purchasing the goods; 7) the defendant's intent in selecting the mark; and 8) the likelihood of expansion into other markets. The application of these factors involves numerous genuine issues of material fact. As we have discussed, the fair use defense claimed by KP is a classic fair use defense that requires that there not be a likelihood of confusion. Because there are genuine issues of material fact concerning the likelihood of confusion, KP's motion for summary judgment cannot be upheld on this ground.

REVERSED AND REMANDED.

TENTH CIRCUIT

BAD INTENT

<u>Sally Beauty Co. v. Beautyco Inc.</u>, 64 USPQ2d 1321 (CA 10 2002)

Action by Sally Beauty Co., a retailer, and Marianna Imports Inc., a contract manufacturer and packager of beauty products (collectively plaintiff) and owner of the registered trademark GENERIC VALUE PRODUCTS against Beautyco Inc. for trademark infringement, trade dress infringement, and false advertising concerning the latter's adoption and use of GENERIX on competing hair care and beauty products sold to the salon trade and the general public. Plaintiff began using the trademark GENERIC VALUE PRODUCTS in 1990 on hair care preparations, namely, shampoo, conditioner, spray, spritz, glaze and lotion. In 1994 plaintiff and the former owner of Beautyco met to discuss creating a lower-priced alternative hair care product line under the mark GENERIX to be packaged in a bullet-shaped bottle with a black cap and a black-and-white design very similar to plaintiff's existing packaging trade dress. Plaintiff objected to the proposed mark and packaging and Beautyco contracted with another entity to manufacture this new competing low-cost hair products line that it introduced in 1995.

In 1996, Beautyco applied for the registration of the mark GENERIX but Marianna opposed that application. When settlement of the opposition failed plaintiff filed suit, alleging trademark and trade dress infringement and false advertising. Plaintiff presented evidence that Beautyco intended to copy plaintiff's trade dress and mark by offering a 1994 fax written by Beautyco's contract manufacturer to another manufacturer stating that Beautyco "wants to knock-off Sally's Generic line." On cross motions for summary judgment, the district court granted defendants motion on the plaintiff's trademark infringement, trade dress infringement, and false advertising claims. The district court concluded that plaintiff's trade dress was not protectable under federal trademark law. This appeal followed.

The Tenth Circuit reversed the district court's likelihood of confusion finding by noting that the relative strength of the GENERIC VALUE PRODUCTS registered trademark coupled with the low degree of customer care given to the purchase of low-cost hair products and Beautyco's intent to copy demonstrated that there might be a likelihood of confusion between the two trademarks. As such, summary judgment in favor of Beautyco could not stand.

With regard to the trade dress issue, the Court also reversed the district court. The Court noted the long and apparently commercially successful use of plaintiff's bullet-shaped bottle with a black cap and a black-and-white design trade dress coupled with Beautyco's intent to copy that trade dress raised a genuine issue of material fact regarding plaintiff's acquired distinctiveness in the trade dress rendering it protectable under the law.