

***Summaries of Recent Significant Trademark and Trade Dress Cases
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by Brian E. Banner

1) The Supreme Court, recently reversed and remanded the Second Circuit's decision in [*Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*](#), 68 U.S. L.W. 4217. The issue before the Supreme Court was, "what must be shown to prove that a product design in children's clothing is inherently distinctive to qualify for trade dress protection under Section 43(a)?" The Supreme Court said that in a Section 43(a) action for infringement of unregistered trade dress, a product's design is distinctive, and therefore predictable, only upon a showing of secondary meaning. Acknowledging that this opinion will force federal courts to draw a distinction between product-design and product-packaging trade dress, the Supreme Court unanimously thinks that this will be less frequent and difficult than having to decide when a product design is inherently distinctive. It instructs courts to follow the rule that in close cases, they should err on the side of caution and classify ambiguous trade dress as "product design" thereby requiring secondary meaning.

This case involved a line of spring/summer one-piece seersucker child outfits designed and made by Samara and decorated with appliques of hearts, flowers and fruits that were sold to retailers for subsequent sale to the public. Wal-Mart contracted with a clothing manufacturer who made so-called knockoffs children's outfits based on photographs of the Samara garments. After discovering that Wal-Mart and other retailers were selling the so-called knockoffs, Samara brought suit for infringement of unregistered trade dress under Section 43(a) of the Trademark Act of 1946 (Lanham Act) among other things. The knockoff manufacturer and other defendants settled before trial but Wal-Mart decided to defend. The jury found for Samara. Wal-Mart moved for judgment as a matter of law, claiming that there was insufficient evidence to support a conclusion that Samara's clothing designs could be legally protected as distinctive trade dress for purposes of Section 43(a). The District Court denied the motion and awarded damages and an injunction to Samara. On appeal, the Second Circuit affirmed and the Supreme Court granted certiorari.

The Supreme Court said that in evaluating distinctiveness, courts have differentiated between marks that are inherently distinctive--i.e., marks whose intrinsic nature serves to identify their particular source--and marks that have acquired distinctiveness through secondary meaning--i.e., marks whose primary significance, in the minds of the public, is to identify the product's source rather than the product itself. The Supreme Court has held, however, that color can never be inherently distinctive, although it can be protected upon a showing of secondary meaning. *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 162-163.

Product design, like color, is not inherently distinctive according to the Supreme Court. It reasoned that consumers are aware of reality that a product's design is intended not to identify the source, but to render the product itself more useful or more appealing. Not wanting to overturn *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, the Supreme Court said that the trade dress in that case was a restaurant's decor and color which does not constitute "product design," but rather "product packaging" or else some tertium quid (third something) that is akin to product packaging and has no bearing on the present case.

2) [*College Savings Bank v. Florida Prepaid Post-Secondary Educational Expense Board*](#), U.S. Supreme Court, June 23, 1999, 51 U.S.P.Q. 2d 1065. The Trademark Remedy Clarification Act subjects states to suits brought under Section 43(a) of the Lanham Act for false and misleading advertising. Public Law No. 102-542 (1992). The Supreme Court in this case rejected the plaintiffs' claim that the Trademark Remedy Clarification Act was enacted to remedy and prevent state deprivation without due process of two species of "property" rights, namely: a) a right to be free from a business competitor's false advertising about its products; and b) a right to be secure in one's business interests. The court said that the Lanham Act's false advertising provisions bore no relationship to any right to exclude others, the hallmark of protected property interests." Further, the court said, business in the sense of an activity of doing business or the activity of making a profit is not property. Finally, the court said that the defendant had not expressly waived its sovereign immunity and abrogated the constructive waiver argument raised by the plaintiff.

3) In [*Wilhelm Pudenz GmbH v. Littlefuse, Inc.*](#), the Eleventh Circuit Court of Appeals took the unusual step of holding that a federally registered trademark for product configuration that had achieved incontestability status under Section 15 (15 U.S.C. 1065) may nevertheless be declared invalid on the grounds of its functionality, despite the fact that the Trademark Law Treaty Implementation Act ("TLTIA" which became effective October 30, 1999) applied to the defendant in this matter. Littlefuse, Inc. sent Pudenz a cease and desist letter alleging that Pudenz infringed two federally registered trademarks for product configurations which had achieved incontestability. The courts said the mere fact that functionality was not specifically listed as a defense to incontestability in 15 U.S.C. Section 1115(b) prior to the TLTIA is not sufficient to indicate congressional intent to eliminate application of the functionality defense to an allegation of infringement of incontestable registration under the Lanham Act.

4) The Court of Appeals for the Federal Circuit in [*Midwest Industries, Inc. v. Karavan Trailers, Inc.*](#), 50 U.S.P.Q. 2d 1672 held that products may be entitled to trade dress protection for distinctive, nonfunctional features, even if the product is, or has been, the subject of a utility patent. In doing so, the Court of Appeals for the Federal Circuit reversed and remanded the case to the District Court and overruled en banc those decisions of the C.A.F.C. which had held that regional circuit law governs in resolving such issues. The federal statutes rather than federal circuit law will determine whether patent law conflicts with other federal statutes or preempts that the state law causes of action.

5) The Court of Appeals for the Federal Circuit in [*Zenith Electronics Corp. and ELO Touchsystems v. Exzec, Inc.*](#), 51 U.S.P.Q. 2d 1337 imposed liability on a patentee under Section 43(a) of the Lanham Act for misleading marketplace statements regarding infringement and the scope of its patent and held that such statements do not conflict with patent laws provided the statements have proven to have been made in bad faith.

6) The Ninth Circuit reversed and remanded the District Court's grant of Summary Judgment in [*Interstellar Starship Services, Ltd. v. Epix, Inc.*](#), 51 U.S.P.Q. 2d 1535 holding that plaintiff's "epic.com" Internet domain name does not infringe defendant's "epic" mark for video imaging products and services. The court offered a fine example of how initial interest confusion could exist that would justify a finding of likelihood of confusion.

7) The Second Circuit Court of Appeals held in [*Nabisco, Inc. v. PF Brands, Inc.*](#), 51 U.S.P.Q. 2d 1882 that a mark must be distinctive, as well as famous, in order to merit protection from dilution under 15 U.S.C. Section 1125© 43(c). In affirming a preliminary injunction entered against Nabisco's distribution of fish shaped crackers, the court took the position that the Lanham Act did not require and the plaintiff, Pepperidge Farm did not need to present proof of actual dilution. It reasoned that requiring proof of dilution or a diminished revenue would be too difficult. Further, the court thought that the literal reading of the statute as requiring actual harm would leave the senior user with a preliminary injunctive remedy. The senior user would be required to endure a non-compensable injury before it could hope to stop the junior user's activity. The requirement of proving actual dilution could also financially harm a junior user who would otherwise be able to pursue declaratory judgment that their planned activity would not dilute the senior user's mark before expenditure of funds to launch the new product or service according to this court.

8) The Third Circuit Court of Appeals held in [*Lucent Information Management, Inc. v. Lucent Technologies, Inc.*](#), U.S.P.Q. 2d 1545 that the plaintiff's single sale did not constitute use of "Lucent" as a trademark prior to the defendant's filing of an intent to use trademark application for Lucent. A party asserting trademark ownership in a trading area must show "clear entitlement" to protection of its trademark in the particular market. In other words, that party must introduce evidence to show its trademark "has achieved market penetration that is significant to pose a real likelihood of confusion among the consumers in that area." The four factor test used to determine whether the market penetration of a trademark in an area is sufficient to warrant protection includes:

1. the volume of sales of the trademark products;
2. the growth trends (positive and negative) in the area;
3. the number of persons actually purchasing the product in relation to the potential number of customers; and

4. the amount of product advertising in the area.

As these factors were not present in this case, aside from one sale, the court affirmed the District Court's order granting the defendant's Motion for Summary Judgment and dismissing plaintiffs' trademark infringement and related claims.

9) [In Re The American Fertility Society](#), the Court of Appeals for the Federal Circuit reversed the Trademark Trial and Appeal Board and the examining attorney for which had held that the American Society for Reproductive Medicine had to disclaim the words "Society for Reproductive Medicine" in order to register the mark on the Supplemental Register. The C.A.F.C. said that both the examiner and the Trademark Trial and Appeal Board assumed the phrase "Society for Reproductive Medicine" was generic as a whole based solely on proof of the genericness of its individual words. Further, the C.A.F.C. held that the phrase was improperly found to be generic in the absence of evidence that relevant public understands the phrase to primarily refer to the genus of services provided by the applicant.