

**TRADEMARKS AND UNFAIR COMPETITION
FIFTH EDITION
2004 CUMULATIVE SUPPLEMENT**

**CHAPTER 1
PRINCIPLES OF TRADEMARK AND UNFAIR COMPETITION LAW**

§ 1.01 Historical Development

In *Moseley v. V Secret*, 123 S.Ct. 1115 (2003), the Supreme Court observed that "[t]he United States took the [trademark and unfair competition] law of England as its own," quoting from the Fourth Edition of this coursebook, *i.e.*, Pattishall, Hilliard and Welch II, *Trademarks and Unfair Competition 2* (4th ed. 2000).

§ 1.02 The Nature of Trademark and Unfair Competition Law

The evolution from common law origins is discussed in *Federal Trade Commission v. Tashman*, 318 F.3d 1273, 1277 (11th Cir. 2003) ("*caveat emptor* is simply not the law and the district court's conclusion to the contrary is incorrect").

§ 1.03 Protection of The Private Interest

In *Kremen v. Cohen*, 337 F.3d 1024 (9th Cir. 2003), the court concluded that domain names are property, not simply service contracts, *i.e.*, that they are a form of intangible property capable of unlawful conversion. The case was remanded for determination of whether the domain name registrar was liable for conversion due to its unauthorized transfer of plaintiff's domain name to another party.

§ 1.04 Protection of The Public Interest

In *Times Mirror Magazines, Inc. v. Field & Stream Licenses Co.*, 294 F.3d 383 (2d Cir. 2002) the court held that "in order to obtain rescission of a freely bargained trademark contract, a party must show that the public interest will be significantly injured if the contract is allowed to stand". It went on to observe, "we have no doubt that there are situations in which consumer confusion will cause such harm. . . . In the absence of significant harm to the public, [however,] the district court [here] correctly declined to don the mantle of public interest to save plaintiff from a harm that is permitted by the contract."

**CHAPTER 2
CREATION AND MAINTENANCE OF
TRADEMARK RIGHTS**

§ 2.02 Adoption and Use

Use in a Trademark Manner

If the claimed term is not used in a trademark manner, no trademark rights will accrue. In *Microstrategy, Inc. v. Motorola, Inc.*, 245 F.3d 335, 341, 343 (4th Cir. 2001), for example, Microstrategy claimed rights in "Intelligence Everywhere" for communications software. It had used that phrase in annual reports, press releases, brochures, sales presentations and the like – but not as an indicator of source. In affirming judgment for defendant, the appellate court stated, "[u]se of a trademark to identify goods and services and distinguish them from those of others 'does not contemplate that the public will be required or expected to browse through a group of words, or scan an entire page in order to decide what particular word, separate from its context, may or may not be intended, or may or may not serve, to identify the product.' [Citations omitted]. . . . Microstrategy has presented a record of limited, sporadic and inconsistent use of the phrase."

In *ETW Corp. v. Jireh Publishing*, 332 F.3d 915 (6th Cir. 2003), the licensing agent for professional golfer Tiger Woods attempted to assert unregistered trademark rights in Woods' likeness in contesting the defendant's sales of art prints containing Woods' image. The court speculated that there must be thousands of images of Woods in photographs, paintings and the like, and rejected the assertion of rights. "ETW does not claim that a particular photograph of Woods has been consistently used on specific goods". See also the discussion for commercial rights in celebrity images in the Right of Publicity section in Chapter 8.

In *Herbko Int'l v. Kappa Books*, 308 F.3d 1156 (Fed. Cir. 2002), the court applied the rule that "the title of a single book cannot serve as a source identifier." While titles for multiple book series can serve as source identifiers, defendant's title CROSSWORD COMPANION for a single book could not. "[T]he public may associate a single book title with, at most, an author or a subject, but not with the source of a book – a publisher or printer."

Use By a Foreign Corporation

In *Int'l Bancorp, LLC v. Societe Des Bains De Mer*, 329 F.3d 359 (4th Cir. 2003), the court affirmed summary judgment that the declaratory judgment plaintiffs had infringed a foreign corporation's trademark rights by plaintiffs' registration and use of forty-three domain names, even though the foreign company's services under the mark were only rendered abroad. The foreign company, SBM, had operated a casino under the trademark "Casino de Monte Carlo" in Monte Carlo, Monaco since 1863. The mark was registered in Monaco, but not in the U.S. Plaintiffs operated on-line gambling websites under the infringing domain names, which all incorporated some portion of SBM's mark. The critical question was whether SBM had "used its mark in commerce" so as to be entitled to relief. SBM had a New York office that promoted its various resorts, but "[t]he Lanham Act and the Supreme Court . . . make clear that a mark's protection may not be based on mere advertising." The court concluded, however (329 F.3d at 366):

while SBM's promotions within the United States do not on their own constitute a use in commerce of the 'Casino de Monte Carlo' mark, the mark is nonetheless used in commerce because United States citizens purchase casino services sold by a subject of a foreign nation, which purchases constitute trade with a foreign nation that Congress may regulate under the Commerce Clause. And SBM's

promotions "use [] or display[] [the mark] in the sale or advertising of [these] services . . . rendered in commerce."

In support, the Fourth Circuit quoted the Supreme Court from the nineteenth century case, *Gibbons v. Ogden*, 22 U.S. 1, 193-94 (1824) (C.J. Marshall): "It has, we believe, been universally admitted, that [the foreign commerce clause] comprehends every species of commercial intercourse between the United States and foreign nations. No sort of trade can be carried on between this country and any other, to which this power does not extend."

The Court distinguished *Buti v. Perosa, S.R.L.*, 139 F.3d 98 (2d Cir. 1998), (p. 44 of the coursebook), because the plaintiff there conceded that "the food and drink services [it sells] form no part of the trade between Italy and the United States", and also conceded that plaintiff undertook no "formal advertising or public relations campaign [aimed at U.S. citizens]." Similarly, it distinguished *Person's Co. Ltd. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990), because the Japanese manufacturer in that case "had never used or displayed its mark to advertise or sell its products in the United States."

Here, SBM had provided proof of substantial advertising expenditures and significant sales success within the U.S., as well as "substantial unsolicited media coverage of the casino; frequent attempts by others to plagiarize the mark; and a long history of continuous, if not exclusive use of the mark." Furthermore, "SBM met its burden of proving secondary meaning [in the U.S.] because it had established that the plaintiff companies directly and intentionally copied the 'Casino de Monte Carlo' mark". "This case presents a record replete with demonstrations of SBM's singularly impressive commitment to building brand identity in the United States". Because confusion was likely, the lower court's order transferring the 43 domain names to SBM was affirmed.

In contrast, in *General Healthcare Ltd. v. Qashat*, 364 F.3d 332 (1st Cir. 2004), defendant's "Kent Creme Bleach" hair-lightening product was made in the U.S., shipped to the U.K., and then sold in the Middle East. Because the element of public use in the U.S. was lacking, defendant did not establish rights in this country.

§ 2.03 Priority

Plaintiff's widespread, free distribution of its COOLMAIL e-mail software over the Internet was sufficient to establish trademark rights under the "totality of circumstances" test in *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188 (11th Cir. 2001).

In *Grupo Gigante S.A. de C.V. v. Dallo Co., Inc.*, 119 F.Supp.2d 1083 (C.D. Cal. 2000), the plaintiff had used the mark GIGANTE for grocery stores in Mexico, and contested defendant's subsequent use of that mark for grocery stores in San Diego. The district court, quoting from McCarthy, *Trademark and Unfair Competition*, (ch. 29) observed that, "priority of trademark rights in the United States depends solely on priority of use in the United States, not on priority of use anywhere in the world." However, "[i]f a mark used only on products or services sold abroad is so famous that its reputation is known in the United States, then that mark should be legally recognized in the United States". In this case, plaintiff's use in Mexico did result in plaintiff's mark achieving sufficient fame in San Diego prior to the time defendants

began use of the mark, as confirmed by a survey. Because confusion was likely, summary judgment was granted to plaintiff. Nonetheless, because of plaintiff's unexcused delay in asserting its rights while defendant built up its business, the court declined to enjoin defendants' use in connection with its existing stores, instead indicating it would consider injunctive relief "[i]f the defendants at a later date change the nature or extent of their current exploitation of the Gigante name."

§ 2.04 Distinctive, Suggestive and Descriptive Terms

Another example of jury instructions can be found in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 252 F.3d 1010 (8th Cir. 2001) ("[e]xamples of a suggestive mark include Gleem for the name of a toothpaste and Roach Motel for the name of a pesticide"; affirming jury's verdict for defendant which found SEALTIGHT for self-sealing fasteners merely descriptive). See also *U.S. Search LLC v. U.S. Search.com, Inc.*, 300 F.3d 517 (4th Cir. 2002); in which the court stated "Coppertone, Orange Crush and Playboy are good examples of suggestive marks because they conjure images of the associated products without directly describing [them] . . . Examples of merely descriptive marks include After Tan post-tanning lotion, 5 Minute Glue, and Yellow Pages phone directory." The court affirmed that plaintiff's use of "U.S. Search" for an executive recruiting and placement firm was at best descriptive, and that secondary meaning had not been shown.

§ 2.05 Geographical Terms

The two-part *Save Venice* test was applied in *Japan Telecom, Inc. v. Japan Telecom America, Inc.*, 287 F.3d 866 (9th Cir. 2002). There the appellate court held that the district court had erred in finding the trade name "Japan Telecom" primarily geographically deceptively misdescriptive for plaintiff's California – based company, because it had ignored "evidence that consumers might understand the word in [that] name as referring to a specific ethnic community, rather than the country", i.e., as indicating that the company "caters to the Japanese community." Concluding the Japan Telecom name nonetheless lacked secondary meaning and was unprotectable, the court affirmed summary judgment for defendant.

The Federal Circuit subsequently clarified the effect of NAFTA on the analysis of primarily geographically deceptively misdescriptive terms, as discussed in the case below.

IN RE LES HALLES DE PARIS J.V.

United States Court Of Appeals For the Federal Circuit
334 F.3d 1371 (2003)

RADER, CIRCUIT JUDGE

* * *

On July 14, 1999, Les Halles filed its application to register the service mark LE MARAIS in connection with "restaurant services" in International Class 42. The application documented use of the mark from as early as June 4, 1995, as the name for Les Halles' restaurant in New York that serves a French kosher cuisine. The United States Patent and Trademark Office (PTO) concluded that the mark is primarily geographically deceptively misdescriptive under section 2(e) (3) and refused to register it on the Principal Register. After rejecting Les Halles' request for reconsideration, the PTO made its refusal to register the mark final on September 12, 2000.

Les Halles appealed to the Board, which affirmed the PTO's refusal to register Les Halles' mark. As evidence that the mark uses misdescriptive geographic terms, the Board referred to articles and travel brochures about the Jewish quarter or neighborhood in Paris known as Le Marais. This record evidence included various statements about Le Marais being a fashionable Jewish area in Paris with fine restaurants. For example, one articles stated: "Over the years Le Marais has moved from obscurity into a gilded age of offbeat and referenced Le Maria as "the old Jewish Quarter ... [which] blends chic apartment renovations with tiny cafes, fine new restaurants and ancient synagogues, all on narrow, sinuous streets."

Based on this record, the Board concluded: The primary significance of [LE MARAIS], at least to an appreciable segment of applicant's restaurant patrons, will be of the geographic location in Paris. In addition, the Board reasoned that because Les Halles' restaurants "are touted as being French kosher steakhouses ... actual and potential customers of applicant's restaurants will believe that there is a connection between applicant's restaurants and the [Jewish Quarter] in Paris known as Le Marais." The Board emphasized that it was "not finding that the Examining Attorney has shown that Le Marais is noted for its restaurants or cuisines." Ultimately, however, the Board affirmed the PTO's refusal to register Les Halles' mark under section (e) (3) because it is primarily geographically deceptively misdescriptive.

* * *

This court recently addressed the legal standard for primarily geographically deceptively misdescriptive marks under section (e) (3). See *In re California Innovations, Inc.*, 329 F.3d 1334 (Fed. Cir. 2003). In that case, this court took the opportunity provided by the NAFTA amendments to the Landham Act to reexamine the legal test for geographically deceptively misdescriptive marks. See *North American Free Trade Agreement*, Dec. 17, 1992, art. 1712, 32 I.L.M. 605, 698, as implemented by NAFTA Implementation Act, Pub. L. No. 103-182, 107 Stat. 2057 (1993). This court concluded that the test applied in the past overlooked that a mark only invokes the prohibitions of section 2(e) (3) by deceiving the public with a geographic misdescription. The NAFTA amendments placed the emphasis on the statutory requirement to show deception by imposing the same restrictions on section 2(e) (3) marks that apply to other deceptive marks. *California Innovations*, 329 F.3d at 1338-40. Thus, this court applied a test for section 2(e) (3) required by the statute with a focus on whether the public is deceived, rather than solely on whether the mark was distinctive. *Id.*

This court stated: "To ensure a showing of deceptiveness ... the PTO may not deny registration [under section 2(e) (3)] without a showing that the goods-place association made by the consumer is material to the consumer's decision to purchase those goods." *Id.* at 1340. Under section 2(e) (3), therefore, a mark is primarily geographically deceptively misdescriptive if

- (1) the primary significance of the mark is a generally known geographic location,
- (2) the consuming public is likely to believe the place identified by the mark indicates the origin of the goods [or services] bearing the mark, when in fact the goods [or services] do not come from that place, and (3) the misrepresentation was a material factor in the consumer's decision.

Id. at 1341.

While California Innovations involved a mark to identify the source of goods, the analysis under section 2(e) (3) applies to service marks as well. Application of the second prong of this test – the services-place association – requires some consideration. A customer typically receives services, particularly in the restaurant business, at the location of the business. Having chosen to come to that place for the services, the customer is well aware of the geographic location of the service. This choice necessarily implies that the customer is less likely to associate the services with the geographic location invoked by the mark rather than the geographic location of the service, such as a restaurant. In this case, the customer is less likely to identify the services with a region of Paris when sitting in a restaurant in New York.

Although the services-place association operated somewhat differently than a goods-place association, the second prong nonetheless continues to operate as part of the test for section 2(e) (3). In a case involving goods, the goods-place association often requires little more than a showing that the consumer identifies the place as a known source of the product. See *In re Loew's Theatres, Inc.*, 769 F.2d 764, 767-69 (Fed. Cir. 1985); *California Innovations*, 329 F.3d at 1340. Thus, to make a goods-place association, the case law permits an inference that the consumer associates the product with the geographic location in the mark because that place is known for producing the product. *Id.* In the case of a services-place association, however, a mere showing that the geographic location in the mark is known for performing the service is not sufficient. Rather the second prong of the test requires some additional reason for the consumer to associate the services with the geographic location invoked by the mark. See *In re Municipal Capital Markets, Corp.*, 51 USPQ2d 1369, 1370-71 (TTAB 1999) (Examining Attorney must present evidence that does something more than merely establish that services as ubiquitous as restaurant services are offered in the pertinent geographic location."). Thus, a services-place association in a case dealing with restaurant services, such as the present case, requires a showing that the patrons of the restaurant are likely to believe the restaurant services have their origin in the location indicated by the mark. In other words, to refuse registration under section 2(e) (3), the PTO must show that patrons will likely be misled to make some meaningful connection between the restaurant (the service) and the relevant place.

For example, the PTO might find a services-place association if the record shows that patrons, though sitting in New York, would believe the food served by the restaurant was imported from Paris, or that the chefs in New York received specialized training in the region in

Paris, or that the New York menu is identical to a known Parisian menu, or some other heightened association between the services and the relevant place. This court does not decide whether these similarities would necessarily establish a services-place association or presume to limit the forms of proof for a services-place association with these examples. Rather, this court only identifies some potential showings that might give restaurant patrons an additional reason beyond the mark itself to identify the services as originating in the relevant place.

This court recognizes that the standard under section 2(e) (3) is more difficult to satisfy for service marks than for marks on goods. In fact, for the reasons discussed above, geographic marks in connection with services are less likely to mislead the public than geographic marks on goods. Thus, a different application of the services-place association prong is appropriate, especially in the context of marks used for restaurant services – "some of the very most ubiquitous of all types of services." *Municipal Capital Markets*, 51 USPQ2d at 1370.

Beyond the second prong, however, the misleading services-place association must be a material factor in the consumer's decision to patronize the restaurant. This materiality prong, as noted by *California Innovations*, provides some measure for the statutory requirement of deception. *California Innovations*, 329 F.3d at 1340 (citing *In re House of Windsor*, 221 USPQ 53, 56-57 (TTAB 1983) for the materiality test). For goods, the PTO may raise an inference in favor of materiality with evidence that the place is famous as a source of the goods at issue. See *id.* at 1341.

To raise an inference of deception or materiality for a service mark, the PTO must show some heightened association between the services and the relevant geographic denotation. Once again, this court does not presume to dictate the form of this evidence. For restaurant services, the materiality prong might be satisfied by a particularly convincing showing that identifies the relevant place as famous for providing the specialized culinary training exhibited by the chef, and that this fact is advertised as a reason to choose this restaurant. In other words, 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, leaving the PTO to seek direct evidence of materiality. In any event, the record might show that customers would patronize the restaurant because they believed the food was imported from, or the chef was trained in, the place identified by the restaurant's mark. The importation of food and culinary training are only examples, not exclusive methods of analysis, as already noted.

In this case, the PTO and the Board did not apply the necessary standard to conclude that Les Halles' mark is primarily geographically deceptively misdescriptive. The Board concluded that the mark is primarily geographic in nature, and that patrons of Les Halles' restaurant would believe the restaurant services bear some connection to the Le Marais area of Paris. The Board's decision, however, does not show a services-place association or the materiality of that association to a patron's decision to patronize Les Halles' restaurant. To be specific, the record does not show that a diner at the restaurant in question in New York City would identify the region in Paris as a source of those restaurant services. Further, the record does not show that a material reason for the diner's choice of this restaurant in New York City was its identity with the region in Paris. At best, the evidence in this record shows that Les Halles' restaurant conjures up memories or images of the Le Marais area of Paris. This scant association falls far short of

showing a material services-place association. Accordingly, this court vacates the Board's decision and remands for application of the appropriate standard in accordance with this opinion.

* * *

In *In re California Innovations, Inc.*, 329 F.3d 1334 (Fed. Cir. 2003), cited in *In re Les Halles De Paris J.V.*, the Federal Circuit explained:

[T]he relatively easy burden of showing a naked goods-place association without proof that the association is material to the consumer's decision is no longer justified, because marks rejected under §1052(e)(3) can no longer obtain registration through acquired distinctiveness under §1052(f). To ensure a showing of deceptiveness and [that the geographical term is] misleading before imposing the penalty of non-registrability, the PTO may not deny registration without a showing that a goods-place association made by the consumer is material to the consumer's decision to purchase those goods.

The court opined that although materiality was not explicitly mentioned in either case, in both *In Re Save Venice* and *In re Wada* (described in the coursebook at pp. 68-69) the court implicitly found that the applied for mark made a geographical misrepresentation that was material to consumers. Here, for the applied mark CALIFORNIA INNOVATIONS, "the evidence of a connection between California and insulated bags and wraps is tenuous. Even if the evidence supported a finding of a goods-place association, the PTO has yet to apply the materiality test in this case." The Board's refusal to register therefore was vacated and the case remanded for consideration under the proper standard.

Compare In re MBNA Am. Bank, 340 F.3d 1328 (Fed. Cir. 2003), in which the court rejected intent-to-use applications to register MONTANA SERIES and PHILADELPHIA CARD for "credit card services feature credit cards depicting scenes or subject matter of, or relating to" those geographic areas. While not raising traditional geographic issues, the applied for marks were found to be merely descriptive, because their consumer appeal rested on their ability to "immediately convey information about the specific regional affinity."

In contrast to trademarks which signify product source, certification marks indicate product quality and not necessarily source. Because "any person who meets the standards and conditions which the mark certifies" must be permitted to use a certification mark, and because there is a "public interest in free and open competition among producers and distributors of the certified product" as well as in protection of "the market players from the influence of the certification mark owner", the Second Circuit in *Idaho Potato Comm'n v. M&M Produce Farm & Sales*, 335 F.3d 130 (2d Cir. 2003) permitted an ex-licensee on remand to challenge the validity of various IDAHO-derivative certification marks for potatoes. The public interest element caused the principles of licensee estoppel, which might preclude such a challenge to a trademark license, to not apply. *See also* the discussion on licensee estoppel in § 4.05.

§ 2.06 Surnames

In *Ford Motor Co. v. Ford Financial Solutions*, 103 F. Supp.2d 1126 (N.D. Iowa 2000), the defendant and its officers were permanently enjoined from using FORD in conjunction with FINANCIAL SOLUTIONS, including in the domain name fordfinancialsolutions.com, or using any other colorable imitation of various FORD names and marks in the financial services industry. The court found that "[b]y virtue of Ford's and Ford Credit's long use, advertising, and promotion, the FORD Name and Marks are distinctive and famous, possessing a strong secondary meaning signifying Ford and the financial services it offers and provides." Concluding that confusion was likely, the court rejected defendant's defense of the right to use a personal name. "The fact that FFS' owner's last name is Ford is no defense to a finding of trademark infringement. . . . when an individual's use of his or her personal name violates the rights associated with a prior used trademark, that individual will be prevented from using his or her name."

In *John Zink Co. v. Zink*, F.3d 1256 (10th Cir. 2001), the court held defendant in contempt for violating an injunction against use of his JOHN ZINK name in competition with plaintiff. Plaintiff had acquired the rights in that name from defendant's father for use in connection with gas and liquid fuel burners. "The purpose [of the injunction] was to permit Mr. Zink [the son] to continue to operate and to act as an individual using his proper name as he is known and has been known, but to prevent it from being linked to competitive sales endeavors in the particular business."

Judge Posner explained the principles underlying the analysis of personal names as trademarks in the following case.

PEACEABLE PLANET, INC. v. TY, INC.

United States Court of Appeals, Seventh Circuit
2004 U.S. App. LEXIS 6326 (2004)

POSNER, CIRCUIT JUDGE

* * *

In the Spring of 1999, Peaceable Planet began selling a [toy] camel that it named "Niles." The name was chosen to evoke Egypt, which is largely desert except for the ribbon of land bracketing the Nile. The camel is a desert animal, and photos juxtaposing a camel with an Egyptian pyramid are common. The price tag fastened to Nile's ear contains information both about camels and about Egypt, and the Egyptian flag is stamped on the animal.

A small company, Peaceable Planet sold only a few thousand of its camels in 1999. In March of the following year, Ty began selling a camel also named "Niles." It sold a huge number of its "Niles" camels – almost two million in one year – precipitating this suit. The district court ruled that "Niles," being a personal name, is a descriptive mark that the law does not protect unless and until it has acquired secondary meaning, that is, until there is proof that

consumers associate the name with the plaintiff's brand. Peaceable Planet did not prove that consumers associate the name "Niles" with its camel.

The general principle that formed the starting point for the district court's analysis was unquestionably sound. A descriptive mark is not legally protected unless it has acquired secondary meaning. [citations omitted]. An example is "All Bran." The name describes the product. If the first firm to product an all-bran cereal could obtain immediate trademark protection, and thus prevent all other producers of all-bran cereal from describing their product as all bran, it would be difficult for competitors to gain a foothold in the market. They would be as if speechless. Had Peaceable Planet named its camel "Camel," that would be a descriptive mark in a relevant sense, because it would make it very difficult for Ty to market its own camel – it wouldn't be satisfactory to have to call it "Dromedary" or "Bactrian."

Although cases and treatises commonly describe personal names as a subset of descriptive marks ... it is apparent that the rationale for denying trademark protection to personal names without proof of secondary meaning can't be the same as the rationale just sketched for marks that are "descriptive" in the normal sense of the word. Names, as distinct from nicknames like "Red" or "Shorty," are rarely descriptive. "Niles" may evoke but it certainly does not describe a camel, any more than "Pluto" describes a dog, "Bambi" a fawn, "Garfield" a cat, or "Charlotte" a spider. (In the *Tom and Jerry* comics, "Tom," the name of the cat, could be thought descriptive, but "Jerry," the name of the mouse, could not be.) So anyone who wanted to market a toy camel, dog, fawn, cat, or spider would not be impeded in doing so by having to choose another name.

The reluctance to allow personal names to be used as trademarks reflect valid concerns (three such concerns, to be precise), but they are distinct from the concern that powers the rule that descriptive marks are not protected until they acquire secondary meaning. One of the concerns is a reluctance to forbid a person to use his own name in his own business. [Citations omitted]. Supposing a man named Brooks opened a clothing store under his name, should this prevent a second Brooks from opening a clothing store under his own (identical) name even though consumers did not yet associate the name with the first Brooks's store? It should not. [Citations omitted.]

Another and closely related concern behind the personal-name rule is that some names are so common – such as "Smith," "Jones," "Schwartz," "Wood," and "Jackson" – that consumers will not assume that two products having the same name therefore have the same source, and so they will not be confused by their bearing the same name. [Citations omitted]. If there are two bars in a city that are named "Steve's," people will not infer that they are owned by the same Steve.

The third concern, which is again related but brings us closest to the rule regarding descriptive marks, is that preventing a person from using his name to denote his business may deprive consumers of useful information. Maybe "Steve" is a well-known neighborhood figure. If he can't call his bar "Steve's" because there is an existing bar of that name, he is prevented from communicating useful information to the consuming public. [Citations omitted].

The scope of a rule is often and here limited by its rationale. Or, to make the same point differently, one way of going astray in legal analysis is to focus on the semantics of a rule rather than its purpose. Case 1 might say that a personal name could not be [protected] in the circumstances of that case without proof of secondary meaning. Case 2 might say that personal names cannot be [protected] without proof of secondary meaning but might leave off the qualifications implicit in the circumstances of the case. And then in Case 3 the court might just ask, is the trademark at issue a personal name? As we observed in *AM Int'l, Inc. v. Graphic Management Associates, Inc.*, 44 F.3d 572, 575 (7th Cir. 1995), "rules of law are rarely as clean and strict as statements of them make them seem. So varied and unpredictable are the circumstances in which they are applied that more often than not the summary statement of a rule – the terse formula that judges employ as a necessary shorthand to prevent judicial opinions from turning into treatises – is better regarded as a generalization than as the premise of a syllogism." The "rule" that personal names are not protected as trademarks until they acquire secondary meaning is a generalization, and its application is to be guided by the purposes that we have extracted from the case law. When none of the purposes that animate the "personal name" rule is present, and application of the "rule" would impede rather than promote competition and consumer welfare, an exception should be recognized. And will be; for we find cases holding, very sensibly – and with inescapable implications for the present case – that the "rule" does not apply if the public is unlikely to understand the personal name as a personal name. *Lane Capital Management, Inc. v. Lane Capital Management, Inc.*, 192 F.3d 337, 345-46 (2d Cir. 1999); *Circuit City Stores, Inc. v. CarMax, Inc.*, 165 F.3d 1047, 1054 (6th Cir. 1999).

The personal-name "rule," it is worth noting, is a common law rather than statutory doctrine. All that the Lanham Act says about personal names is that a mark that is "primarily merely a surname" is not registrable in the absence of secondary meaning. 15 U.S.C. §§ 1052(e)(4), (f). There is no reference to first names. The reason for the surname provision is illustrated by the Brooks example. The extension of the rule to first names is a judicial innovation and so needn't be pressed further than its rationale, as might have to be done if the rule were codified in inflexible statutory language. Notice too the limitation implicit in the statutory term "primarily."

In thinking about the applicability of the rationale of the personal-name rule to the present case, we should notice first of all that camels, whether real or toy, do not go into business. Peaceable Planet'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 under its own name. The second thing to notice is that "Niles" is not a very common name; in fact it is downright rare. And the third thing to notice is that if it were a common name, still there would be no danger that precluding our hypothetical Saharan water carrier from using its birth name "Niles" would deprive that camel's customers of valuable information. In short, the rationale of the personal-name rule is wholly inapplicable to this case.

What is more, if one wants to tie the rule in some fashion to the principle that descriptive marks are not protectable without proof of second meaning, then one must note that "Niles," at least when affixed to a toy camel, is a suggestive mark, like "Microsoft" or "Business Week," or – coming closer to this case – like "Eor" used as the name of a donkey, or the proper names in *Circuit City Stores, Inc. v. CarMax, Inc.*, supra 165 F.3d at 1054, rather than being a descriptive

mark. Suggestive marks are protected by trademark law without proof of secondary meaning. [Citations omitted]. Secondary meaning is not required because there are plenty of alternatives to any given suggestive mark. There are many more ways of suggesting than of describing. Suggestive names for camels include "Lawrence [of Arabia]" (one of Ty's other Beanie Babies is a camel named "Lawrence"); "Desert Taxi," "Sopwith" (the Sopwith Camel was Snoopy's World War I fighter plane), "Camelia," "Traveling Oasis," "Kamelsutra," "Cameleon," and "Humpty-Dumpy."

If "Niles" cannot be a protected trademark, it must be because to give it legal protection would run afoul of one of the purposes of the common law rule that we have identified rather than because it is a descriptive term, which it is not. But we have seen that it does not run afoul of any of those purposes. "Niles" is not the name of the defendant – it's not as if Peaceable Planet had named its camel "Ty Inc." or "H. Ty Warner." It also is not a common name, like "Smith" or "Jackson." And making Ty use a different name for its camel would not deprive the consumer of valuable information about Ty or its camel.

Treating the personal-name rule as a prohibition against ever using a personal name as a trademark (in the absence of secondary meaning) would lead to absurd results, which is a good reason for hesitating to press a rule to its logical limit, its semantic outer bounds. It would mean that the man who invented "Kitty Litter" could not [protect] the name ("Kitty" is a more common first name than "Niles") until it had acquired secondary meaning. So as soon as "Kitty Litter" hit the market, a much larger producer of cat litter could appropriate the name, flood the market with its product, and eventually obtain an enforceable trademark in the name by dint of having invested it with secondary meaning, squashing the originator. This is not an entirely fanciful example. Kitty Litter was invented (and named) in 1947 by a young man, Ed Lowe, in Cassopolis, Michigan, a town of notable obscurity. (As recently as July 2002, its population was only 1,703. We do not know what it was in 1947.) At first he sold the new product mainly to neighbors. On Ty's conception of the personal-name rule, without a patent Lowe could not have prevented a large company from selling the same product under the same name, thus squashing him. We cannot see what purpose of trademark law would be served by encouraging such conduct. Ty marks its "Niles" camel with the trademark symbol, and given the ratio of its sales to those of Peaceable Planet's "Niles," the Ty Niles may be well on its way to acquiring secondary meaning – at which point it will be able to enjoin Peaceable Planet from using the name on Peaceable's camel even though Peaceable thought of naming a camel "Niles" before Ty did. For all we know, Ty may have copied the idea from Peaceable, though Peaceable has not proved that.

Ty argues (we are quoting from its brief) that "one competitor should not be allowed to impoverish the language of commerce by monopolizing descriptive names," and "there are a limited number of personal names that are recognized as such by the public." All true. But the suggestion that "Niles" belongs to the limited class of "recognized" names or that "Niles" is the only way to name a camel is ridiculous.

And there is more: as both *Lane Capital Management, Inc. v. Lane Capital Management, Inc.*, and *Circuit City Stores, Inc. v. CarMax, Inc.*, which we cited earlier, point out, a word that is used as a person's name can be understood as something else ("Kitty," again), in which event

the personal-name rule falls by the wayside. On the question whether "Niles" is likely to be understood by the plush-toy consuming public as a personal name rather than as a play on "Nile" the river, Ty conducted a survey in which about half the respondents indicated that they consider "Niles" a personal name. That is not an impressive fraction; imagine the response if one asked whether "William" is a personal name, or "Michael" or "Judith." Moreover, the survey was limited to adults even though Ty's primary market is children, and the questions posed to the respondents were slanted by obsessive repetition of the term "person's name," as in (we are quoting from the survey) "Do you think of the word on this card mainly as a person's name, mainly as something other than a person's name, or as both a person's name and as something else, or don't you have an opinion?" The intention doubtless was to create a subliminal association between "Niles" and "person's name." But the survey was not merely devoid of probative value, unprofessional, and probably inadmissible under the *Daubert* standard; it was irrelevant. If people were asked what came to mind when they saw the word "Niles" and they said a camel, there would be an argument that "Niles" was a descriptive mark, and Peaceable Planet would be sunk. The fact that "Niles" can be a person's name (as can almost any combination of letters) – although according to Ty's own statistics only about one resident of Illinois in 50,000 is named "Niles" – does not bear on whether "Niles" is a descriptive mark as applied to a plush toy camel. It is not.

There is a town named "Niles" in Illinois and another one in Michigan, and this is a reminder of the importance of context in characterizing a trademark. "Apple" is a generic term when used to denote the fruit, but a fanciful mark (the kind that receives the greatest legal protection) when used to denote a computer. If a gas station in Niles, Michigan, calls itself the "Niles Gas Station," it cannot before acquiring secondary meaning enjoin another firm from opening the "Niles Lumber Yard" in the town, on the ground that people will think that the firms are under common ownership. [Citations omitted]. In a town named Niles, firms bearing the name are sharing a name that is too common to be appropriable without proof of secondary meaning. That is not the case when the name is applied to a camel. And while both Niles, Illinois, and Niles, Michigan, are fine towns, neither is the place of origin of the camel or identified with that animal in some other way.

We conclude that Peaceable Planet has a valid trademark in the name "Niles" as applied to its camel, and so the case must be returned to the district court, where Peaceable Planet [will have] to prove infringement of its trademark ...

* * *

CHAPTER 3

TRADEMARK REGISTRATION AND ADMINISTRATIVE PROCEEDINGS

§ 3.01 Introduction

While federal registration of a trademark confers many benefits, as discussed in this chapter, it is important to remember that protectable common law rights can be established by use alone. The Lanham Act provides a cause of action for infringement of unregistered marks

under § 43(a), 15 U.S.C. 1125(a). *See, e.g., Waymark Corp. v. Porta Sys. Corp.*, 334 F.3d 1358 (Fed. Cir. 2003) (although plaintiff's BATTSCAN mark had not been registered at time lawsuit was filed, registration was not required under § 43(a)).

§ 3.02 The Benefits of Federal Registration

In *Retail Services v. Freebies Publishing*, 364 F.3d 535 (4th Cir. 2004), plaintiff was unsuccessful in asserting rights in its incontestably registered mark "Freebies" after the court found it was a generic term for items offered for free. "[I]ncontestability is never a shield for a mark that is generic." See also the discussion on genericness in chapter 4.

In *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061 (9th Cir. 2003), *cert. granted*, 124 S. Ct. 981 (2004), the court held that where an entire logo mark containing the words "micro color" was incontestably registered for color pigments used for permanent skin pigmentation (similar to a tattoo), "micro color" could not be challenged as being merely descriptive. "[N]ot only Lasting's logo mark itself is protected by the registration, but also the words 'micro color' as the most salient feature of the logo mark."

§ 3.03 Acquisition and Maintenance of Federal Registrations

Normal trademark analysis applies to applicants to register domain names as trademarks. An applicant was unsuccessful in its attempt to register NATIONALCONTACTS.COM and NATIONALCONTACTLENSES.COM for "on-line retail services, mail order services, and retail stores featuring contact lenses, eyeglasses and accessories", for example, in *In re AnyLens Acquisition, LLC*, 62 Fed. Appx. 698 (Fed. Cir. 2003). The court affirmed that: (1) The phrases "contacts" and "contact lenses" were descriptive of several of the proposed services; (2) The phrase "national" described the geographic extent of the services; and (3) the ".com" suffix lacked any trademark significance, as it was nothing more than "a reference to a top level domain designation".

§ 3.05[A] Multi-National Registrations – The Madrid Protocol

The United States is scheduled to become a member of the Madrid Protocol on the *later* of (1) the date on which the Madrid Protocol enters into force with respect to the United States (*i.e.*, three months after deposit with WIPO of the instrument of accession) or (2) November 2, 2003, one year after the date that the Madrid Protocol Implementation Act was signed into law by the President.

The Madrid Protocol creates a centralized filing system by which trademark owners in member countries can obtain and maintain trademark rights in other member countries. Unlike the Community Trade Mark System, which provides a unitary registration for all of the European Union, the Madrid Protocol sets up a streamlined operation for applying and registering marks in individual foreign countries. Therefore, the Madrid Protocol does not itself create trademark rights but is merely a process by which national trademark rights in multiple countries may be obtained. Approximately seventy jurisdictions are parties to the Madrid Protocol, including Australia, China, France, Germany, Japan, the Netherlands, Spain, Turkey and the United Kingdom.

To obtain protection of a trademark in other member countries, a trademark owner must first own a trademark application or registration in a member country. This application or registration will form the "basic" application or registration. In addition, the trademark owner must be either a national of that member country, be domiciled there, or have a real and effective place of business in that country.

The trademark owner can then file a single Madrid Application based on the basic application with the basic application's trademark office ("Office of Origin"). Under the Madrid Protocol, an applicant may freely choose his or her Office of Origin on the basis of establishment, domicile, or nationality, with the understanding that there is to be only one Office of Origin. For example, a trademark owner in the United States could file its Madrid Application with the United States Patent and Trademark Office. The applicant pays one fee based on the number of countries designated and the application then can be expanded to include any number of additional member countries.

The Office of Origin examines the Madrid Application and certifies that the information in the Madrid Application is the same information contained in the basic application or registration. The trademark owner's Office of Origin then forwards the Madrid Application to the International Bureau of WIPO. WIPO examines the application to make certain it conforms with the minimal established formalities, *e.g.* the appropriate fee is paid. If the requirements have been met, WIPO publishes the Madrid Application in the *WIPO Gazette of International Marks* and conveys the information in the application to all of the member countries which the trademark owner has designated.

The member countries that receive the Madrid Application information from WIPO are to treat the application as a properly filed national application. Those member countries independently examine the application under the same standards they use to examine national applications. If the member country is going to refuse registration in its country, it must do so within a set period of time. The Madrid Protocol sets this time period as twelve months, with possible extension to eighteen months and even longer if the national office notifies WIPO of a possible refusal based on an opposition. If the member country fails to act within this time period, the Madrid Registration takes effect and the trademark owner enjoys the same rights as if the application had passed through the national registration system. If the member country refuses registration within the set time period, the country sends its objections to WIPO and WIPO forwards them to the applicant. The applicant then must appoint local counsel to respond to the objections.

If the member country issues the registration in its country, the mark receives the same protection as other national marks. The Madrid Registrations enjoy the right of priority found in Article 4 of the Paris Convention. Therefore, the date of the Madrid Registration will be the date of filing the Madrid Application in the Office of Origin, provided that WIPO receives the Madrid Application, without deficiency, within two months of the filing date. If WIPO does not receive the application without deficiency within two months of the filing, the effective Madrid Registration date will be the day WIPO receives the last piece of missing information.

For the first five years, the existence of the Madrid Registration depends on the fate of the basic registration. For example, if a U.S. trademark owner's federal registration was canceled

or limited in any way, the Madrid Registration would be likewise canceled or limited. If such a cancellation or limitation occurs, it is known as a "central attack." There is a three month window, however, after a central attack, during which a Madrid Registration can be transformed into corresponding national rights in the various designated countries and retain the priority in those other countries that was established by the failed Madrid Registration. If, after five years, the Madrid Registration is not canceled or limited in any way, it becomes independent of the basic registration.

The Madrid Registration's term is ten years. Trademark owners can renew the Madrid Registration for another ten years through a single filing with WIPO. This renews any national rights the trademark owner obtained in member countries. A single filing with WIPO can also accomplish any post-registration modifications such as changes of name or address.

Notices of assignments of Madrid Registrations are filed with WIPO as well. Under the Madrid Protocol, any assignment must be made to a party that itself is qualified to file for a Madrid Registration. Parties may assign the basic application, the entire Madrid Registration, or any of the individual country designations. National laws govern the assignments. Therefore, under U.S. trademark law, a mark may not be assigned without its respective goodwill. (See the discussion on assignments in Chapter 4). There is no such requirement under the Madrid Protocol, however, so to ascertain whether a party transferred goodwill with an assignment, a search of the records of the relevant national offices would be necessary.

The Madrid Registration itself does not confer trademark rights and the Madrid Protocol is not trademark law. Therefore, infringement actions have to be prosecuted and defended individually in the courts of the respective member countries. Those conducting trademark clearance searches normally will want to include a search of the WIPO database. Possible conflicting marks may exist in that database which either bear earlier filing dates, or may not yet have been notified to the USPTO and entered into its database.

[1] Benefits of the Madrid Protocol

- Madrid Protocol filings are made in a single office and in a single language, which can be English.
- The Madrid Protocol applicants pay one fee in one currency.
- There is no need to obtain legal representation in every country in which the applicant wants trademark protection. Local representation, however, may be needed if member countries raise issues during the registration process.
- Renewals, changes in addresses or ownership, and changes in goods and services can be made by one filing and one fee.
- Because of the set amount of time member countries have to respond to Madrid Registrations, obtaining protection through the Madrid Protocol may be faster than obtaining rights by filing an individual national application.
- Designations of protection to additional member countries may be made to the Madrid Application after registration. These additional registrations, as long as they are not refused in the respective countries, will be effective

from the date on which WIPO records the application for territorial expansion. Therefore, the Madrid Protocol facilitates the expansion of use of trademarks into new markets.

[2] Drawbacks of the Madrid Protocol

- Madrid Registrations can only be assigned to a party that itself is qualified to file a Madrid Application.
- For the first five years, if the basic application is amended or refused, or the registration cancelled, in the Office of Origin, that same action is taken against the Madrid Registration, unless it is transformed into corresponding national rights within three months.
- The trademarks in Madrid Registrations cannot be amended after registration.
- The USPTO currently requires a more detailed and less broad description of goods and services than many other Madrid Protocol countries require. Therefore, because Madrid Registrations are dependent on the basic application, trademark owners who register their Madrid Application through the USPTO may receive narrower protection than they would have received had they filed individual national applications.

It appears that it would be an option for a U.S. company that has a real and effective place of business in another member country to file a basic application and Madrid Application there. Trademark owners are free to choose their Offices of Origin, as long as the owner is a national, domicile, or has a place of real and effective business in a member country.

§ 3.06[A] Trademark Trial and Appeal Board

As indicated in the coursebook, a final decision of the T.T.A.B. may either be appealed to the Federal Circuit or to a federal district court for review in a trial de novo. While the district court may consider new evidence in such cases, it must give the T.T.A.B.'s findings of fact deference under the standards of the Administrative Procedure Act ("APA"), 5 U.S.C. § 706, and accept them unless they are unsupported by substantial evidence. *Dickinson v. Zurko*, 527 U.S. 150, 162-63 (1999) (noting that the difference between the substantial evidence standard and the clearly erroneous standard is "subtle" and "so fine" that the Court could not find a single case where the result would have been different if one standard rather than the other was applied); *CAE, Inc. v. Clean Air Engineering, Inc.*, 267 F.3d 660, 676 (7th Cir. 2001) (affirming the district court's judgment, based on new evidence, that confusion was likely, after the T.T.A.B. had held to the contrary). For a good discussion of the different avenues of appeal of T.T.A.B. decisions, and their procedural and evidentiary consequences, see the *CAE, Inc. v. Clean Air Engineering* decision at 674-676.

§ 3.06[A][1] Opposition Proceedings

ETICKET was found generic for electronic tickets in *Continental Airlines, Inc. v. United Airlines, Inc.*, 53 U.S.P.Q.2d 1385 (T.T.A.B. 1999). See also the discussion on generic terms in Chapter 4.

In *Royal Appliance Mfg. Co. v. Minuteman Int'l, Inc.*, 30 Fed. Appx. 964 (Fed. Cir. 2002), the Federal Circuit explained that in opposition proceedings, "[t]he law is clear that, in determining likelihood of confusion, the Board must look to the description of the goods contained in the opposer's registration and the applicant's application, rather than to the goods' actual use."

Dilution (*see* Chapter 8) of a famous mark can be a basis for opposition. The owner of the mark TORO for lawn care products and similar products was unsuccessful in doing so in *Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q.2d 1164 (T.T.A.B. 2001). Because the mark's fame did not extend to the market for applicant's "ToroMR" magnetic heads for computer disk drives, the opposition was dismissed. In contrast, the NASDAQ Stock Market successfully established likely dilution in opposing another company's application to register NASDAQ for sports equipment and clothing in *The NASDAQ Stock Market, Inc. v. Anartica*, 69 U.S.P.Q. 2d 1718 (T.T.A.B. 2003). The exceptional fame of opposer's NASDAQ mark, and its expanded use on collateral products such as "t-shirts, hats, jackets, golf balls, footballs, basketballs and baseballs" were critical to the decision.

§ 3.06[B] International Trade Commission

The U.S. Customs Service has been renamed the Bureau of Customs and Border Protection, and now is part of the Department of Homeland Security.

CHAPTER 4 LOSS OF RIGHTS

§ 4.02 Generic Terms

"Fire-safe" was found likely to be generic on a preliminary injunction motion in *Stuhlberg Int'l Sales Co. v. John D. Brush Co.*, 240 F.3d 832 (9th Cir. 2001) ("thirteen competitors use the term 'fire safe' to refer to a type of category of safe, Brush itself has used the term in a generic sense, and the term is included in at least one dictionary"). "Church of Creator" was not generic in *Te-Ta-Ma Truth Foundation v. World Church of The Creator*, 297 F.3d 662 (7th Cir. 2002). Protecting that name would not "disabl[e] its rivals from explaining to consumers what they are" because "there are so many ways to describe religious denominations".

The challenging party failed to demonstrate consumer understanding of "micro color" as a common generic abbreviation in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061 (9th Cir. 2003), *cert. granted*, 124 S. Ct. 981 (2004). "[T]he contention that 'micropigmentation colors' is the generic term for the micropigmentation process [*i.e.*, for a permanent skin pigmentation process similar to tattoos] and that 'micro colors' is [a generic] abbreviation for that term ... is not one that reasonable minded jurors could accept."

In the "March Madness" case (excerpted in the coursebook at pp. 122-125) Judge Posner opined that a serious trademark owner will be assiduous in efforts to prevent generic misuse. Compare that with his comments in *Ty, Inc. v. Perryman*, 306 F.3d 509 (7th Cir. 2002), in which he vacated a judgment that had been entered under dilution law against generic misuse of "beanies" for stuffed toys (dilution law is discussed in Chapter 8). In the *Perryman* case he opined that a trademark owner could never successfully sue a dictionary publisher for such

generic misuse, and that allowing such actions against generic misuse might not be in the public interest, as ordinary language becomes enriched by the addition of generic terms derived from brand names. Because "beanies" had become a well-known nickname for Ty's stuffed toys, however, the Seventh Circuit did affirm an injunction against defendant's website use of the heading "Other Beanies" for third party products on her "bargainbeanies.com" website, and suggested a disclaimer for such products might be appropriate on remand. *See also*, Note, "Mark Madness': How Brent Musberger and the Miracle Bra May Have Led to a More Equitable and Efficient Understanding of the Reverse Confusion Doctrine in Trademark Law", 86 Va. L. Rev. 597 (2000).

§ 4.03 Abandonment

In *Cumulus Media, Inc. v. Clear Channel Comm'ns, Inc.*, 304 F.3d 1167 (11th Cir. 2002), after the plaintiff radio station had announced it was changing its name from "The Breeze", the defendant, a competitor, began using that name along with a logo similar to plaintiff's. Defendant also advertised "The Breeze is Back and on the air at 107.1 FM". In considering the lower court's grant of a preliminary injunction, the appellate court observed that, despite the announcement of a name change, plaintiff had continued making commercial use of the name in promotional materials that went "beyond mere token use". "While such an announcement is the type of circumstance from which intent not to resume may be inferred . . . it does not alone serve to make a prima facie showing of abandonment. A defendant must also introduce evidence of non-use."

The court rejected defendant's offer to make "curative" types of use designed to dispel any confusion with plaintiff. "Curative steps are sometimes required when a new user wants to use a mark that has been abandoned but is still associated by the public with its former holder". However, here there was evidence that defendant intended to divert listeners based on its deceptive use of the name, and the district court was "well within the bounds of its discretion" in prohibiting defendant from making *any* use of "The Breeze".

In *General Healthcare Ltd. v. Qashat*, 364 F.3d 332 (1st Cir. 2004), defendant was found to have abandoned its rights in "Kent Creme Bleach" for a hair-lightening product. The presumption of abandonment was raised by three years non-use, and the lower court had "properly concluded that [defendant's] noncommittal, indefinite of intent to resume use was insufficient as a matter of law to rebut the presumption." Similarly, in *Sloan v. Auditron Elec. Corp.*, 68 Fed. Appx. 386 (4th Cir. 2003), plaintiff was found to have abandoned his rights in AUDITRON for "book keeping and accounting and tax services" when he failed to provide any "concrete evidence" that he had made any bona fide use of the mark during the previous fifteen years or had made any definite plans to do so. A mark owner "cannot defeat an abandonment claim by simply asserting a vague, subjective intent to resume use of a mark at some unspecified future date." *See also Emergency One, Inc. v. Am. Fire Engine Co.*, 332 F.3d 264 (4th Cir. 2003) (after being properly instructed on remand that, "in order to avoid abandonment, a trademark owner who discontinues use of the mark must have an intent to resume use *in the reasonably foreseeable future*" (emphasis in original), a new jury determined that plaintiff lacked the requisite intent to resume use of AMERICAN EAGLE for fire engines and rescue vehicles, and had abandoned its rights).

In *Zelinski v. Columbia 300, Inc.*, 335 F.3d 633 (7th Cir. 2003), in contrast, the plaintiff successfully rebutted the presumption that he had abandoned his rights in PIN BREAKER for bowling balls raised by three years of non-use. While "Zelinski's mere statement that he didn't abandon his mark is insufficient", the court held that other evidence, including his discussions with other bowling ball companies interested in producing Zelinski's balls, sufficiently showed an intent to resume use and gave the jury "a reasonable basis to reject Columbia's abandonment defense."

Should a trademark owner be allowed to continue to assert trademark rights if it fails to take action against others who make identical use? In *Herman Miller, Inc. v. Palazzetti Imports and Exports, Inc.*, 270 F.3d 298, 317 (6th Cir. 2001), the appellate court directed the lower court on remand to consider whether plaintiff had abandoned trade dress rights in its Eames furniture designs because it allegedly had permitted the sale of third party reproductions for more than thirty years. "Although it appears unlikely that failure to prosecute [third party users], by itself, can establish that trade dress has been abandoned, it is possible that, in extreme circumstances, failure to prosecute may cause trade dress rights to be extinguished by causing a mark to lose its significance as an indication of source".

§ 4.04 Assignment Without Goodwill

In *Int'l Cosmetics Exchange, Inc. v. Gapardis Health & Beauty, Inc.*, 303 F.3d 1242 (11th Cir. 2002), noting that "there need not be any transfer of tangible assets", the court concluded that "the assignment was not in gross because it continued the association of the FAIR & WHITE trademark with the very goods [cosmetics] which created its reputation". Similarly, in *Vittoria North America, L.L.C. v. Euro-Asia Imports, Inc.*, 278 F.3d 1076 (10th Cir. 2001) the court deserved that the "[t]ransfer of assets is not a sine qua non of transferring the goodwill associated with a trademark". Because the bicycle tires sold by the assignee were substantially similar to the assignor's and the defendant did not allege "any sort of disruption in the kind or quality" of the tires, the assignment was valid.

§ 4.05 Licensing and Franchising

Licensing in Gross

In *Barcamerica Int'l USA Trust v. Tyfield Importer, Inc.*, 289 F.3d 589 (9th Cir. 2002), plaintiff's lawsuit against defendant's use of the mark "Leonardo Da Vinci" for wine failed because plaintiff had licensed a third party to use that mark for wine without exercising any quality control. In contending there had been sufficient quality control, plaintiff unsuccessfully tried to rely on its principal's occasional tasting of the licensee's wine, which he deemed "good", and on the licensee's own quality control efforts. The former was insufficient, and as to the latter, plaintiff and the licensee did not have "the type of close working relationship" that might support such reliance on the licensee's own efforts, unlike the relationships in cases such as *Taco Cabana* and *Transgo* (see p. 167 of the coursebook). As a result of its naked licensing, plaintiff was "estopped from asserting any rights in the mark." "Whether [the licensee's wine] was objectively 'good' or 'bad' is simply irrelevant. What matters is that [plaintiff, the licensor] played no meaningful role in holding the wine to a standard of quality – good, bad, or otherwise." See also *CNA Financial Corp. v. Brown*, 922 F.Supp. 567, 574 (M.D. Fla. 1996),

aff'd 162 F.3d 1334 (11th Cir. 1998) (holding company had engaged in naked licensing and abandoned rights in CNA for insurance underwriting services because it allowed each subsidiary-licensee to control its own services under the mark).

Licensee Estoppel

In *Creative Gifts, Inc. v. UFO*, 235 F.3d 540, 548 (10th Cir. 2000) (Shadur, J. by designation), the court determined that defendants' accusation of naked licensing was barred by licensee estoppel. Quoting from Callman, *Unfair Competition, Trademark & Monopolies*, 19:48 (Altman 4th ed. 2000), it summarized the doctrine as follows:

The licensee is estopped from claiming any rights against the licensor which are inconsistent with the terms of the license. This is true even after the license expires. He is estopped from contesting the validity of the mark, . . . or challenging the licensee agreement as void or against public policy, e.g., because it granted a naked license. But he may challenge the licensor's title to the mark based on events which occurred after the license expired.

In *Idaho Potato Comm'n v. M&M Produce Farm & Sales*, 335 F.3d 130 (2nd Cir. 2003), the court held that licensee estoppel did not apply to an ex-licensee for a *certification mark*. Unlike trademarks, certificate marks signify product quality and not necessarily product source, so that unrelated entities who meet the standards and conditions certified by the mark have a right to use it. This principle and the public interest in open competition exempted the ex-licensee's challenge from estoppel.

In considering an argument of licensee estoppel in *Twentieth Century Fox Film Corp. v. Marvel Enterprises, Inc.*, 277 F.3d 253 (2nd Cir. 2002), the court held that the licensee was *not* estopped from claiming that the licensor was falsely advertising the licensed product, but also held that the licensee had failed to prove at the preliminary injunction stage that such false advertising had occurred.

Franchising

A license does not need to be officially labeled as a franchise agreement for a court to find that it is in fact such an agreement, so that franchise disclosure and other obligations apply. *See, e.g., To-Am Equipment Co., Inc. v. Mitsubishi Caterpillar Forklift America, Inc.*, 152 F.3d 658 (7th Cir. 1998), where a \$1.5 million award for wrongful franchise termination was affirmed. A jury had found that the plaintiff, a dealer of Mitsubishi forklift trucks, had paid "indirect" franchise fees via the required purchase of various manuals, and that the agreement gave plaintiff "the right to conduct its business under a marketing plan prescribed or suggested in substantial part by Mitsubishi, making the dealership a franchise under Illinois law."

In *General Motors Corp. v. The New A.C. Chevrolet, Inc.*, 263 F.3d 296 (3rd Cir. 2001), the court affirmed that GM had good cause to terminate the franchisee's Chevrolet dealership when, in violation of the franchise agreement, the franchisee added a Volkswagen dealership to it without prior written approval, and in *Re/Max North Central, Inc. v. Cook*, 272 F.3d 424 (7th Cir. 2001), a preliminary injunction against post-termination use of the well-known Re/Max mark by an ex-franchisee was affirmed. "Re/Max made every effort to accommodate" the franchisee, but

she had refused to execute the new franchise agreement offered to her. "[A] franchisee cannot hold hostage a franchisor's marks to force it to negotiate terms more favorable to the franchisee". The improper crediting of the franchisee's lump sum royalty payment to only one rather than both the franchisee's franchises caused the franchise termination to be invalid in *Century 21 Real Estate Corp. v. Meraj Int'l Inv. Corp.*, 315 F.3d 1271 (10th Cir. 2003), so that the franchisee's post-termination of plaintiff's CENTURY 21 mark was not infringing.

Defendant franchisor's cancellation of *all* its UNION 76 gasoline dealership franchises was upheld in *Draeger Oil Co. v. Uno-Ven Co.*, 314 F.3d 299 (7th Cir. 2002), based on the dissolution of defendant's trademark holding company and its decision to exit the petroleum marketing business. "[I]t is hardly to be expected that Unocal would want to support a retail trademark, necessarily at some cost, after it had left the retail business." In holding that the franchisor was not liable to the plaintiff gasoline dealers for the cancellations, the court concluded, "[i]t is reasonable as a matter of law for a business to abandon a property that has no value to it, and if the abandonment is lawful it has no duty (unless it has voluntarily assumed one) to compensate suppliers or customers who may be harmed by its decision. That is all that happened here when Unocal withdrew from the refinery and marketing business."

A franchisor was not liable for the alleged negligence of its franchisee's delivery driver in a car accident in *Pizza k, Inc. v. Santagata*, 249 Ga. App. 36 (2004). "[A] franchisor is faced with the problem of exercising sufficient control over a franchisee to protect the franchisor's national identity and professional reputation, while at the same time foregoing such a degree of control that would make it vicariously liable for the acts of the franchisee and its employees." Here, "PIZZA k is not authorized under the agreement to exercise supervisory control over the daily activities of [the franchisee's] employees."

CHAPTER 5 INFRINGEMENT OF TRADEMARK RIGHTS

§ 5.02[1] Similarity of Appearance

After the first *Hewlett-Packard v. Packard Press* case was remanded because the Board had improperly dissected the marks (*see* p. 175 of the coursebook), the Federal Circuit held in *Hewlett-Packard Co. v. Packard Press, Inc.*, 281 F.3d 1261 (Fed. Cir. 2002) that HEWLETT PACKARD and PACKARD TECHNOLOGIES were confusingly similar where "Packard" was the "dominant and distinguishing element" of the latter mark and "a prominent portion" of the former mark. *Compare In re Coors Brewing Co.*, 343 F.3d 1340 (Fed. Cir. 2003), in which the Federal Circuit found confusion unlikely between BLUE MOON and Design for beer, and BLUE MOON and Design for restaurant services. Although the BLUE MOON portions of the marks were identical, "[b]ecause 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 [otherwise] would be." As discussed below, the "pivotal" issue was the lack of relatedness of the products. In contrast, in *Virgin Enterprises, Ltd. v. Nawab*, 335 F.3d 141 (2nd Cir. 2003), although defendant's VIRGIN WIRELESS mark for wireless telephones and related goods had a different visual presentation than plaintiff's famous VIRGIN mark for a variety of products and services including computer and electronics retail store services, the court concluded that

someone remembering plaintiff's mark, or learning of it through word-of-mouth, would not necessarily remember or know the visual presentation, and that confusion was likely.

Confusion was held likely in another transposed letters case, *Royal Appliance Mfg. Co. v. Minuteman Int'l, Inc.*, 30 Fed. Appx. 964 (Fed. Cir. 2002) (MVP for domestic and industrial vacuum cleaners held confusingly similar to MPV for commercial and industrial vacuum cleaners, where both began with "M", were made up of the same letters, and sounded alike).

Because of the nature of the Internet, consumer perception of the appearance of domain names may differ from their perception of the appearance of any related trademarks. For example, the domain names "entrepreneur.com" owned by the plaintiff publisher of Entrepreneur magazine and entrepreneurpr.com owned by defendant's Entrepreneur PR public relations business were at issue in *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135 (9th Cir. 2002). The court noted their similarity but observed that, "[i]n the Internet context, consumers are aware that domain names for different websites are quite often similar, because of the need for language economy, and that very small differences matter". Finding issues of fact as to whether confusion was likely, the court reversed the summary judgment granted plaintiff and remanded that portion of the case. See also *NVST.com v. Nvest L.L.P.*, 32 Fed. Appx. 207 (9th Cir. 2002) (the owner of mark NVST for investment services and the domain name nvst.com was denied preliminary relief against defendant mutual fund's use of domain names such as nvestfunds.com and nvestlp.com, because of, among other things, the presence of the "e" in defendant's domain names and "the additional words alongside the nvest letter string").

§ 5.02[3] Similarity of Connotation

Based on a theory of foreign equivalence, the plaintiff in *Morrison Entertainment Group, Inc. v. Nintendo of Am., Inc.*, 56 Fed. Appx. 782 (9th Cir. 2003), unsuccessfully asserted that defendant's POKEMON mark was likely to cause confusion with plaintiff's MONSTER IN MY POCKET mark. The POKEMON mark was based on a popular "pocket monster" product in Japan, with po-kay-mon being an abbreviated reference to "pocket monster". The court observed that, while the meaning of the parties' marks was similar, casual American observers would not know the origin of the word, and "are likely to simply view Pokemon as a fanciful word with no inherent meaning at all." Even if the "foreign equivalents doctrine" were applied, "any similarity in meaning between the two marks is not sufficient to overcome the very significant difference in the sight and sound of the marks . . . the marks overall, and as encountered in the marketplace, are not similar."

§ 5.04 Similarity of Goods and Services

As the Eighth Circuit explained in *Checkpoint Systems, Inc. v. Check Point Software Technologies, Inc.*, 269 F.3d 270 (3d Cir. 2001), "[t]he relatedness analysis is intensely factual. Goods may fall under the same general product category but operate in distinct niches." In that case both parties sold security –related products under the trademark CHECKPOINT, but plaintiff's products were physical alarm systems while defendant sold software for keeping electronic information secure. The same large corporations purchased products from each company, but confusion was found unlikely, in part because the evidence failed to show that "the same security professionals within these corporations have knowledge of these different

technologies and are responsible for purchasing them." The court also noted that "[p]laintiff's and defendant's products are not impulse purchases, but rather are subject to long sales efforts and careful customer decision making . . . consumers take care in making purchasing decisions [in the security market] and are not likely to be confused by the parties' similar marks."

As discussed above, confusion was unlikely between two BLUE MOON and design marks for beer and restaurant services in *In re Coors Brewing Co.*, 343 F.3d 1340 (Fed. Cir. 2003); "the fact that restaurants serve food and beverages is not enough to render food and beverages related to restaurant services for purposes of determining the likelihood of confusion." Federal registrations indicated "it is uncommon for restaurants and beer to share the same trademarks", and the evidence of record showed only a "de minimis" overlap, with only "a tiny percentage of all restaurants also serv[ing] as a source of beer." The court analogized to some department stores selling private label automotive parts. In its view, that would not establish "that department store services in general are sufficiently related to automotive lubrication services" that a similar mark used for oil change services and for department store services would likely cause confusion.

In *Patsy's Brand, Inc. v. I.O.B. Reality, Inc.*, 317 F.3d 209 (2nd Cir. 2003), two unrelated New York restaurants had co-existed for decades under the names "Patsy's Italian Restaurant" (plaintiff), and "Patsy's Pizzeria" (defendant). Plaintiff opened its restaurant after defendant, but began selling its "Patsy's PR" pasta sauce at retail prior to defendant selling any sauce. Plaintiff built up substantial national sales of its pasta sauce, and federally registered the mark. Defendant damaged its case by submitting false evidence in an attempt to show prior use on pasta sauce. Rejecting defendant's assertion of prior rights for pasta sauce based on its prior use of "Patsy's" in connection with its restaurant, the Second Circuit concluded that in a case of such lengthy co-existence, "protection for the use of the common feature of the two names in the related field belongs to the first entrant to that field," regardless of who first used the mark overall.

The Internet has made a wide variety of products and services available to customers in one place – the user's computer. This is discussed in *GoTo.com, Inc. v. The Walt Disney Company*, 202 F.3d 1199 (9th Cir. 2000) (pp. 189-191 of the coursebook). Like the Internet itself, judicial analysis of this marketing environment has continued to evolve since its advent. In the *NVST.com v. Nvest, L.L.P.* case above, for example, confusion was held unlikely between the parties' domain names for their investment-related services. The Ninth Circuit distinguished the *GoTo.com* decision because in *NVST.com* the parties' "web pages look considerably different and offer entirely different products". Also, as discussed above, there were some differences in the domain names and plaintiff's customers, "who are considering large investments – certainly can be expected to plan their purchases carefully." Both parties offered investment services, but plaintiff targeted wealthy investors looking to research emerging companies and merger and acquisition services, while defendant targeted investors looking for advice on retirement or mutual funds. In *Therma-Scan, Inc. v. Thermoscan, Inc.*, 295 F.3d 623 (6th Cir. 2002), confusion was held unlikely for the parties' health care products despite a contention of marketing overlap on the Internet. The court observed that, "a non-specific reference to Internet use is no more proof of a company's marketing channels than the fact that it is listed in the Yellow Pages of the telephone directory." While the parties' products might be said to "co-exist in a very broad industry of medical applications of thermology and infra-red identification of heat", plaintiff's infra-red thermal-imaging examinations of the human body and defendant's electronic ear

thermometers "utilize similar technology in very different ways". The marks were descriptive, and the court found the parties "market their goods and services to different segments of the population" so that confusion was unlikely.

Compare Planetary Motion, Inc. v. Techsplosion, Inc., 261 F.3d 1188 (11th Cir. 2001), in which COOLMAIL for email-related software was found likely to be confused with COOLMAIL for an email service. Consumers "reasonably could attribute [plaintiff's] software and an email service under the same name to the same source."

Strong and Weak Marks

In *Bose Corp. v. QSC Audio Products, Inc.*, 293 F.3d 1367 (Fed. Cir. 2002), Bose sold loudspeaker systems under its ACOUSTIC WAVE mark, and sold radios, compact disc players and the like under its WAVE mark, while QSC's POWERWAVE amplifiers were components used in sound systems. Noting that Bose's marks were famous, that "amplification of sound is at the heart" of Bose's products, and that Bose marketed one component product, the Court held that the products were sufficiently related and confusion was likely.

The fame of plaintiff's VIRGIN mark and the breadth of products and services sold under it were critical to plaintiff's successful suit against defendant's use of VIRGIN WIRELESS for wireless telephones and related goods in *Virgin Enterprises, Ltd. v. Nawab*, 335 F.3d 141 (2nd Cir. 2003). The Second Circuit emphasized the diversity of plaintiff's VIRGIN businesses, including an airline, large-scale record stores called Virgin Megastores, an internet information service, music recordings, computer games, books, and luggage. The district court, in denying plaintiff preliminary relief, had "accorded plaintiff too narrow a scope of protection for its famous, arbitrary and distinctive mark." Instead, the mark was entitled to "a broad scope of protection, precisely because the use of the mark by others in connection with stores selling reasonably closely related merchandise would inevitably have a high likelihood of causing consumer confusion." Here, among other things, wireless phones were closely enough related to CD players, and the plaintiff had already formulated a plan to license its mark for wireless devices.

The fame of opposer's NASDAQ mark for its stock market allowed it to successfully oppose registration of NASDAQ for sporting goods and clothing in *The NASDAQ Market v. Anartica, S.r.i.*, 69 U.S.P.Q. 2d 1718 (T.T.A.B. 2003). "[O]pposer's mark is accorded more protection precisely because it is more likely to be remembered and associated in the public mind."

Compare Kellogg Co. v. Toucan Golf Co., 337 F.3d 616 (6th Cir. 2003), in which Kellogg unsuccessfully tried to prevent registration of TOUCAN GOLD for golf equipment, based on Kellogg's TOUCAN SAM logo and word mark used in connection with its FROOT LOOPS cereal. Golf products were "in an industry far removed from that of Kellogg." The court discounted Kellogg's evidence that it had used the mark on golf shirts and balls in its limited circulation promotional catalog, and had depicted the TOUCAN SAM character as a golfer in some advertisements. "Kellogg's presence in the golf industry was insignificant, and nothing more than a marketing tool to boost sales of its cereal . . . [O]ne thirty second advertisement does

not render TOUCAN SAM a golfer, nor does a novelty catalog make Kellogg a player in the golfing industry."

As discussed in Chapter 3, § 3.02, while the *validity* of an incontestably registered mark cannot be challenged on the ground that the mark is merely descriptive, the descriptiveness and intrinsic weakness of a mark nonetheless can be considered in assessing the mark's strength and the breadth of protection it is afforded. *See, e.g., Therma-Scan, Inc. v. Thermoscan, Inc.*, 295 F.3d 623 (6th Cir. 2002), in which the plaintiff did not attempt to show that its THERMASCAN mark was widely recognized, but instead relied on its incontestable registration to raise a presumption of strength. The court explained that this reliance was misplaced. "Even where a trademark is incontestable and 'worthy of full protection', the significance of its presumed strength will depend on its recognition among members of the public. . . . [Plaintiff's] trademark, although valid and incontestable, is not an especially strong mark. Not only is the mark descriptive, but it also lacks strong public recognition." *See also Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135 (9th Cir. 2002) (incontestable registration of ENTREPRENEUR for a magazine did not preclude considering its descriptiveness in assessing the mark's strength or weakness for likelihood of confusion purposes; "Entrepreneur" described the subject matter and intended audience of the magazine, and "[t]he need of others in the marketplace to use the term 'entrepreneur' to describe their goods or services confirms that [the] mark is descriptive").

In the *Entrepreneur Media* case, many third party uses of ENTREPRENEUR also created a "crowded field of marks" so that plaintiff was entitled only to very limited relief. *See also Willie W. Gray v. Meijer, Inc.*, 295 F.3d 641 (6th Cir. 2002) (third party packaging uses of "Chicago Style" and depictions of the Chicago skyline for a wide variety of products over many years made those elements unprotectable, and confusion unlikely between the parties' popcorn packages); *Bliss Salon Day Spa v. Bliss World*, 268 F.3d 494 (7th Cir. 2001) ("Bliss marks are a glut on the market in hair styling and beauty care. . . . [This] makes it all but impossible to imagine a consumer seeing the mark Bliss would assume the product or service came from the Bliss Day Spa of Wilmette"). *Compare Playboy Enterprises Int'l, Inc. v. Netscape Comm'ns Corp.*, 354 F.3d 1020 (9th Cir. 2004) ("Evidence of third-party use in markets similar to the markholders is more compelling than evidence of third-party use in unrelated markets").

§ 5.05 Intent

In *Sally Beauty Co., Inc. v. Beautyco, Inc.*, 304 F.3d 964, 973 (10th Cir. 2002), the court confirmed that "[p]roof that a defendant chose a mark with the intent of copying the plaintiff's mark may, standing alone, justify an inference of likelihood of confusion". It explained, "[o]ne who adopts a mark similar to another already established in the marketplace does so at his peril, because the court assumes that he can accomplish his purpose: that is that the public will be deceived. All doubts must be resolved against him". Similarly, "proof of intentional copying [is] relevant to whether a trademark has acquired secondary meaning". *Id.* at 978.

However, a competitor is not precluded from intentionally copying functional or otherwise unprotectable elements of a mark or trade dress. *See, e.g. Willie W. Gray v. Meijer, Inc.*, 295 F.3d 641 (6th Cir. 2002) (plaintiff's claim of intentional copying carried no weight where the elements at issue, such as the phrase "Chicago Style" and a depiction of the Chicago skyline, were unprotectable); *The Yankee Candle Co., Inc. v. The Bridgewater Candle Co., LLC*,

259 F.3d 25 (1st Cir. 2001) (evidence of intentional copying was not probative given "the highly functional nature" of the claimed elements).

Intent and Initial Interest Confusion

In *Promatek Industries, Ltd. v. Equitrac Corp.*, 300 F.3d 808 (7th Cir. 2002), the court cited the *Brookfield Communications* analysis (*see* pp. 206-209 of the coursebook), and further explained, "[c]ustomers believing they are entering the first store rather than the second are still likely to hang around before they leave. The same theory is true for websites." Similarly, in *Playboy Enterprises, Int'l, Inc. v. Netscape Comm'ns Corp.*, 354 F.3d 1020 (9th Cir. 2004), the court explained:

Initial interest confusion is customer confusion that creates initial interest in a competitor's product. Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement.

If the parties are not competitors or the products at issue are insufficiently related, the "bait and switch" aspect of initial interest confusion may be absent. *See, e.g., Checkpoint Systems, Inc. v. Check Point Software Technologies, Inc.*, 269 F.3d 270 (3rd Cir. 2001) in which the Court observed that cases "which have applied the initial interest doctrine indicate[] that the parties are either direct competitors, or strongly interrelated such that it could be expected that plaintiff would expand into defendant's market". Given that "[t]he markets for the parties' [security-related] products are not converging", the court concluded in *Checkpoint Systems* that the evidence of "temporary initial interest confusion" was entitled to less weight and that confusion between the parties' marks was unlikely.

§ 5.06 Counterfeiting

In *Waco Int'l, Inc. v. KHK Scaffolding Houston, Inc.*, 278 F.3d 523 (5th Cir. 2002), the Fifth Circuit applied the same test for wrongful seizure, *i.e.*, a seizure may be wrongful if where an applicant acted in bad faith in seeking the order, *or* if the goods seized are "predominantly legitimate merchandise, even if the plaintiff acted in good faith." In that case the seized scaffolding products did not bear plaintiff's WACO mark, and the court affirmed a wrongful seizure award to defendant of over \$1 million in attorneys' fees and punitive damages.

Compare, United States v. Giles, 213 F.2d 1247 (10th Cir. 2000), in which defendant sold logo-bearing patches, medallions and straps which could be attached to purses and luggage to give them the appearance of a Donney & Bourke bag. Emphasizing that criminal statutes must be construed narrowly, the Tenth Circuit held that, "because the statute does not so provide, we are persuaded that Section 2320 does not forbid the mere act of trafficking in counterfeit labels which are unconnected to any goods".

CHAPTER 6 PROOF OF INFRINGEMENT

§ 6.03 Federal Court Multi-factor Tests

All of the circuits use multi-factor tests in analyzing likelihood of confusion. However, as described in the coursebook at p. 239, it is not required that each confusion factor be mechanically applied. *Beverage Marketing USA, Inc. v. South Beach Beverage Corp.*, 36 Fed. Appx. 12 (2d Cir. 2002) (affirming dismissal despite plaintiff's objection that the district court had failed to consider each *Polaroid* factor; the purpose of the *Polaroid* factors is only to "focus on the ultimate question of whether consumers are likely to be confused. . . . While no one factor is necessarily dispositive, any one factor may prove to be so"). *Compare Acme Pad Corp. v. Warm Products, Inc.*, 26 Fed. Appx. 271 (4th Cir. 2002) (vacating dismissal where lower court failed to explicitly discuss any of the circuit's confusion factors and defendant had submitted evidence of bad faith along with uncontroverted evidence of actual confusion).

§ 6.04 Actual Confusion

In *Checkpoint Systems, Inc. v. Check Point Software Technologies, Inc.*, 269 F.3d 270 (3d Cir. 2001) the court affirmed the denial of relief where, among other things, there had been no reported actual confusion despite the lengthy co-existence of the marks at issue. It observed that, when that happens, "one can infer that continued marketing will not lead to consumer confusion in the future. The longer the challenged product has been in use; the stronger this inference will be". *Compare CAE, Inc. v. Clean Air Engineering, Inc.*, 267 F.3d 660 (7th Cir. 2001), where confusion was held likely between parties' uses of the mark CAE for process engineering and data acquisition systems despite no reported actual confusion during the parties twenty-five year co-existence. "[B]ecause . . . instances of actual confusion may be difficult to discover, the most that the absence of evidence of actual confusion can be said to indicate is that the record does not contain any evidence of actual confusion known to the parties".

§ 6.05 Initial Interest Confusion

In *Promatek Industries, Inc. v. Equitrac Corp.*, 300 F.3d 808 (7th Cir. 2002), the parties competed in selling cost-recovery equipment, and defendant's use of plaintiff's trademark in defendant's metatags created a likelihood of initial interest confusion. The court explained:

Initial interest confusion . . . occurs when a customer is lured to a product by the similarity of the mark, even if the customer realizes the true source of the goods before the sale is consummated. . . . That consumers who are led to Equitrac's website are only briefly confused is of little or no consequence. . . . What is important is not the duration of the confusion, it is the misappropriation of Promatek's goodwill. Equitrac cannot unring the bell. As the court in *Brookfield* explained, "using another's trademark in one's metatags is much like posting a sign with another's trademark in front of one's store." *Brookfield*, 174 F.3d at 1064. Customers believing they are entering the first store rather than the second are still likely to hang around before they leave. The same theory is true for websites. Consumers who are directed to Equitrac's website are likely to learn

more about Equitrac and its products before beginning a new search for Promatek and Copittrak.

In *Playboy Enterprises Int'l, Inc. v. Netscape Comm'ns Corp.*, 354 F.3d 1020 (9th Cir. 2004), the court held that triggering competitive banner ads when users typed Playboy's trademarks "playboy" and "playmate" into defendant's search engine might create initial interest confusion, particularly where many of the "click here" ads were shown to be confusingly labeled or not labeled at all. Summary judgment for defendant was reversed and the case remanded. Compare *Checkpoint Systems, Inc. v. Check Point Software Technologies, Inc.*, 269 F.3d 270 (3d Cir. 2001), in which, because "the markets for the parties' products are not converging", plaintiff's evidence of temporary initiation interest confusion was "entitled to less weight than it might be in a case where the parties compete or are strongly interrelated, or where there is evidence or even an inference that a defendant was trying to trade on plaintiff's goodwill".

§ 6.07 Surveys and Experts

In *Bose Corp. v. QSC Audio Products, Inc.*, 293 F.3d 1367 (Fed. Cir. 2002), the court indicated that survey evidence of consumer recognition may be unnecessary for a famous mark. "[D]irect evidence, such as surveys, is not required in order to determine whether a mark is famous. Indeed, . . . virtually all of our precedent attributing fame to a mark has done so through indirect evidence of the extent to which a mark has earned fame in the consumer marketplace". In *Bose*, the evidence of substantial sales advertising, and promotion over a number of years, as well as widespread media mentions, was sufficient to establish fame without a survey.

In *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharmaceuticals Co.*, 290 F.3d 578 (3d Cir. 2002), the court noted its willingness in a false advertising case to uphold a preliminary injunction based on survey evidence showing as little as 15% deception.

Other Experts

In *Waco Int'l, Inc. v. KHK Scaffolding Houston, Inc.*, 278 F.3d 523 (5th Cir. 2002), in considering wrongful seizure claim in a counterfeiting case, the jury properly was allowed to consider the expert testimony of an experienced lawyer on the proper procedures for considering and obtaining a seizure order.

Admissibility of Testimony

In *Betterbox Comm'ns, Ltd. v. BB Technologies, Inc.*, 300 F.3d 325, 329 (3d Cir. 2002), the Third Circuit observed that the *Kumho* decision clarified that, in cases not involving scientific testimony, the *Daubert* factors may or may not be pertinent, and "the relevant reliability concerns may focus upon personal knowledge or experience." In *Betterbox*, the expert's twenty years experience in direct marketing and other relevant areas was sufficient to make his testimony admissible. The exclusion of expert testimony on behalf of plaintiffs was upheld under *Daubert* in *Group Health Plan, Inc. v. Phillip Morris USA, Inc.*, 344 F.3d 753 (8th Cir. 2003), because the expert's assumptions were in conflict with plaintiffs' theory of the case. Several Minneapolis HMOs had collectively sued some of the nation's largest tobacco companies for violating Minnesota's false advertising and unfair competition statutes by misleading the

public about the dangers of smoking. The excluded expert testimony was based on assumptions about rates of addiction that conflicted with the plaintiffs' theory of damages allegedly caused by deceptive marketing for "low tar" and "light" cigarettes.

CHAPTER 7 SPECIAL DEFENSES AND LIMITATIONS

§ 7.02 Laches and Acquiescence

"The doctrine of laches is derived from the maxim that those who sleep on their rights, lose them." *Chattanooga Mfg., Inc. v. Nike, Inc.*, 301 F.3d 789 (7th Cir. 2002). Acquiescence can occur when a mark owner actively assents to another's use. If the plaintiff, having known of the defendant's use of a mark, unreasonably delays before objecting, or indicates acquiescence to the defendant's use, that plaintiff may find the prospects for relief limited, or even barred, if the defendant shows reliance through investment in the infringing mark, or other unfair prejudice.

In *Grupo Gigante S.A. de C.V. Dallo Co., Inc.*, 119 F. Supp.2d 1083 (C.D. Cal. 2000), the court found confusion likely between the parties' respective uses of the name Gigante for grocery stores in the San Diego area, but declined to award injunctive relief. Given the plaintiff's lack of diligence and the parties' co-existence for more than ten years, the court found "no threat of great harm to the plaintiffs if the status quo is maintained." It observed, however, that "[i]f the defendants at some later date change the nature or extent of their current exploitation of the Gigante name, the Court might be inclined to find that some form of injunctive relief would be appropriate."

In *Herman Miller, Inc. v. Palazzetti Imports and Exports, Inc.*, 270 F.3d 298 (6th Cir. 2001) the court affirmed summary judgment that plaintiff's laches barred pre-filing damages, so that plaintiff could only obtain injunctive relief and post-filing damages.

Laches was applied in a registration proceeding in *Bridgestone/Firestone Research, Inc. v. Automobile Club*, 245 F.3d 1359 (Fed. Cir. 2001). There the French auto club responsible for the Le Mans car race petitioned to cancel Bridgestone/Firestone's registration of LE MANS for tires under § 2(a) of the Lanham Act, for falsely suggesting a connection with the auto club and the club's sponsorship of that race -- but did so 27 years after the registration issued. The uncontroverted evidence of undue delay and economic prejudice to Bridgestone/Firestone resulted in laches barring the auto club's petition. According to the court, laches may be applied in § (2a) cases unless there is "misrepresentation or deceit", and here there was evidence of neither.

§ 7.02[B][1] Knowledge

In *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829 (9th Cir. 2002) the Ninth Circuit stated that "knew or *should* have known" is the proper standard: "laches penalizes inexcusable dilatory behavior . . . if the plaintiff legitimately was unaware of the defendant's conduct, laches is no bar to suit".

In *Chattanooga Mfg., Inc. v. Nike, Inc.*, 301 F.3d 789 (7th Cir. 2002), plaintiff asserted rights in JORDAN for women's clothing against Nike's sale of "Jordan" clothing endorsed by

Michael Jordan. Plaintiff was attributed with constructive knowledge at least nine years before the lawsuit, given the prominence of Nike's massive ad campaign and the media's admitted frequent reference to "Jordan products". "The law is well-settled that . . . the plaintiff is chargeable with such knowledge as he may have obtained upon inquiry, provided the facts already known by him were such as to put a man of ordinary intelligence on inquiry."

Compare *Ford Motor Co. v. Catalanotte*, 342 F.3d 543 (6th Cir. 2003), in which defendant's 1997 registration of the domain name fordworld.com ("Ford World" was the name of Ford's employee newspaper) was not the date that began the "delay" period; that period instead began in 2000 when defendant first offered to sell Ford the domain name, while falsely claiming he had received several other offers for it. The shorter period did not constitute laches.

§ 7.02[B][2] Inexcusable Delay

In *Bridgestone/Firestone Research, Inc. v. Auto Club*, 245 F.3d 1359, 1363 (Fed. Cir. 2001), the Court observed that "[t]wo general categories of prejudice may flow from an unreasonable delay: prejudice at trial due to loss of evidence or memory of witnesses, and economic prejudice based on loss of time or money or foregone opportunity." In that case, longstanding investment in and promotion of the brand, use on multiple products and widespread commercial use during the period of undue delay supported the finding of laches barring relief.

Some federal courts continue to use analogous state statutes of limitations to raise a presumption of laches. In *Jarrow Formulas, Inc. v. Nutrition Now, Inc.* 304 F.3d 829 (9th Cir. 2002), a seven year unexcused delay, more than twice the three year period of the analogous California statute of limitations, combined with severe prejudice, constituted laches barring all relief. The court held that "the presumption of laches is triggered if any part of the claimed wrongful conduct occurred beyond the limitations period. To hold otherwise would effectively swallow the rule of laches and render it a spineless defense". Compare *Lyons P'Ship L.P. v. Morris Costumes, Inc.*, 243 F.3d 789, 797 (4th Cir. 2001) ("Although the district court was correct to hold that [plaintiff] could not recover for claims that accrued outside the limitations period, it erred to the extent that it dismissed [plaintiff's Lanham Act] claims that were premised upon acts that occurred within the applicable period"). See also *Chattanooga Mfg., Inc. v. Nike, Inc.*, 301 F.3d 789 (7th Cir. 2002) (three year statute of limitations; at least nine year inexcusable delay combined with severe prejudice barred all relief); *Herman Miller, Inc. v. Palazzetti Imports and Exports*, 270 F.3d 298 (6th Cir. 2001) (plaintiff never rebutted presumption of laches raised by Michigan statute of limitations, and district court properly granted summary judgment barring plaintiff from obtaining pre-filing damages). In *Island Steel Systems, Inc. v. Waters*, 296 F.3d 200 (3d Cir. 2002), the court affirmed that the Virgin Islands' two year statute of limitations for deceptive trade practices was applicable, and that the statutory period "begins running from the date the violation occurred, not the date the violation was discovered, as would be the case under the statute of limitations for fraud." The case was remanded to determine whether plaintiff had equitably tolled the statute by filing an earlier action in another court that had been dismissed for lack of personal jurisdiction.

The presumption can be rebutted in different ways. "To rebut a presumption of laches in a trademark case [arising from the applicable statute of limitations], a plaintiff generally must show that a defendant has made recent inroads on plaintiff's interests, such as entering the

plaintiff's geographic market . . . altering a product to make it more similar to the plaintiff's, . . . or extending the mark to goods and services that more directly compete with the plaintiff's." *Solow Building Co. LLC v. Nine West Group, Inc.*, 48 Fed. Appx. 15 (2d Cir. 2002). See also the discussion on progressive encroachment in § 5.05.

§ 7.02[B][3] Detrimental Reliance or Other Prejudice

Detrimental reliance was successfully demonstrated in *Chattanooga Mfg., Inc. v. Nike, Inc.*, 301 F.3d 789 (7th Cir. 2002) ("Nike has spent millions of dollars annually promoting its Michael Jordan-endorsed products and has acquired a position as a market leader. Had Chattanooga challenged Nike's use of the term Jordan in a timely manner and prevailed, Nike could have promoted its products in a number of different ways") and *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829 (9th Cir. 2002) (defendant "has invested enormous resources in tying [the product's] identity to the challenged claims . . . If [plaintiff] had filed suit sooner, [defendant] could have invested its resources in shaping an alternative identity").

§ 7.02[C] Effect of Bad Faith

The defendant's own misconduct may deprive the defendant of an equitable basis to invoke the doctrine of laches. See, e.g., the discussion in *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829 (9th Cir. 2002), in which, because of plaintiff's laches, the court affirmed the dismissal of a suit alleging defendant falsely advertised its nutritional supplements. The court first observed that the public interest in accurate advertising "will trump laches only when the suit concerns allegations that the product is harmful or otherwise a threat to public safety and well-being", and "the critical question is whether consumer health will be materially affected". In rejecting plaintiff's contention that defendant's unclean hands should preclude the laches defense, it stated, "[a] plaintiff can escape laches under the unclean hands doctrine only if the court is left with a firm conviction that the defendant acted with a fraudulent intent in making the challenged claims." The unclean hands doctrine is discussed further in § 7.03.

§ 7.02[D] Effect of Delay on Preliminary Relief

Delay did not bar preliminary relief in *Ty, Inc. v. The Jones Group, Inc.*, 237 F.3d 891 (7th Cir. 2001). While plaintiff's eight month delay raised questions about irreparable harm, defendant showed no negative effect from the delay, and defendant voluntarily assumed the risk when it decided to market "Beanie Racers" stuffed toys in the face of plaintiff's rights in "Beanie Babies". See also *King v. Innovation Books*, 976 F.2d 824, (2nd Cir. 1992) (eight month delay did not undercut the sense of urgency or imminent threat where plaintiff repeatedly objected to use of his name in movie's title and had difficulty getting copy of movie from defendant; preliminary injunction granted).

§ 7.02[E] Acquiescence

One party's extended acquiescence to another's use of a similar mark in the same market may put the two at parity in extending the mark to related markets, *i.e.*, regardless of original priority the first entrant into the related product market may establish prior rights there. That is what happened in *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209 (2nd Cir. 2003). Although defendant was the first to open a restaurant in New York under a "Patsy's" name, after

the parties' restaurants had co-existed in New York under their "Patsy's " names for decades, plaintiff was the first to establish rights in "Patsy's" in the related retail pasta market:

Where, as here, the senior user has tolerated for decades the junior user's competition in the same market with a name similar to that of the senior user, the justification for preserving for the senior user of a dominant component of its name vanishes entirely. In such circumstances, protection for the use of the common feature of the two names in the related field belongs to the first entrant to that field.

§ 7.04[C][1] Antitrust Violations – Exclusive Dealing

In *U.S. v. Visa USA, Inc.*, 344 F.3d 229 (2nd Cir. 2003), use of an "exclusionary rule" by Visa USA and Mastercard was enjoined as a violation of the Sherman Antitrust Act. Visa USA and Mastercard "are not single entities; they are consortiums of competitors. They are owned and effectively operated by some 20,000 banks, which compete with one another . . . [and] set the policies of Visa USA and Mastercard." At issue was the rule that effectively foreclosed Amex and Discover, the two major competing brands, from issuing cards through the consortium banks. Although defendants argued that the exclusionary rule pro-competitively promoted "cohesion" in the Visa USA and Mastercard networks, allowing them to compete effectively in the marketplace, the court instead concluded that the rule harmed competition "by reducing overall card output and available card features, as well as by decreasing network services output and stunting price competition, product innovation and output."

The appellate court analogized that it was as if "Coca-Cola, Pepsi-Cola, and several other leading sellers of soft drinks joined together to form an association to contract for trucking services and exacted of contracting truckers a commitment not to carry for any soft drink maker that was not a part of the consortium," except that here the consortium members were putting the restrictions on *themselves*, with each agreeing "not to compete with the others in a manner which the consortium considers harmful to its combined interests." This kind of horizontal restraint is prohibited under the Sherman Act.

§ 7.04[C][4] Antitrust Violations – Territorial Restrictions

In *Icee Distributors, Inc. v. J&J Snack Foods Corp.*, 325 F.3d 586 (5th Cir. 2003), the plaintiff regional distributor of ICEE semi-frozen syrup beverages objected when another distributor began selling the same ICEE product in squeeze tubes in plaintiff's territory. It sued the ICEE trademark licensor for breach of the license agreement, the distributor for selling the same product in plaintiff's territory, and Wal-Mart for being the retail outlet for the squeeze tube products. After a jury found the licensor liable for breach, and the distributor and Wal-Mart liable for trademark dilution (see Chapter 8), an injunction was entered. Because plaintiff was not the owner of the trademark, the dilution holding could not be upheld on appeal. Finding, however, that the contract validly granted plaintiff an exclusive license to sell the ICEE products in its regional territory, the court affirmed the injunction against ICEE sales in that territory by the other distributor and Wal-Mart "because it is independently sustainable as a proper remedy for the breach of contract."

§ 7.05 Concurrent Rights

After the defendant-counterclaimant successfully showed that plaintiff had abandoned its rights in AMERICAN EAGLE in connection with fire engines and rescue vehicles in *Emergency One, Inc. v. American Fire Eagle Engine Co.*, 332 F.3d 264 (4th Cir. 2003), the district court entered a nationwide injunction against plaintiff's use of that mark, because such use would infringe defendant's common law rights in its mark AMERICAN FIRE EAGLE in connection with similar products. The Fourth Circuit vacated the injunction, because the district court entered "without any evidence of the localities in which [defendant] used the mark. Absent federal registration, "any injunctive relief to which AFE was entitled was also limited to the areas where [defendant] used the mark." The case therefore was remanded for determination at that issue.

Concurrent Use and the Internet

Geographic restrictions agreed to by the parties may be circumvented by the potentially unrestricted geographic scope of the Internet. In *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214 (4th Cir. 2002), for example, plaintiff Harrods UK had the right to use the Harrods name in connection with department store services in the United Kingdom and the U.S., and Harrods BA, a former subsidiary, had the independent right to use the Harrods name in connection with department store services in Argentina and much of South America. Harrods BA overstepped its boundaries, however, when it registered numerous Harrods-derivative domain names in the .com, .org and .net top level domains, e.g. harrodsstore, harrodsshopping, shoppingharrods, etc. Evidence showed that Harrods BA had done so in bad faith to divert customers of Harrods UK and extract payment from Harrods UK to purchase the domain names.

The Court affirmed an order transferring fifty-four of the domain names to Harrods UK, and remanded for consideration of whether Harrods BA had registered six other Argentina-related domain names in bad faith. In doing so it observed, "even recognizing the rights of a concurrent user of a mark, a legitimate concurrent user still violates the other user's rights if it uses the shared mark in a manner that would cause consumer confusion, such as by using the mark in the other's geographic area. . . . Thus, if a concurrent user registers a domain name with the intent of expanding its use of the shared mark beyond its geographically restricted area, then the domain name is registered in bad faith . . ."

For discussion of the concurrent use issues raised by domain names, see Dinwoodie, *(National) Trademark Laws and the (Non-National) Domain Name System*, 21 U. La. J. Int'l Econ. L. 495 (2000).

§ 7.06 Gray Market Goods

In *Davidoff & CIE, SA v. PLD Int'l Corp.*, 263 F.3d 1297 (11th Cir. 2001) defendant etched off of batch codes from gray market fragrance bottles to prevent the U.S. trademark owner from identifying the seller. Doing so "degraded the appearance of the bottle" and created material differences warranting injunctive relief.

§ 7.06[C][2] Customs Service and Common Control – The Federal Courts

The U.S. Customs Services has been renamed the U.S. Bureau of Customs and Border Protection, and now is part of the Department of Homeland Security.

In *Vittoria North America L.L.C. v. Euro-Asia Imports, Inc.*, 278 F.3d 1076 (10th Cir. 2001), the owner of U.S. rights in the mark VITTORIA for bicycle tires successfully sued under § 526 of the Tariff Act to bar defendant's importation of gray market VITTORIA tires manufactured by the owner of the Italian trademark rights. The Court observed that, "[t]he prototypical gray market victim . . . is a domestic firm that purchases from an independent foreign firm the rights to register and use the latter's trademark as a United States trademark and to sell its foreign manufactured products here." In response to defendant's assertion of the "common control" defense, the Court found that, although the U.S. and Italian trademark owners had a close business relationship, plaintiff was not controlled by the Italian company, and the two were not subject to common control.

§ 7.07[A] Permitted Use – Repaired, Reconditioned or Altered Goods

In *Karl Storz Endoscopy-America, Inc. v. Surgical Technologies, Inc.*, 285 F.3d 848 (9th Cir. 2002) defendant's repair and refurbishment of plaintiff's surgical instruments raised issues of fact as to whether confusion was likely. Storz presented evidence of actual confusion among surgeons and "evidence that Surgitech's rebuilds were the construction of a different product associated with Storz's trademark". See also *Davidoff & CIE SA v. PLD Int'l Corp.*, 263 F.3d 1297 (11th Cir. 2001) (defendant's etching off of batch codes from fragrance bottles bearing plaintiff's marks degraded the appearance of the bottles so that they were materially different and confusion was likely); *Toshiba Am. Info. Sys. v. Advantage Telecom*, 19 Fed. Appx. 646 (9th Cir. 2001) (defendant's sale of products bearing plaintiff's TOSHIBA mark but not the product serial numbers would prevent customers from receiving upgrade and recall services, and void any warranty, creating material differences which justified injunctive relief).

In *Nitro Leisure Prods v. Acushnet Co.*, 341 F.3d 1356 (Fed. Cir. 2003), plaintiff Acushnet sold new golf balls under trademarks like TITLEIST and ACUSHNET. Defendant Nitro sold two categories of used golf balls at discounted rates: "recycled" balls purchased in good condition, washed, and repackaged; and "refurbished" balls found with stains, scuffs, or blemishes that had to be repainted (including the trademark) before being sold. The "refurbished" balls each featured the logo "USED & REFURBISHED BY SECOND CHANCE" or "USED AND REFURBISHED BY GOLFBALLSDIRECT.COM" on each ball. "Second Chance" and "Golfballsdirect.com" were retail businesses run by Nitro. Some, but not all, of the refurbished balls also featured a Nitro trademark, in addition to the original Acushnet-owned trademark indicating the ball's original source. The packaging for Nitro's balls contained a disclaimer stating that refurbished balls "are subject to performance variations from new ones," and that "this product has NOT been endorsed or approved by the original manufacturer and the balls DO NOT fall under the original manufacturer's warranty." In 2001, Acushnet sued Nitro for trademark infringement, dilution and unfair competition based on the "refurbished" balls. Acushnet conceded that under the "first sale" doctrine, it had no trademark infringement claim with respect to the "recycled" balls. The district court denied preliminary relief, and Acushnet appealed.

The Federal Circuit affirmed. "[S]o long as the customer is getting a product with the expected characteristics, and so long as the goodwill built up by the trademark owner is not eroded by being identified with inferior quality, the Lanham Act does not prevent the truthful use of trademarks, even if such use results in the enrichment of others." Although it might be possible that "the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name," the relevant question is consumer expectations, and "consumers of new goods have different expectations than consumers of used goods." Purchasers of refurbished goods "do not expect the product to be in the same condition as a new product," but rather anticipate that "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 these types of goods "consumers are not likely to be confused by – and indeed expect – differences in the goods compared to new, unused goods." Therefore, "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."

The court affirmed the district court's decisions on three grounds: (1) that "the differences between the goods were nothing more than what would be expected for used golf balls," (2) that it was "not a misnomer" to use Acushnet's marks on the refurbished balls, and (3) that Acushnet had not shown that confusion was likely. Importantly, Nitro had submitted evidence that the disclaimers featured on its packaging effectively reduced confusion in the marketplace. The court concluded that it could not hold that the district court abused its discretion in denying the preliminary injunction.

§ 7.07[B] Comparative or Nominative Fair Use

The *New Kids* nominative fair use test was applied in a case involving the use of Princess Diana's image on collectible jewelry, plates and dolls in *Cairns v. Franklin Mint Co.*, 292 F.3d 1139 (9th Cir. 2002). The court held defendant was making fair use because no adequate substitute was available ("Princess Diana's physical appearance is not readily identifiable without use of her likeness"), defendant used no more than reasonably necessary (it was doubtful defendant "would be able to sell its 'Diana, Princess of Wales Porcelain Portrait Doll' without prominent reference to Princess Diana"), and defendant's use did not suggest endorsement by plaintiff, the representative of a memorial fund and executor of her estate. As to the last, the court noted that third party use without authorization had been allowed for several years, and consumers therefore had no reason to erroneously believe that defendant was making authorized use.

In *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002) a former Playboy Playmate of the Year made fair use of "Playboy Playmate of the Year 1981" in headings and banner ads on her website, and "Playboy" and "Playmate" in the website metatags. However, her repetitive wallpaper use of the PMOY mark was unnecessary and potentially infringing. In *Playboy Enterprises, Int'l, Inc. v. Netscape Comm'ns Corp.*, 354 F.3d 1020 (9th Cir. 2004), defendant sold advertisers a list of search terms, so that when users typed plaintiff's "playboy" or "playmate" trademarks into defendant's search engine, the advertisers' banner ads for sex and adult-oriented entertainment websites would appear on the search page. Defendant had been granted summary judgment, but issues of fact as to whether the advertisers' unlabeled or

confusingly labeled banner ads created likely initial interest confusion caused the court to reverse and remand. In considering defendant's fair use defense, the court noted that defendant listed over 400 terms besides Playboy's mark that could trigger the banner ads, and "there is nothing indispensable, in this context, about using Playboy's marks." It was not nominative fair use, because defendant was not intending to identify Playboy or its marks by their use, but to capitalize on the association.

§ 7.07[C] Descriptive Fair Use

In *Packman v. Chicago Tribune Co.*, 267 F.3d 628 (7th Cir. 2001) plaintiff owned the registered mark "The Joy of Six"; the Chicago Tribune's descriptive use of "The Joy of Six" in a front page headline was fair use even when reproduced on merchandise. The use of the phrase "referred to happiness about [the Chicago Bulls'] six championships and . . . [as a play on the well-known book title, "The Joy of Sex"] the phrase is widely used to describe the joy of six of anything".

Should establishing that confusion is unlikely be a prerequisite to a successful fair use defense? In *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061 (9th Cir. 2003), *cert. granted*, 124 S.Ct. 981 (2004), KP Permanent was granted summary judgment that its use of the words "micro color" in advertisements and on its bottles for its permanent pigmentation make-up products (e.g. "permanent eye liner") was fair use, and the district court therefore declined to analyze whether confusion was likely with Lasting Impression's incontestably registered MICRO COLORS mark for permanent make-up pigments.

The Ninth Circuit reversed. It explained that "classic" fair use "only complements the likelihood of confusion analysis", and "there can be no fair use if there is likelihood of confusion." It therefore remanded for assessment of whether confusion was likely. The Supreme Court then granted certiorari on the fair use question, *i.e.*, whether the Lanham Act's fair use defense to trademark infringement, 15 U.S.C. 1115(b)(4), requires the party asserting the defense to demonstrate the absence of a likelihood of consumer confusion.

§ 7.07[E] Parody and Satire

In *New York Stock Exchange, Inc. v. New York, New York Hotel, LLC*, 293 F.3d 550 (2d Cir. 2002), a Las Vegas hotel and casino replicated the New York Stock Exchange's physical features and used humorous modifications of its mark. In reversing the grant of summary judgment to the defendant, the Second Circuit concluded that, "[a] reasonable trier of fact might . . . find that the Casino's humorous analogy to [the NYSE's] activities – deemed by many to involve odds stacked heavily in favor of the house – would injure NYSE's reputation".

§ 7.07[F] Use in Artistic Works

The use of trademarks and celebrity identities in artistic works often raises difficult First Amendment issues. In *Rogers v. Grimaldi*, 875 F.2d 994 (2nd Cir. 1989), the court established an often-used balancing test for such cases. Ginger Rogers had sued a film producer over the title "Ginger and Fred" for an Italian film about two cabaret performers who imitated her and Fred Astaire. In affirming the denial of relief, the court explained that enjoining the distribution of artistic works did not violate the First Amendment where the public interest in avoiding

consumer confusion outweighs the public interest in free expression. For movie titles, the court held that unless the title had no artistic relevance to the underlying work or was expressly misleading, its use should not be enjoined. "Ginger and Fred" was relevant and no misleading, and therefore was not subject to injunctive relief.

In *ETW Corp. v. Jireh Publishing, Inc.*, 332 F.3d 915 (6th Cir. 2003), the licensing agent for the famous golfer Tiger Woods tried to stop the defendant publisher's marketing of limited edition art prints of a painting by artist Rick Rush which depicted Woods' 1997 victory at the Masters Tournament. The licensing agent asserted trademark rights in Woods' name and likeness, and alleged infringement and right of publicity (see Chapter 8) violations. The painting showed three views of Woods in various poses, with other famous golfers, such as Jack Nicklaus and Arnold Palmer, in the background looking down on him. Summary judgment was granted and affirmed against the licensing agent. "A piece of art that portrays a historic sporting event communicates and celebrates the value our culture attaches to such events. It would be ironic indeed if the presence of the image of the victorious athlete would deny the work First Amendment protection." The court also concluded that the "purely descriptive" use of the "Tiger Woods" name on the inside flap of the envelope for each print and in the narrative description was permitted under the *Rogers v. Grimaldi* test for artistic relevance.

In contrast, in *Parks v. Laface Records*, 329 F.3d 437 (6th Cir. 2003), the defendant record company was unsuccessful on appeal in asserting a *Rogers v. Grimaldi* defense for the use of the name of a civil rights icon, Rosa Parks, in a song title featured on an album cover. The district court had found that defendant's use was fully protected by the First Amendment, because a line in the song's chorus ("Ah ha, hush that fuss/everybody move to the back of the bus"), used over ten times in the song, had an "obvious relationship" to the plaintiff's famous refusal to move to the back of the bus.

The Sixth Circuit disagreed. While acknowledging the superficial association made by the title applying the *Rogers* test, the court concluded that, "in the context of the lyrics . . . the [back of the bus] phrase has absolutely nothing to do with Rosa Parks." The song was about the debut of the performing group Outkast, its superiority to other rap groups, and the symbolic need for the other rap groups to "move to the back of the bus." The court observed that, "[i]n lyrics that are laced with profanity and a 'hook' or chorus that is pure egomania, many reasonable people could find that this is a song that is clearly antithetical to the qualities identified with Rosa Parks . . . [and] that the name was appropriated solely because of the vastly increased marketing power of a product bearing the name of a national heroine of the civil rights movement." It also found no basis for a parody defense. The case was remanded for the lower court to determine whether the song title had the requisite artistic relevance under the Lanham Act, a determination which the appellate court seemed to foreshadow in its critical opinion.

CHAPTER 8 TRADE IDENTITY LAW

§ 8.01 Dilution and Domain Name Misuse

In *Moseley v. V Secret Catalog, Inc.*, 587 U.S. 418 (2003), set forth below, the Supreme Court resolved the split in the circuits as to whether a successful action under the Federal

Trademark Dilution Act requires a showing of actual dilution, or a showing that there is a likelihood of dilution.

MOSELEY v. V SECRET CATALOGUE, INC.

United States Supreme Court
537 U.S. 418 (2003)

JUSTICE STEVENS delivered the opinion of the Court.

JUSTICE SCALIA joins all but Part III of this opinion.

* * *

In 1995 Congress amended § 43 of the Trademark Act of 1946, *15 U.S.C. § 1125*, to provide a remedy for the "dilution of famous marks." 109 Stat. 985-986. That amendment, known as the Federal Trademark Dilution Act (FTDA), describes the factors that determine whether a mark is "distinctive and famous," and defines the term "dilution" as "the lessening of the capacity of a famous mark to identify and distinguish goods or services." The question we granted certiorari to decide is 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 FTDA.

I

Petitioners, Victor and Cathy Moseley, own and operate a retail store named "Victor's Little Secret" in a strip mall in Elizabethtown, Kentucky. They have no employees.

Respondents are affiliated corporations that own the VICTORIA'S SECRET trademark, and operate over 750 Victoria's Secret stores, two of which are in Louisville, Kentucky, a short drive from Elizabethtown. In 1998 they spent over \$ 55 million advertising "the VICTORIA'S SECRET brand--one of moderately priced, high quality, attractively designed lingerie sold in a store setting designed to look like a woman's bedroom." App. 167, 170. They distribute 400 million copies of the Victoria's Secret catalog each year, including 39,000 in Elizabethtown. In 1998 their sales exceeded \$ 1.5 billion.

In the February 12, 1998, edition of a weekly publication distributed to residents of the military installation at Fort Knox, Kentucky, petitioners advertised the "GRAND OPENING Just in time for Valentine's Day!" of their store "VICTOR'S SECRET" in nearby Elizabethtown. The ad featured "Intimate Lingerie *for every woman*"; "Romantic Lighting"; "Lycra Dresses"; "Pagers"; and "Adult Novelties/Gifts." *Id.*, at 209. An army colonel, who saw the ad and was offended by what he perceived to be an attempt to use a reputable company's trademark to promote the sale of "unwholesome, tawdry merchandise," sent a copy to respondents. *Id.*, at 210. Their counsel then wrote to petitioners stating that their choice of the name "Victor's Secret" for a store selling lingerie was likely to cause confusion with the well-known VICTORIA'S SECRET mark and, in addition, was likely to "dilute the distinctiveness" of the mark. *Id.*, at 190-191. They requested the immediate discontinuance of the use of the name "and any variations

thereof." *Ibid.* In response, petitioners changed the name of their store to "Victor's Little Secret." Because that change did not satisfy respondents, they promptly filed this action in Federal District Court.

The complaint contained four separate claims: (1) for trademark infringement alleging that petitioners' use of their trade name was "likely to cause confusion and/or mistake in violation of 15 U.S.C. § 1114(1)"; (2) for unfair competition alleging misrepresentation in violation of § 1125(a); (3) for "federal dilution" in violation of the FTDA; and (4) for trademark infringement and unfair competition in violation of the common law of Kentucky. *Id.*, at 15, 20-23. In the dilution count, the complaint alleged that petitioners' conduct was "likely to blur and erode the distinctiveness" and "tarnish the reputation" of the VICTORIA'S SECRET trademark. *Ibid.*

After discovery the parties filed cross-motions for summary judgment. The record contained uncontradicted affidavits and deposition testimony describing the vast size of respondents' business, the value of the VICTORIA'S SECRET name, and descriptions of the items sold in the respective parties' stores. Respondents sell a "complete line of lingerie" and related items, each of which bears a VICTORIA'S SECRET label or tag.³ Petitioners sell a wide variety of items, including adult videos, "adult novelties," and lingerie.⁴ Victor Moseley stated in an affidavit that women's lingerie represented only about five per cent of their sales. *Id.*, at 131. In support of their motion for summary judgment, respondents submitted an affidavit by an expert in marketing who explained "the enormous value" of respondents' mark. *Id.*, at 195-205. Neither he, nor any other witness, expressed any opinion concerning the impact, if any, of petitioners' use of the name "Victor's Little Secret" on that value.

Finding that the record contained no evidence of actual confusion between the parties' marks, the District Court concluded that "no likelihood of confusion exists as a matter of law" and entered summary judgment for petitioners on the infringement and unfair competition claims. *V Secret Catalogue, Inc. v. Moseley*, 2000 U.S. Dist. LEXIS 5215, Civ. Action No. 3:98CV-395-S (WD Ky., Feb. 9, 2000), App. to Pet. for Cert. 28a, 37a. With respect to the FTDA claim, however, the court ruled for respondents.

Noting that petitioners did not challenge Victoria Secret's claim that its mark is "famous," the only question it had to decide was whether petitioners' use of their mark diluted the quality of respondents' mark. Reasoning from the premise that dilution "corrodes" a trademark either by "blurring its product identification or by damaging positive associations that have attached to it," the court first found the two marks to be sufficiently similar to cause dilution, and then found "that Defendants' mark dilutes Plaintiffs' mark because of its tarnishing effect upon the Victoria's Secret mark." *Id.*, at 38a-39a (quoting *Ameritech, Inc. v. American Info. Technologies Corp.*, 811 F.2d 960, 965 (CA6 1987)). It therefore enjoined petitioners "from using the mark 'Victor's Little Secret' on the basis that it causes dilution of the distinctive quality of the Victoria's Secret mark."

³ Respondents described their business as follows: "Victoria's Secret stores sell a complete line of lingerie, women's undergarments and nightwear, robes, caftans and kimonos, slippers, sachets, lingerie bags, hanging bags, candles, soaps, cosmetic brushes, atomizers, bath products and fragrances." *Id.*, at 168.

⁴ In answer to an interrogatory, petitioners stated that they "sell novelty action clocks, patches, temporary tattoos, stuffed animals, coffee mugs, leather biker wallets, zippo lighters, diet formula, diet supplements, jigsaw puzzles, whys, handcuffs [*sic*], hosiery bubble machines, greeting cards, calendars, incense burners, car air fresheners, sunglasses, ball caps, jewelry, candles, lava lamps, blacklights, fiber optic lights, rock and roll prints, lingerie, pagers, candy, adult video tapes, adult novelties, t-shirts, etc." *Id.*, at 87.

App. to Pet. for Cert. 38a-39a. The court did not, however, find that any "blurring" had occurred. *Ibid.*

The Court of Appeals for the Sixth Circuit affirmed. *259 F.3d 464 (2001)*. In a case decided shortly after the entry of the District Court's judgment in this case, the Sixth Circuit had adopted the standards for determining dilution under the FDTA that were enunciated by the Second Circuit in *Nabisco, Inc. v. PF Brands, Inc.*, *191 F.3d 208 (1999)*. See *Kellogg Co. v. Exxon Corp.*, *209 F.3d 562 (CA6 2000)*. In order to apply those standards, it was necessary to discuss two issues that the District Court had not specifically addressed -- whether respondents' mark is "distinctive," and whether relief could be granted before dilution has actually occurred.⁶ With respect to the first issue, the court rejected the argument that VICTORIA'S SECRET could not be distinctive because "secret" is an ordinary word used by hundreds of lingerie concerns. The court concluded that the entire mark was "arbitrary and fanciful" and therefore deserving of a high level of trademark protection. *259 F.3d at 470*. On the second issue, the court relied on a distinction suggested by this sentence in the House Report: "Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H. R. Rep. No. 104-374, p. 1030 (1995). This statement, coupled with the difficulty of proving actual harm, lent support to the court's ultimate conclusion that the evidence in this case sufficiently established "dilution." *259 F.3d, at 475-477*. In sum, the Court of Appeals held:

"While no consumer is likely to go to the Moseleys' store expecting to find Victoria's Secret's famed Miracle Bra, consumers who hear the name 'Victor's Little Secret' are likely automatically to think of the more famous store and link it to the Moseleys' adult-toy, gag gift, and lingerie shop. This, then, is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment). Given this conclusion, it follows that Victoria's Secret would prevail in a dilution analysis, even without an exhaustive consideration of all ten of the *Nabisco* factors." *Id.*, at 477.⁸

In reaching that conclusion the Court of Appeals expressly rejected the holding of the Fourth Circuit in Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Development, *170 F.3d 449 (1999)*. In that case, which involved a claim that Utah's use on its license plates of the phrase "greatest snow on earth" was causing dilution of the "greatest show

⁶ The Second Circuit explained why it did not believe "actual dilution" need be proved:

"Relying on a recent decision by the Fourth Circuit, Nabisco also asserts that proof of dilution under the FTDA requires proof of an 'actual, consummated harm.' *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev.*, *170 F.3d 449, 464 (4th Cir. 1999)*. We reject the argument because we disagree with the Fourth Circuit's interpretation of the statute.

"It is not clear which of two positions the Fourth Circuit adopted by its requirement of proof of 'actual dilution.' *Id.* The narrower position would be that courts may not infer dilution from 'contextual factors (degree of mark and product similarity, etc.),' but must instead rely on evidence of 'actual loss of revenues' or the 'skillfully constructed consumer survey.' *Id. at 457, 464-65*. This strikes us as an arbitrary and unwarranted limitation on the methods of proof." *Nabisco*, *191 F.3d at 223*.

⁸ The court had previously noted that the "Second Circuit has developed a list of ten factors used to determine if dilution has, in fact, occurred, while describing them as a 'nonexclusive list' to 'develop gradually over time' and with the particular facts of each case. Those factors are: distinctiveness; similarity of the marks; 'proximity of the products and the likelihood of bridging the gap;' 'interrelationship among the distinctiveness of the senior mark, the similarity of the junior mark, and the proximity of the products;' 'shared consumers and geographic limitations;' 'sophistication of consumers;' actual confusion; 'adjectival or referential quality of the junior use;' 'harm to the junior user and delay by the senior user;' and the 'effect of [the] senior's prior laxity in protecting the mark.'" *Id.*, at 476 (quoting *Nabisco*, *191 F.3d at 217-222*).

on earth," the court had concluded "that to establish dilution of a famous mark under the federal Act requires proof that (1) a defendant has made use of a junior mark sufficiently similar to the famous mark to evoke in a relevant universe of consumers a mental association of the two that (2) has caused (3) actual economic harm to the famous mark's economic value by lessening its former selling power as an advertising agent for its goods or services." *Id.*, at 461 (emphasis added). Because other Circuits have also expressed differing views about the "actual harm" issue, we granted certiorari to resolve the conflict. 535 U.S. 985 (2002).

II

Traditional trademark infringement law is a part of the broader law of unfair competition, see *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413, 60 L. Ed. 713, 36 S. Ct. 357, 1916 Dec. Comm'r Pat. 265 (1916), that has its sources in English common law, and was largely codified in the Trademark Act of 1946 (Lanham Act). See B. Pattishall, D. Hilliard, & J. Welch, *Trademarks and Unfair Competition* 2 (4th ed. 2000) ("The United States took the [trademark and unfair competition] law of England as its own"). That law broadly prohibits uses of trademarks, trade names, and trade dress that are likely to cause confusion about the source of a product or service. See 15 U.S.C. §§ 1114, 1125(a)(1)(A). Infringement law protects consumers from being misled by the use of infringing marks and also protects producers from unfair practices by an "imitating competitor." *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 163-164, 131 L. Ed. 2d 248, 115 S. Ct. 1300 (1995).

Because respondents did not appeal the District Court's adverse judgement on counts 1, 2, and 4 of their complaint, we decide the case on the assumption that the Moseleys' use of the name "Victor's Little Secret" neither confused any consumers or potential consumers, nor was likely to do so. Moreover, the disposition of those counts also makes it appropriate to decide the case on the assumption that there was no significant competition between the adversaries in this case. Neither the absence of any likelihood of confusion nor the absence of competition, however, provides a defense to the statutory dilution claim alleged in count 3 of the complaint.

Unlike traditional infringement law, the prohibitions against trademark dilution are not the product of common-law development, and are not motivated by an interest in protecting consumers. The seminal discussion of dilution is found in Frank Schechter's 1927 law review article concluding "that the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection." *Rational Basis of Trademark Protection*, 40 *Harv. L. Rev.* 813, 831. Schechter supported his conclusion by referring to a German case protecting the owner of the well-known trademark "Odol" for mouthwash from use on various noncompeting steel products.⁹ That case, and indeed the principal focus of the Schechter article, involved an established arbitrary mark that had been "added to rather than withdrawn from the human vocabulary" and an infringement that made use of the identical mark. *Id.*, at 829.¹⁰

⁹ The German court "held that the use of the mark, 'Odol' even on non-competing goods was '*gegen die guten Sitten*,' pointing out that, when the public hears or reads the word 'Odol,' it thinks of the complainant's mouth wash, and that an article designated with the name 'Odol' leads the public to assume that it is of good quality. Consequently, concludes the court, complainant has 'the utmost interest in seeing that its mark is not diluted [*verwässert*]: it would lose in selling power if everyone used it as the designation of his goods.'" 40 *Harv. L. Rev.*, at 831-832.

¹⁰ Schechter discussed this distinction at length: "The rule that arbitrary, coined or fanciful marks or names should be given a much broader degree of protection than symbols, words or phrases in common use would appear to be entirely sound. Such trademarks or tradenames as 'Blue Ribbon,' used, with or without registration, for all kinds of commodities or services, more than sixty times; 'Simplex' more than sixty times; 'Star,' as far

Some 20 years later Massachusetts enacted the first state statute protecting trademarks from dilution. It provided:

"Likelihood of injury to business reputation or of dilution of the distinctive quality of a trade name or trade-mark shall be a ground for injunctive relief in cases of trademark infringement or unfair competition notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services." 1947 Mass. Acts, p. 300, ch. 307.

Notably, that statute, unlike the "Odol" case, prohibited both the likelihood of "injury to business reputation" and "dilution." It thus expressly applied to both "tarnishment" and "blurring." At least 25 States passed similar laws in the decades before the FTDA was enacted in 1995. See Restatement (Third) of Unfair Competition § 25, Statutory Note (1995).

III

In 1988, when Congress adopted amendments to the Lanham Act, it gave consideration to an anti-dilution provision. During the hearings on the 1988 amendments, objections to that provision based on a concern that it might have applied to expression protected by the First Amendment were voiced and the provision was deleted from the amendments. H. R. Rep. No. 100-1028 (1988). The bill, H. R. 1295, 104th Cong., 1st Sess., that was introduced in the House in 1995, and ultimately enacted as the FTDA, included two exceptions designed to avoid those concerns: a provision allowing "fair use" of a registered mark in comparative advertising or promotion, and the provision that noncommercial use of a mark shall not constitute dilution. See *15 U.S.C. § 1125(c)(4)*.

On July 19, 1995, the Subcommittee on Courts and Intellectual Property of the House Judiciary Committee held a 1-day hearing on H. R. 1295. No opposition to the bill was voiced at the hearing and, with one minor amendment that extended protection to unregistered as well as registered marks, the subcommittee endorsed the bill and it passed the House unanimously. The committee's report stated that the "purpose of H. R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion." H. R. Rep. No. 104-374, p. 1029 (1995). As examples of dilution, it stated that "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation." *Id.*, at 1030. In the Senate an identical bill, S. 1513, 104th Cong., 1st Sess., was introduced on December 29, 1995, and passed on the same day by voice vote without any hearings. In his explanation of the bill, Senator Hatch also stated that it was intended "to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it," and referred to the Dupont Shoes, Buick aspirin, and Kodak

back as 1898, nearly four hundred times; 'Anchor,' already registered over one hundred fifty times in 1898; 'Bull Dog,' over one hundred times by 1923; 'Gold Medal,' sixty-five times; '3-in-1' and '2-in-1,' seventy-nine times; 'Nox-all,' fifty times; 'Universal,' over thirty times; 'Lily White' over twenty times; -- all these marks and names have, at this late date, very little distinctiveness in the public mind, and in most cases suggest merit, prominence or other qualities of goods or services in general, rather than the fact that the product or service, in connection with which the mark or name is used, emanates from a particular source. On the other hand, 'Rolls-Royce,' 'Aunt Jemima's,' 'Kodak,' 'Mazda,' 'Corona,' 'Nujol,' and 'Blue Goose,' are coined, arbitrary or fanciful words or phrases that have been added to rather than withdrawn from the human vocabulary by their owners, and have, from the very beginning, been associated in the public mind with a particular product, not with a variety of products, and have created in the public consciousness an impression or symbol of the excellence of the particular product in question." *Id.*, at 828-829.

piano examples, as well as to the Schechter law review article. 141 Cong. Rec. 38559-38561 (1995).

IV

The VICTORIA'S SECRET mark is unquestionably valuable and petitioners have not challenged the conclusion that it qualifies as a "famous mark" within the meaning of the statute. Moreover, as we understand their submission, petitioners do not contend that the statutory protection is confined to identical uses of famous marks, or that the statute should be construed more narrowly in a case such as this. Even if the legislative history might lend some support to such a contention, it surely is not compelled by the statutory text.

The District Court's decision in this case rested on the conclusion that the name of petitioners' store "tarnished" the reputation of respondents' mark, and the Court of Appeals relied on both "tarnishment" and "blurring" to support its affirmance. Petitioners have not disputed the relevance of tarnishment, Tr. of Oral Arg. 5-7, presumably because that concept was prominent in litigation brought under state anti-dilution statutes and because it was mentioned in the legislative history. Whether it is actually embraced by the statutory text, however, is another matter. Indeed, the contrast between the state statutes, which expressly refer to both "injury to business reputation" and to "dilution of the distinctive quality of a trade name or trademark," and the federal statute which refers only to the latter, arguably supports a narrower reading of the FTDA. See Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 *U. Pitt. L. Rev.* 789, 812-813, and n. 132 (1997).

The contrast between the state statutes and the federal statute, however, sheds light on the precise question that we must decide. For those state statutes, like several provisions in the federal Lanham Act, repeatedly refer to a "likelihood" of harm, rather than to a completed harm. The relevant text of the FTDA, quoted in full in note 1, *supra*, provides that "the owner of a famous mark" is entitled to injunctive relief against another person's commercial use of a mark or trade name if that use "*causes dilution of the distinctive quality*" of the famous mark. 15 *U.S.C. § 1125(c)(1)* (emphasis added). This text unambiguously requires a showing of actual dilution, rather than a likelihood of dilution.

This conclusion is fortified by the definition of the term "dilution" itself. That definition provides:

"The term 'dilution' means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of --

"(1) competition between the owner of the famous mark and other parties, or

"(2) likelihood of confusion, mistake, or deception." § 1127.

The contrast between the initial reference to an actual "lessening of the capacity" of the mark, and the later reference to a "likelihood of confusion, mistake, or deception" in the second caveat confirms the conclusion that actual dilution must be established.

Of course, that does not mean that the consequences of dilution, such as an actual loss of sales or profits, must also be proved. To the extent that language in the Fourth Circuit's opinion in the *Ringling Bros.* case suggests otherwise, see *170 F.3d at 460-465*, we disagree. We do agree, however, with that court's conclusion that, at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution. As the facts of that case demonstrate, such mental association will not necessarily reduce the capacity of the famous mark to identify the goods of its owner, the statutory requirement for dilution under the FTDA. For even though Utah drivers may be reminded of the circus when they see a license plate referring to the "greatest snow on earth," it by no means follows that they will associate "the greatest show on earth" with skiing or snow sports, or associate it less strongly or exclusively with the circus. "Blurring" is not a necessary consequence of mental association. (Nor, for that matter, is "tarnishing.")

The record in this case establishes that an army officer who saw the advertisement of the opening of a store named "Victor's Secret" did make the mental association with "Victoria's Secret," but it also shows that he did not therefore form any different impression of the store that his wife and daughter had patronized. There is a complete absence of evidence of any lessening of the capacity of the VICTORIA'S SECRET mark to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs. The officer was offended by the ad, but it did not change his conception of Victoria's Secret. His offense was directed entirely at petitioners, not at respondents. Moreover, the expert retained by respondents had nothing to say about the impact of petitioners' name on the strength of respondents' mark.

Noting that consumer surveys and other means of demonstrating actual dilution are expensive and often unreliable, respondents and their *amici* argue that evidence of an actual "lessening of the capacity of a famous mark to identify and distinguish goods or services," § 1127, may be difficult to obtain. It may well be, however, 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. Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation. The evidence in the present record is not sufficient to support the summary judgment on the dilution count. The judgment is therefore reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

CONCUR:

JUSTICE KENNEDY, concurring.

As of this date, few courts have reviewed the statute we are considering, the Federal Trademark Dilution Act, *15 U.S.C. § 1125(c)*, and I agree with the Court that the evidentiary showing required by the statute can be clarified on remand. The conclusion that the VICTORIA'S SECRET mark is a famous mark has not been challenged throughout the litigation, *ante*, at 6, 13, and seems not to be in question. The remaining issue is what factors are to be considered to establish dilution.

For this inquiry, considerable attention should be given, in my view, to the word "capacity" in the statutory phrase that defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services." 15 U.S.C. § 1127. When a competing mark is first adopted, there will be circumstances when the case can turn on the probable consequences its commercial use will have for the famous mark. In this respect, the word "capacity" imports into the dilution inquiry both the present and the potential power of the famous mark to identify and distinguish goods, and in some cases the fact that this power will be diminished could suffice to show dilution. Capacity is defined as "the power or ability to hold, receive, or accommodate." Webster's Third New International Dictionary 330 (1961); see also Webster's New International Dictionary 396 (2d ed. 1949) ("Power of receiving, containing, or absorbing"); 2 Oxford English Dictionary 857 (2d ed. 1989) ("Ability to receive or contain; holding power"); American Heritage Dictionary 275 (4th ed. 2000) ("The ability to receive, hold, or absorb"). If a mark will erode or lessen the power of the famous mark to give customers the assurance of quality and the full satisfaction they have in knowing they have purchased goods bearing the famous mark, the elements of dilution may be established.

Diminishment of the famous mark's capacity can be shown by the probable consequences flowing from use or adoption of the competing mark. This analysis is confirmed by the statutory authorization to obtain injunctive relief. 15 U.S.C. § 1125(c)(2). The essential role of injunctive relief is to "prevent future wrong, although no right has yet been violated." *Swift & Co. v. United States*, 276 U.S. 311, 326, 72 L. Ed. 587, 48 S. Ct. 311 (1928). Equity principles encourage those who are injured to assert their rights promptly. A holder of a famous mark threatened with diminishment of the mark's capacity to serve its purpose should not be forced to wait until the damage is done and the distinctiveness of the mark has been eroded.

In this case, the District Court found that petitioners' trademark had tarnished the VICTORIA'S SECRET mark. App. to Pet. for Cert. 38a-39a. The Court of Appeals affirmed this conclusion and also found dilution by blurring. 259 F.3d 464, 477 (CA6 2001). The Court's opinion does not foreclose injunctive relief if respondents on remand present sufficient evidence of either blurring or tarnishment.

With these observations, I join the opinion of the Court.

* * *

Notes on Dilution

In its *V Secret* decision, the Supreme Court indicated that when the marks are identical, meeting the burden of proof under the FTDA may be easier. The Court stated, "at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient" to establish dilution. That suggests that proof of such mental association alone may be sufficient where the marks *are* identical. The Court underscored this by observing that direct evidence of dilution, such as surveys, may not be necessary "if actual dilution can reliably be proven through circumstantial evidence – the obvious case is one where the junior and senior uses are identical."

In *Kellogg Co. v. Toucan Golf, Inc.*, 337 F.3d 616 (6th Cir. 2003), the court applied *V Secret*, and concluded that Kellogg had failed to show that defendant's TOUCAN GOLD mark for golf equipment caused actual dilution of Kellogg's TOUCAN SAM character mark used in connection with its Froot Loops cereal. "Kellogg has failed to present evidence that any segment of the population recognizes TOUCAN SAM as the spokesbird only for Froot Loops in lesser numbers than it did before TGI started using its toucan marks."

Defendant's prior use of the mark at issues in a limited geographic area barred plaintiff's federal dilution claim in an opposition proceeding in *Enterprise Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.*, 330 F.3d 1333 (Fed. Cir. 2003). Enterprise had challenged Advantage's application to register "WE'LL EVEN PICK YOU UP" for vehicle rental services based on Enterprise's registered marks containing "PICK YOU UP". Under the FTDA, owners of famous marks are entitled only to injunctions only "if such use begins after the mark becomes famous." Advantage's use of its mark in San Antonio before Enterprise began use of its marks meant that Advantage's use could not have begun after Enterprise's marks became famous, obviating any need to determine whether such fame had even been achieved by Enterprise.

The NASDAQ Stock Market successfully showed *likely* dilution in opposing registration by an Italian company of NASDAQ for sports equipment, in *The NASDAQ Stock Market, Inc. v. Anartica*, 69 U.S.P.Q. 2d 1718 (T.T.A.B. 2003). The stock market easily showed the requisite fame, given that it had spent "hundreds of millions" to increase awareness of its NASDAQ mark, and "there have been countless articles published which discuss the NASDAQ stock market." Both confusion and dilution were likely. Consumers seeing applicant's NASDAQ mark "would either conclude it that it was opposer's mark being used . . . or would have to reach a contrary conclusion only by associating the mark less strongly with opposer. Either result would be a blurring and would lessen the capacity of opposer's mark to identify goods and services." The Board observed that "likelihood of dilution" remained the standard in opposition proceedings, despite the *V Secret* decision, because the lack of actual use by an intent-to-use applicant means that actual dilution could not be shown, and the Lanham Act expressly permits opposition when a use "would cause dilution."

In *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 669 n. 10 (5th Cir. 2000), because defendant's mark was federally registered, plaintiff's dilution claim under Texas state law was barred, but its federal dilution claim was not.

The fair use exemption in the FTDA was applied in *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002). There the Danish band Aqua had produced a song "Barbie Girl" that parodied values associated with the famous doll and attracted the ire of Barbie's owner, Mattel. Mattel's FTDA claim failed because "the song . . . lampoons the Barbie image and comments humorously on the cultural values Aqua claims she represents. Use of the Barbie mark in the song Barbie Girl therefore falls within the noncommercial use exemption to the FTDA . . . [and] use of the mark in the song's title is also exempted." The trademark infringement claim also failed because confusion was unlikely.

The Ninth Circuit examined the concept of niche market dilution in *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894 (9th Cir. 2002). It explained, "[n]iche market fame protection is . . . limited. The statute protects a mark only when a mark is famous within a niche market

and the alleged diluter uses the mark within that niche." In considering the use of the TREK and OrbiTrek marks at issue, the court affirmed summary judgment that there was no dilution, reasoning that a "reasonable factfinder could not . . . conclude that mobile bicycles and elliptical orbit machines operate in the same narrow market segment for purposes of the niche fame concept, although both products can be used for exercise . . . [and] it could not reasonably find that TREK is a famous mark in that [stationary exercise machine] market, as opposed to in the market segment frequented by bicycle enthusiasts." Similarly, the Trademark Trial and Appeal Board found no niche market dilution in *Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q.2d 1164 (T.T.A.B. 2001). While opposer's mark may have been famous in its market, the parties used their respective marks in different markets. "We have no evidence on which to conclude that potential buyers of applicant's goods would make any association between the parties' marks when used on their respective goods and services".

The Second Circuit has placed an additional limitation on protectable "fame", concluding that the mark must be inherently distinctive to qualify for protection under the FTDA. A descriptive mark, for example, would not qualify, even if it had acquired secondary meaning and become famous. *New York Stock Exchange, Inc. v. New York, New York Hotel, LLC*, 293 F.3d 550 (2d Cir. 2002) (out of the many marks asserted by plaintiff, e.g. "New York Stock Exchange", only its inherently distinctive registered logo qualified for federal dilution protection); *TCPIP Holding Co., Inc. v. Haar Comm'ns, Inc.*, 244 F.3d 88 (2d Cir. 2001) (no federal dilution protection for plaintiff's descriptive mark "The Children's Place" for stores selling children's merchandise; preliminary relief granted against some domain names that created likely confusion).

Judge Posner weighed in on the issue of whether generic misuse can constitute dilution in *Ty, Inc. v. Perryman*, 306 F.3d 509 (7th Cir. 2002). There the lower court had granted dilution relief against defendant's referring to third party products by the nickname "beanies", which had become a famous mark for plaintiff's toys. It found "[t]his clearly lessens the capacity of the plaintiff to distinguish its goods from [its] competitors." The Seventh Circuit, in an opinion by Judge Posner, vacated that decision. In rejecting the application of dilution law to generic misuse, he opined that allowing such dilution actions might not be in the public interest, as ordinary language becomes enriched by the addition of generic terms that once were trademarks. The court did affirm an injunction, on deceptiveness grounds, against the defendant's website use of the heading "Other Beanies" for third party products, and suggested a disclaimer might be appropriate on remand.

Notes on Domain Name Misuse

In *Taubman v. Webfeats*, 319 F.3d 770, 778 (6th Cir. 2003), the defendant's domain name created no likelihood of confusion where defendant had discontinued its single commercial link to another website and had no other commercial activities. The defendant also posted a disclaimer on its noncommercial website and provided a link to plaintiff's website; "a misplaced customer simply has to click his mouse to be redirected to [plaintiff's] site". Defendant used plaintiff's mark in the domain name "taubmansucks.com". In declining to grant relief, the court observed that, "Taubman concedes that Mishkoff is 'free to shout Taubman Sucks! from the rooftops.' . . . The rooftops of our past have evolved into the Internet domain names of our present."

Should a "gripe site" operator be required to do anything to distinguish the pirated domain name from the owner's trademark? In *TMI, Inc. v. Maxwell*, 368 F.3d 433 (5th Cir. 2004), defendant registered the domain name "trendmakerhome.com" and operated a gripe site there concerning his dissatisfaction with plaintiff's "Trendmaker Homes" housebuilding company because of a salesperson's alleged misrepresentations. Plaintiff owned the domain name "trendmakerhomes.com". The appellate court reversed the lower court's holding that the FTDA and ACPA had been violated. The Fifth Circuit concluded that the FTDA did not apply because defendant was not making "commercial use" of a mark or name. There were no links to commercial sites, no advertisements, and no other commercial content. The ACPA did not apply because there was no bad faith intent to profit. This activity by a disgruntled customer was considered similar to that of the defendant in *Lucas Nursery & Landscaping, Inc. v. Grosse*, 359 F.3d 806, 811 (6th Cir. 2004). There a former customer of Lucas Nursery was not liable for registering the domain name "lucasnursery.com" and operating a gripe site about the company, because there was no bad faith intent to profit.

Compare *E&J Gallo Winery v. Spider Webs, Ltd.*, 286 F.3d 270 (5th Cir. 2002) (defendant's "Whiny Winery" website critical of plaintiff at ernestandjuliogallo.com, launched after the lawsuit concerning that domain name was filed, only further demonstrated defendant's bad faith); *Mattel, Inc. v. Adventure Apparel*, 2001 U.S. Dist. LEXIS 13885 (S.D.N.Y. 2001) (defendant's defense that it intended to set up parody websites at barbiesbeachwear.com and barbiesclothing.com failed since it never did so, and those domain names instead linked to defendant's commercial website). In *E&J Gallo Winery v. Spider Webs*, \$25,000 in statutory damages was awarded for defendant's bad faith registration of ernestandjuliogallo.com. For discussion of such "cybergripping" generally, see Kelley, "Is Liability Just a Link Away? Trademark Dilution by Tarnishment under the FTDA of 1995 and Hyperlinks on the World Wide Web", 9 J. Intell. Prop. L. 361, 375 (2002); Lopez, "Corporate Strategies for Addressing Internet 'Complaint' Sites", 14 Int'l L. Practicum 101, 101-102 (Autumn 2001).

In *Paccar, Inc. v. Telescan Techs., L.L.C.*, 319 F.3d 243 (6th Cir. 2003), plaintiff owned the trademarks at issue for trucks and truck parts; confusion was likely due to defendant's incorporation of plaintiff's trademarks into domain names for defendant's websites which provided truck locator services. Compare *Sloan v. Auditron Elec. Corp.*, 68 Fed. Appx. 386 (4th Cir. 2003), in which the parties' products (audio equipment for defendants, and bookkeeping and tax services for the plaintiff), were too disparate for defendant's auditron.com domain name to create likely confusion with plaintiff's AUDITRON mark.

In *Porsche Cars North America, Inc. v. porschenet*, 302 F.3d 248, 261-262 (4th Cir. 2002), the court refused to transfer ownership of a domain name in a dilution case, concluding that it is not an authorized remedy under the FTDA. In contrast, "[t]he ACPA 'was adopted specifically to provide courts with a preferable alternative to stretching federal dilution law when dealing with cybersquatting cases'".

Ford Motor Co. v. Catalanotte, 342 F.3d 543 (6th Cir. 2003), was a straightforward decision awarding Ford injunctive and monetary relief after defendant had registered the domain name "fordworld.com", knowing that "Ford World" was the name of Ford's employee newspaper. Defendant had e-mailed Ford's Officers falsely claiming that he had received other offers for the domain name and urging Ford to purchase it before those others did.

"[R]egistering a famous trademark as a domain name and then offering it for sale to the trademark owner is exactly the wrong Congress intended to remedy when it passed the ACPA." *Compare Interstellar Starship Servs. v. Epix, Inc.*, 304 F.3d 936, 947 (9th Cir. 2002), in which the requisite bad faith was not shown under ACPA. Defendant had registered the epix.com domain name "as a descriptive term to connote" the website's content, *i.e.* "electronic pictures" (e-pictures), and only offered to sell the domain name to plaintiff in the context of settlement negotiations.

The ACPA also authorizes actions against what is sometimes called "reverse domain name hijacking". 15 U.S.C. §1114(2)(D)(v) allows a domain name registrant to sue a trademark owner to establish that the registrant's registration or use of the domain name is not unlawful, and to prevent its transfer or to cause reactivation of the registrant's ownership of it. In *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*, 330 F.3d 617 (4th Cir. 2003), the Fourth Circuit observed that under 15 U.S.C. §1114(2)(D)(v), "the WIPO panelist's decision is not even entitled to deference on the merits." It explained that, "[b]ecause the administrative process prescribed by the UDRP is 'adjudication lite' as a result of its streamlined nature and its loose rules regarding applicable law, the UDRP itself contemplates judicial intervention, which can occur before, during or after the UDRP's dispute resolution process is invoked." It pointed out that ICANN, in designing the UDRP, was concerned that the process not be abused via "reverse domain name hijacking":

If a domain name registrant cybersquats in violation of the ACPA, he "hijacks" the domain name from a trademark owner who ordinarily would be expected to use the domain name involving his trademark. But when a trademark owner overreaches in exercising rights under the ACPA, he "reverse hijacks" the domain name from the domain name registrant. Thus, § 1114(2)(D)(v), enacted to protect domain name registrants against overreaching trademark owners, may be referred to as the "reverse domain name hijacking provision".

Because the domain name registrant had registered "barcelona.com" in good faith as a purely geographical designation, the Court held for the registrant over the objections of the City Council of Barcelona, Spain.

Such a cause of action was discussed and reinstated in *Hawes v. Network Solutions, Inc.*, 337 F.3d 377 (4th Cir. 2003). In *Storey v. Cello Holdings L.L.C.*, 347 F.3d 370 (2nd Cir. 2003), an individual who had registered "cello.com" along with other musical instrument-based domain names was able at the district court level to have his ownership restored under this section after an adverse decision from a UDRP panel. However, the Second Circuit vacated and remanded because, while the original registration may have been in good faith, the registrant's subsequent offer to sell the domain name to Cello Holdings may or may not have shown a bad faith intent to profit that would create liability. In *Dluhos v. Strasberg*, 321 F.3d 365 (3^d Cir. 2003) the court similarly confirmed that a domain name registrant facing an adverse decision under the UDRP "may sue for a declaration that the registrant is not in violation of [the ACPA], as well as for an injunction returning the domain name". It remanded "with a direction that the court review the dispute-resolution award *de novo*" under the ACPA.

The Second Circuit in *Storey v. Cello Holdings* also concurred with the First and Fourth Circuit's decisions in *Sallen v. Corinthians*, 273 F.3d 14, 19 (1st Cir. 2001) and *Hawes v. Network Solutions, Inc.*, 337 F.3d 377, 386 (4th Cir. 2003), that a UDRP decision has no binding precedential or res judicata effects on subsequent ACPA actions.

Concurrent Users and Domain Name Rights

Even geographically discrete concurrent uses can raise confusion problems when the marks are used in domain names that can be widely accessed via the Internet. In *Harrods, Ltd. v. Sixty Domain Names*, 302 F.3d 214 (4th Cir. 2002), for example, also described in § 7.05 above, two companies both had legitimate rights to use the name "Harrods" in different parts of the world in connection with department store services. Harrods BA, centered in Buenos Aires, originally was a subsidiary of the British company Harrods UK, but became a separate company with the independent right to use the Harrods name in Argentina and much of South America. Harrods BA subsequently registered with a Virginia registrar numerous "harrods" derivative domain names in the .com, .net and .org top level domains, such as harrodsstore, harrodsshopping, shoppingharrods, etc. Harrods UK then filed suit.

The appellate court observed that, although both companies had legitimate rights to use the Harrods name, "even recognizing the rights of concurrent users of a mark, a legitimate concurrent user still violates the other user's rights if it uses the shared mark in a manner that would cause consumer confusion, such as by using the mark in the other's geographic area. . . . Thus, if a concurrent user registers a domain name with the intent of expanding its use of the shared mark beyond its geographically restricted area, then the domain name is registered in bad faith. . . ."

Here there was evidence of such bad faith, including evidence showing Harrods BA had a business plan to use the domain names "to profit by deliberately confusing and diverting non-South American customers seeking to shop at Harrods U.K." The Sixth Circuit consequently affirmed the order transferring the fifty-four non-Argentina domain names to Harrods UK, and reversed and remanded to permit discovery as to six remaining domain names that were Argentina-related. For a discussion of concurrent use issues raised by domain names, see Dinwoodie, *(National) Trademark Laws and the (Non-National) Domain Name System*, 21 U. Pa. J. Int'l Econ. L. 495 (2000).

In Rem Jurisdiction

In rem jurisdiction under the ACPA is discussed in *Harrods Ltd. v. Sixty Internet Domain Names*, *supra* (*in rem* jurisdiction upheld where plaintiff could not establish personal jurisdiction over the Argentine registrant; the court also concluded that a plaintiff bringing an *in rem* action under § 1125(d) "may, in appropriate circumstances, pursue infringement and dilution claims as well"); and Jennings, *Significant Trademark/Domain Name Issues in Cyberspace*, 663 PLI/Pat 649 (2001) (cited approvingly by the court in *Harrods* for the proposition that infringement and dilution claims also may be brought in appropriate Lanham Act *in rem* cases). In the *Porsche Cars v. porschenet* case described above, the Fourth Circuit upheld *in rem* jurisdiction over domain names owned by a British citizen despite the latter's last minute consent to personal jurisdiction in California. 302 F.3d at 255-258. Compare the filing of an *in rem* suit in the

wrong court in *Fleetboston Financial Corp. v. Fleetbostonfinancial.com*, 138 F.Supp.2d 121 (D. Mass. 2001). The court in that case observed that the ACPA "allows a plaintiff to bring an *in rem* action only in the judicial district in which the registrar, registry or other domain name authority is located as specified" in 15 U.S.C. § 1125(d)(2)(A). Because none of those was located in Massachusetts where plaintiff sued, the case was dismissed.

Should a registrar or domain name auctioneer be responsible for the activities of a bad faith registrant? See, *Bird v. Parsons*, 289 F.3d 865 (6th Cir. 2002) (affirming dismissal of complaint against domain name registrar and domain name auction website that offered the domain name for sale on behalf of the registrant).

Some states, such as California, Louisiana and Hawaii, have enacted their own state legislation concerning bad faith domain name registration. See Cal. Stat. § 17525; La. Rev. Stat. 51:300:12 and Haw. Rev. Stat. § 481B.

ICANN Proceedings

The purpose of the ICANN Policy was explained in the Second Staff Report on Implementation Documents for the Uniform Dispute Resolution Policy (Oct. 25, 1999), available at www.icann.org:

[The Policy] calls for administrative resolution for only a small, special class of disputes. . . . The adopted policy establishes a stream-lined, inexpensive administrative dispute-resolution procedure intended only for the relatively narrow class of cases of "abusive registrations". . . . The policy relegates all "legitimate" disputes - such as those where both disputants had longstanding trademark rights in the name when it was registered as a domain name - to the courts.

A repeat offender "typosquatter" lost again in *National Association of Professional Baseball Leagues, Inc. v. Zuccarini*, WIPO No. D2002-1, 67 U.S.P.Q. 2d 1315 (Jan. 21, 2003), after the owner of the federally registered trademark MINOR LEAGUE BASEBALL challenged the typosquatter's registration of "minorleaguebaseball.com". "[T]yposquatting ... is the intentional misspelling of words with intent to intercept and siphon off traffic from its intended destination, by preying on Internauts who making common typing errors. Typosquatting is inherently parasitic and of itself evidence of bad faith." The panel noted defendant's "long history of registering as domain names the trademarks of others or slight misspellings of them", citing, among others, *Shields v. Zuccarini*, 254 F.3d 476 (3rd Cir. 2001). Defendant had no legitimate interest in the confusingly similar domain name, and used it in bad faith for a pornography website which children seeking baseball information might accidentally access.

In *Parisi v. Netlearning, Inc.*, 139 F. Supp.2d 745 (E.D. Va. 2001), the declaratory judgment plaintiff contested an adverse ICANN decision. The defendant moved to dismiss, contending that plaintiff was improperly attempting to vacate an arbitration award in violation of the Federal Arbitration Act ("FAA"). In declining to dismiss, the court reasoned that ICANN clearly intended to provide for judicial review of panel decisions, and that the FAA therefore did not apply. Similarly, in *Sallen v. Corinthians Licenciamentos Ltda.*, 273 F.3d 14 (1st Cir. 2001),

the loser of an ICANN proceeding sought a declaration that he was not in violation of the ACPA and was not required to transfer the domain name. In reversing the lower court's dismissal, the First Circuit confirmed that such an action is authorized under 15 U.S.C. § 1114(D)(V).

In *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*, 330 F.3d 617 (4th Cir. 2003), a domain name registrant sought a declaration that its registration and use of the domain name barcelona.com did not violate the rights, under the ACPA, of the defendant City Council of Barcelona, Spain. The City Council owned about 150 registrations in Spain for trademarks which included the word "Barcelona", but none in the United States. Plaintiff had developed a business plan to turn the barcelona.com website into a tourist portal for the Barcelona, Spain region, and also had offered to sell the domain name to the City Council. In an ICANN proceeding, the panelist found barcelona.com was confusingly similar to the City Council's Spanish trademarks and had been registered in bad faith, and ordered its transfer to the City Council. The district court agreed.

The Fourth Circuit disagreed. It concluded that the Lanham Act, not Spanish law, must apply, and that "the City Council could not obtain a trademark interest in a purely descriptive geographical designation that refers only to the City of Barcelona. . . . there was no evidence that the public – in the United States or elsewhere – associates 'Barcelona' with anything other than the City itself." Accordingly, the Court reversed, vacated and remanded for entry of declaratory relief in favor of the domain name registrant.

In 2002, the top level domain ".us" became available for domain name registration by U.S. citizens, residents, businesses and others with a bona fide presence in the United States. Dispute resolution for this domain is provided by the American Arbitration Association.

§ 8.02 Misrepresentations

The following appellate decision may be substituted for the *Fashion Boutique* decision excerpt that begins on page 399 of the coursebook:

FASHION BOUTIQUE OF SHORT HILLS, INC. v. FENDI USA, INC.

United States Court Of Appeals, Second Circuit
314 F.3d 48 (2003)

WALKER, JOHN M., CHIEF JUDGE

* * *

BACKGROUND

I. Overview

Between 1983 and July 1991, Fashion Boutique sold products bearing the internationally-renowned Fendi trademark in an upscale mall in Short Hills, New Jersey. Fashion Boutique was the only freestanding Fendi boutique in the greater New York metropolitan area until Fendi Stores opened on Fifth Avenue in New York City in October 1989. Both Fashion Boutique and Fendi Stores carried only the international line of Fendi products. This "exclusive" line is considered superior in quality to the domestic line sold in American department stores.

Two months after Fendi opened its Fifth Avenue Store, Fashion Boutique experienced a sharp decline in its sales and, by July 1991, Fashion Boutique closed its retail operations. Fashion Boutique alleged in its complaint that the precipitous fall in its sales was caused by a corporate policy carried out by Fendi to misrepresent the quality and authenticity of the products sold at Fashion Boutique.

Fashion Boutique conceded in the district court that it could not show that many of its customers heard disparaging statements first-hand at the Fifth Avenue store. Rather, its theory was and is that Fendi employees made misrepresentations to some customers at the Fifth Avenue store, those customers relayed the comments to others, and the false rumors were thus spread throughout Fashion Boutique's customer base. Prior to the close of its business, Fashion Boutique maintained a mailing list of over 8,000 customers.

Fashion Boutique claims that the actions by Fendi led to the destruction of its retail business, violated Section 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a) (1994), which prohibits misrepresentation of another person's goods or services in "commercial advertising or promotion," and violated New York law on product disparagement and slander.

II. Motion for Summary Judgment on the Lanham Act Claim

After the close of discovery, Fendi moved for summary judgment on Fashion Boutique's Lanham Act claim. Following certain pre-trial evidentiary rulings, the district court granted defendants' motion. See Fashion Boutique I, 942 F. Supp. at 217.

In challenging the district court's grant of partial summary judgment, Fashion Boutique relies primarily on reported conversations between Fendi personnel and nine undercover investigators hired to pose as shoppers and on declarations by forty Fashion Boutique customers. In none of the proffered interactions did employees at the Fifth Avenue store initiate conversations about Fashion Boutique. They commented on Fashion Boutique only after the customers mentioned plaintiff. For example, several customers who reported their conversations with Fendi employees went to the Fifth Avenue store seeking to repair or exchange products or were wearing Fendi products as they shopped at that store. After the customer informed Fendi personnel that the item had been bought at Fashion Boutique, the employee reacted by making critical comments about the quality of Fashion Boutique's merchandise and, on several occasions, refused to exchange or repair the product.

(1) Incidents Prior to the Close of Fashion Boutique

Prior to Fashion Boutique's demise, Fendi personnel told a total of eleven customers that Fashion Boutique carried an inferior, "department store" line of products or that Fashion Boutique sold "fake" or "bogus" merchandise. During four visits to Fendi's Fifth Avenue store, undercover investigators were told that Fashion Boutique's merchandise was of inferior quality. Five shoppers and several undercover investigators related incidents in which Fendi employees described Fashion Boutique's goods as a "different line" from that sold at the Fifth Avenue store. In addition, Fendi employees made critical comments about the customer service at Fashion Boutique to six investigators and one customer.

Sixteen Fashion Boutique customers reported having "heard rumors" that Fashion Boutique sold fake Fendi merchandise "during the period 1990-1991." One shopper heard similar rumors but could not remember when she heard them.

(2) Statements Made After the Close of Fashion Boutique

Eight customers identified statements made after Fashion Boutique's demise in July 1991. Fendi employees told four of them that Fashion Boutique sold a "different line" of products, three others that Fashion Boutique sold inferior or fake Fendi goods, and one other that Fashion Boutique closed because it caused trouble or was too costly to maintain. In addition, a Fendi employee told one investigator that the owners of Fashion Boutique were filing for bankruptcy.

(3) Caroline Clarke Deposition

As evidence of the alleged policy of disparagement, plaintiff presented the deposition of Caroline Clarke, a former employee of Fendi USA. Although Clarke's superiors never explicitly told her of a policy to disparage Fashion Boutique, she learned from speaking to managers and salespersons at Fendi Stores that salespersons followed a practice of disparaging the customer service at Fashion Boutique.

(4) The District Court's Decisions

After carefully reviewing the evidence, Judge Cedarbaum determined that most of the evidence submitted by Fashion Boutique failed to support the Lanham Act claim. Specifically, the district court found that (1) the statements suggesting that Fashion Boutique sold a "different" line were not disparaging because "different" does not impugn the quality of the product; (2) the declarations by customers alleging to have "heard rumors" that Fashion Boutique sold fake items was inadmissible hearsay and thus could not be considered on a motion for summary judgment; and (3) disparaging remarks made after Fashion Boutique closed were not actionable under the Lanham Act and, because plaintiff and defendants were no longer competitors, were not relevant. See *id.* at 215.

Judge Cedarbaum concluded that the remaining evidence was insufficient to withstand a motion for summary judgment because it did not fall within the meaning of "commercial advertising or promotion" as set forth in the Lanham Act. The district court held that the Lanham Act is violated when the defendants proactively pursue customer contacts and disparage the plaintiff's goods or services. See *id.* at 215-16 (listing cases). Because each disparaging

comment was made only after the customer initiated a discussion about Fashion Boutique, the district court concluded that the communications were reactive and not proactive. See *id.* at 216.

Moreover, relying on the four-part test announced in *Gordon & Breach Sci. Publishers S.A. v. Am. Inst. of Physics*, 859 F. Supp. 1521, 1535-36 (S.D.N.Y. 1994) ("Gordon & Breach I"), the district court held that to constitute "commercial advertising or promotion" the statements must be sufficiently disseminated to the relevant purchasing public. See *Fashion Boutique I*, 942 F. Supp. at 216. The district court concluded that plaintiff had failed to prove sufficient dissemination because it presented only a dozen admissible comments within a purchasing public universe consisting of thousands of customers.

* * *

[The Lanham Act] does not define the phrase "commercial advertising or promotion." In determining whether representations qualify as "commercial advertising or promotion," most courts have adopted the four-part test set forth in *Gordon & Breach I*. Under the test, in order to qualify as "commercial advertising or promotion," the contested representations must be "(1) commercial speech; (2) by a defendant who is in commercial competition with plaintiff; (3) for the purpose of influencing consumers to buy defendant's goods or services"; and, (4) although representations less formal than those made as part of a classic advertising campaign may suffice, they must be disseminated sufficiently to the relevant purchasing public. [Citations omitted]. ...[W]e easily accept the first and third elements of the *Gordon & Breach* test that define the term "commercial" as referring to "commercial speech" that is made for the purpose of influencing the purchasing decisions of the consuming public. See *Gordon & Breach I*, 859 F. Supp. at 1536.

The precise meaning of "advertising or promotion" has been subject to various interpretations. Compare *Gordon & Breach Sci. Publishers S.A. v. Am. Inst. of Physics*, 905 F. Supp. 169, 182 (S.D.N.Y. 1995) (holding that "any promotional statement directed at actual or potential purchasers falls within the reach" of the Lanham Act), and *Mobius Mgmt. Sys., Inc. v. Fourth Dimension Software, Inc.*, 880 F. Supp. 1005, 1020-21 (S.D.N.Y. 1994) (holding that single letter addressed to one purchaser constitutes "advertising or promotion"); with *Garland Co. v. Ecology Roof Sys., Corp.*, 895 F. Supp. 274, 279 (D. Kan. 1995) (rejecting *Mobius* and holding that the Lanham Act is violated only where the misrepresentations are widely disseminated within the relevant purchasing public), and *Med. Graphics Corp. v. Sensormedics Corp.*, 872 F. Supp. 643, 650-51 (D. Minn. 1994). The statute's disjunctive wording compels us to give meanings to both "advertising" and "promotion" that do not render either term superfluous. See *Connecticut ex rel Blumenthal v. United States Dep't of the Interior* 228 F.3d 82, 88 (2d Cir. 2000). We conclude that the distinction between advertising and promotion lies in the form of the representation. Although advertising is generally understood to consist of widespread communication through print or broadcast media, "promotion" may take other forms of publicity used in the relevant industry, such as displays at trade shows and sales presentations to buyers. See, e.g., *Seven-Up*, 86 F.3d at 1386 (finding sales presentation to a significant percentage of industry customers constitutes advertising under the Lanham Act).

The Seventh Circuit has recently limited the scope of the Lanham Act to advertising defined as "a form of promotion to anonymous recipients, as distinguished from face-to-face communication, ... [and] a subset of persuasion [that relies on] dissemination of prefabricated promotional material." See *First Health Group Corp. v. BCE Emergis Corp.*, 269 F.3d 800, 803 (7th Cir. 2001) (internal quotations omitted). The problem with the Seventh Circuit's focus on the term "advertising" is that it fails to define the term "promotion" in any meaningful way.

Although the Lanham Act encompasses more than the traditional advertising campaign, the language of the Act cannot be stretched so broadly as to encompass all commercial speech. See, e.g., *Sports Unlimited, Inc v. Lankford Enters., Inc.*, 275 F.3d 996, 1005 (10th Cir. 2002); *First Health Group*, 269 F.3d at 803. The ordinary understanding of both "advertising" and "promotion" connotes activity designed to disseminate information to the public. Cf. *Garland*, 895 F. Supp. at 276. Thus, the touchstone of whether a defendant's actions may be considered "commercial advertising or promotion" under the Lanham Act is that the contested representations are part of an organized campaign to penetrate the relevant market. Proof of widespread dissemination within the relevant industry is a normal concomitant of meeting this requirement. Thus, businesses harmed by isolated disparaging statements do not have redress under the Lanham Act; they must seek redress under state-law causes of action. See, e.g., *id.* at 279; *Am. Needle & Novelty, Inc. v. Drew Pearson Mktg., Inc.*, 820 F. Supp. 1072, 1078 n.2 (N.D. Ill. 1993).

In determining whether a defendant's misrepresentations are designed to reach the public, we find the district court's proactive-reactive distinction instructive, but not necessarily dispositive. Although most reactive statements will doubtless consist of off-the-cuff comments that do not violate the Lanham Act because no broad dissemination is intended or effected, we leave open the possibility that a cause of action might exist where a defendant maintains a well-enforced policy to disparage its competitor each time it is mentioned by a customer, if such a policy of reactive disparagement successfully reaches a substantial number of the competitor's potential customers.

In sum, we adopt the first, third and fourth elements of the Gordon & Breach test. To decide this appeal, we need not decide [] the second element – that defendant and plaintiff be competitors. We note that the requirement is not set forth in the text of Section 43(a) and express no view on its soundness.

C. Fashion Boutique's Lanham Act Claim

Based on the foregoing principles, we easily conclude that Fashion Boutique failed to put forward sufficient evidence that defendants' actions constituted "commercial advertising or promotion" under the Lanham Act.

Turning first to plaintiff's evidentiary claims, we believe that the district court did not abuse its discretion in excluding the evidence of rumors. See *Nora Beverages, Inc. v. Perrier Group of Am., Inc.*, 164 F.3d 736, 746 (2d Cir. 1998) (stating that evidentiary rulings, even those made at the summary judgment stage, are reviewed for "manifest error"). Regardless of whether the rumor evidence was properly rejected as hearsay, the district court later decided, in any

event, that its prejudicial effect outweighed its minimal probative value. We find no "manifest error" in this decision given the absence of proof connecting defendants to the rumors.

There is no evidence to suggest that the remaining statements were part of an organized campaign to penetrate the marketplace. Even including the "different line" statements, post-closing statements, and comments made to undercover investigators, Fashion Boutique has presented a total of twenty-seven oral statements regarding plaintiff's products in a marketplace of thousands of customers. Such evidence is insufficient to satisfy the requirement that representations be disseminated widely in order to constitute "commercial advertising or promotion" under the Lanham Act. See *Sports Unlimited*, 275 F.3d at 1004-05 (finding evidence of dissemination of information to two customers, where plaintiff made up to 150 bids per year, insufficient to constitute "commercial advertising or promotion"); cf. *Coastal Abstract*, 173 F.3d at 735 (upholding jury's verdict on Lanham Act where misrepresentation was made to one of three potential clients); *Seven-Up*, 86 F.3d at 1386 (finding evidence of dissemination sufficient where statements were made to eleven out of seventy-four potential customers). The Clark deposition was specifically limited to disparagement of the customer service at Fashion Boutique, as distinct from the products sold there, and there is nothing to suggest that the comments were anything more than individual reactions to particular customers' mention of Fashion Boutique.

* * *

Conclusion

For the foregoing reasons, we affirm the judgment of the district court.

§ 8.02 [A] Misrepresentations Generally

The *Rogers v. Grimaldi* test (pp 413-414 coursebook) was followed in *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002). Under *Rogers v. Grimaldi*, the title "Barbie Girl" had relevance to the underlying song that parodied values associated with the famous doll, and was not explicitly misleading. "The *only* indication that Mattel might be associated with the song is the use of Barbie in the title; if this were enough to satisfy this prong of the *Rogers* test, it would render *Rogers* a nullity." Summary judgment against plaintiff was affirmed where the public interest in avoiding confusion did not outweigh the public interest in free expression.

In *ETW v. Jireh Publishing, Inc.*, 332 F.3d 915 (6th Cir. 2003), the court used a *Rogers v. Grimaldi* analysis in permitting defendant's use of golfer Tiger Woods' name on the inside flap of an envelope containing an art print featuring his image, and in the narrative description for the print. A *Rogers v. Grimaldi* defense was considered in *Parks v. LaFace Records*, 329 F.3d 437 (6th Cir. 2003), in considering the use of civil rights icon Rosa Parks' name as a song title. The appellate court was skeptical that the title had the necessary relevance to the song's content because: the key "back of the bus" phrase in the song "has absolutely nothing to do with Rosa Parks", the song could be considered "antithetical to the qualities identified with Rosa Parks", and her name may have been "appropriated solely because of the vastly increased marketing power" it would bring. The court nonetheless remanded for the lower court to determine

whether the song title had the requisite artistic relevance to sustain a *Rogers* defense. *See also* the discussion of permitted use in artistic works in § 7.07[F] above.

§ 8.02[B] Misrepresentations on the Internet

In *Promatek Industries, Ltd. v. Equitrac Corp.*, 300 F.3d 808 (7th Cir. 2002), the parties competed in selling cost-recovery equipment. Defendant also provided maintenance and service for plaintiff's equipment, and because of that put plaintiff's Copitrak trademark (misspelled as "Copitrack") in its metatags. When it learned plaintiff had sued, defendant contacted all of the search engines known to it, and requested that they remove any link between the term Copitrack and defendant's website. Defendant also removed the Copitrack metatag from its website.

The district court granted a preliminary injunction mandating that, in addition to the actions defendant already had taken, defendant put the following language on its website:

If you were directed to this site through the term "Copitrack", that is in error as there is no affiliation between [defendant] Equitrac and that term. The mark "Copitrak" is a registered trademark of Promatek Industries, Ltd., which can be found at www.promatek.com or www.copitrak.com.

On appeal, defendant unsuccessfully contended that the ordered language unfairly informed consumers of its competitor and encouraged them to go to plaintiff's website. The court viewed it differently: "the remedial language on the website is more informative than it is harmful. Equitrac's speculative argument that Promatek may gain a competitive advantage by inclusion of the remedial language is rejected."

Search engines commonly use metatags as a basis for compiling their listings, but many also offer the opportunity simply to purchase search terms. In *Nissan Motor Co. v. Nissan Computer Corp.* 204 F.R.D. 460 (C. D. Cal. 2000), for example, defendant counterclaimed that plaintiff had unlawfully paid search engines to list plaintiff's website when searchers typed in "nissan" or "nissan.com". Both parties had legitimate rights in the mark NISSAN; plaintiff for automobiles and other vehicles, and defendant for computer sales and services. Defendant owned the domain name www.nissan.com. The court initially reasoned that that "[t]here appears to be no good cause for not extending" the law respecting improper use of metatags, "to cases where one infringes or dilutes another's mark by purchasing a search term – as opposed to using another's mark in one's metatag – for the purpose of manipulating a search engine's results list." However, that law did not apply in this case because plaintiff had valid rights in "Nissan", and by extension, the right to purchase as a search term that mark with the ".com" top level domain name added.

The related *Nissan* case discussed in the coursebook at p. 409 was affirmed by the Ninth Circuit in *Nissan Motor Co. v. Nissan Computer Corp.*, 246 F.3d 675 (9th Cir. 2000).

In *Horphag Research, Ltd. v. Pellegrini*, 328 F.3d 1108 (9th Cir. 2003), defendant, allegedly to compare his product to Horphag's, repeatedly used Horphag's registered trademark "Pycnogenol" in defendant's text and website metatags. Pycnogenol is a pine bark extract product, and through his website defendant sold that product along with other pharmaceutical products, including one he called "the Original French Pycnogenol". In affirming the district

court's judgment of trademark infringement, the court rejected defendant's fair use defense (328 F.3d at 1112):

By using the mark so pervasively, not just in the text of his websites but also in the metatags used to link others to his websites, [defendant] exceeds any measure of reasonable necessity in using the Pycnogenol mark. Moreover, the constant use of Horphag's Pycnogenol trademark and variants thereof, such as "the Original French Pycnogenol", likely suggests that Horphag sponsors or is associated with [defendant's] websites and products.

Noting the district court's finding that defendant had "expressly admitted that [by the metatag use of the mark] he intended for his websites to gain priority in an Internet search for Pycnogenol", the appellate court also affirmed the award of attorneys' fees to plaintiff.

For a good discussion of metatags and initial interest confusion, see Doellinger, "*Internet, Metatags and Initial Interest Confusion: A Look to the Past to Reconceptualize the Future*", 41 IDEA 173 (2001).

In *Interactive Prods. Corp. v. a2z Mobile Office Solutions, Inc.*, 326 F.3d 687 (6th Cir. 2003), the court addressed "a novel trademark issue with regard to the Internet." Defendant did not use plaintiff's federally registered "Lap Traveler" trademark in its domain name, which was a2zsolutions.com, or its metatags, but rather in a post-domain path, *i.e.*, an address for a page in the website. "[A] post-domain path (e.g., /desks/floor/laptraveler/dkfl-lt.htm) merely shows how a website's data is organized within the host computer's files."

The parties' businesses involved the manufacture or sale of portable computer stands for use in automobiles. According to the appellate court, "the issue is whether a consumer is likely to notice 'laptraveler' in the post-domain path and then think that the Mobile Desk may be produced by the same company (or a company affiliated with the company) that makes the Lap Traveler." Defendant's use of the mark in the post-domain name path was a carry-over from when it sold plaintiff's product, and there was no evidence of any intent to confuse or mislead. The court noted that consumers normally would not type in the post-domain name path, but instead would link to that web page from defendant's website home page, a page that did not contain plaintiff's trademark. "Because post-domain paths do not typically signify source, it is unlikely that the presence of another's trademark in a post-domain name path of a URL would ever violate trademark law." While evidence showed that a keyword search for plaintiff's mark in search engines consistently resulted in defendant's web page being listed as one of the hits, there was expert testimony that a post-domain path name "does not bias a search engine," and no evidence was ever presented to explain *why* defendant's website was listed in search results for "laptraveler". Summary judgment for defendant therefore was affirmed.

On the issue of linking, compare *Kelly v. Arriba Soft Corp.*, 280 F.3d 934 (9th Cir. 2002), in which defendant operated an Internet image search engine that displayed its image results as small, low resolution "thumbnails". The thumbnails linked to the actual images on other people's websites, and were framed by defendant's web page's text and advertising. Defendant had thirty-five of the plaintiff photographer's images in its database, and plaintiff sued for copyright infringement.

The appellate court upheld the use of the thumbnails as fair use, concluding users were unlikely to enlarge them to a more standard size because of the low resolution, and that defendant's use served a different function than plaintiff's, *i.e.*, improving access to Internet information rather than artistic expression, with no harm to plaintiff's market or the value of the photographs. The court did hold that defendant's display of full-size images of plaintiff's photographs was copyright infringement, violating plaintiff's exclusive right to their public display.

In *Playboy Enterprises Int'l, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004), Netscape engaged in "keying" third party banner ads to searches for Playboy's marks on Netscape's search engine. Netscape sold advertisers a list of search terms related to sex and adult-oriented entertainment, including "playboy" and "playmate", and required the advertisers to link their banner ads to the terms. Consequently, when a user typed in "playboy" or "playmate" or another listed term, the advertiser's banner ad would appear on the search page. The ads had "Click Here" buttons that linked to the advertiser's website. The district court had granted summary judgment to Netscape, but the appellate court concluded that Playboy had shown that the ads were often confusingly labeled or not labeled at all, and that there were issues of fact as to whether the practice created initial interest confusion. The appellate court also rejected Netscape's fair use defense, noting that it listed over 400 terms for the advertisers and "there is nothing indispensable, in this context", about using Playboy's marks.

§ 8.02[C] False and Misleading Advertising

Comparative Advertising

For another example of comparative advertising analysis, *see Charles of the Ritz Group Ltd v. Quality King Distributors*, 832 F.2d 1317 (2d Cir. 1987). There the court affirmed a preliminary injunction against use of the phrases "If you like OPIUM, you'll love OMNI" for a low-priced "smell-alike", and the substitute phrase proffered by defendant, "If You Like OPIUM, a fragrance by Yves Saint Laurent, You'll Love OMNI, a fragrance by Deborah Int'l Beauty. Yves Saint Laurent and Opium are not related in any manner to Deborah Int'l Beauty and Omni." As to the latter, the disclaimer failed to indicate that OPIUM and OMNI were competing products sold by competitors, instead using the ambiguous phrase "not related to". Furthermore, defendant failed to introduce any evidence that the disclaimer would reduce consumer confusion.

A test-based claim was not preliminarily enjoined in *Johnson & Johnson Vision Care, Inc. v. 1-800 Contacts, Inc.*, 299 F.3d 1242 (11th Cir. 2002). In challenging the ad's test-based claim about the superiority of defendant's contact lenses, plaintiff needed to show "that the tests were not sufficiently reliable to permit [that] conclusion". The preliminary injunction was vacated where plaintiff only showed that the test design was not perfect and that the claim was potentially misleading. Alternatively, plaintiff would have needed to provide evidence of actual consumer deception, and had not done so.

In *Scott Co. v. United Industries Corp.*, 315 F.3d 264 (4th Cir. 2002), the depiction of mature crabgrass on defendant's product packaging did not convey a literally false message that the product killed mature crabgrass, in part because prominent accompanying text conveyed a

different message. Plaintiff's consumer reaction evidence was found unreliable and preliminary relief was denied.

In *S.C. Johnson & Sons, Inc. v. The Clorox Co.*, 241 F.3d 232 (2d Cir. 2001), defendant's television ads showing goldfish in distress as plaintiff's food storage bag rapidly leaked water were "literally false based on the evidence presented at trial of the real risk and rate of leakage from [plaintiff's] bags".

If a plaintiff establishes that a claim is literally false, should it also have to show that the claim is material to consumers? In *Pizza Hut, Inc. v. Papa John's Int'l, Inc.*, 227 F.3d 489, 487 (5th Cir. 2000), the Fifth Circuit determined a showing of materiality was not required: "with respect to materiality, when the statements of fact at issue are shown to be literally false, the plaintiff need not introduce evidence of the impact the statement had on consumers. In such a circumstance, the court will assume that the statements actually misled consumers." *Followed: James P. Logan, Jr. v. Burgers Ozark Country Cured Hams, Inc.*, 263 F.3d 447 (5th Cir. 2001) (enjoining defendant's literally false claim that it sold spiral sliced meat products when it no longer did). *Compare Johnson & Johnson Vision Care, Inc. v. 1-800 (Contacts, Inc.)*, 299 F.3d 1242 (11th Cir. 2002), in which the court concluded, "[t]he plaintiff must establish materiality even when a court finds that the defendant's advertisement is literally false." In that case, although the defendant contact lens manufacturer falsely claimed that it contracted with "eye doctors" rather than accurately claiming that it did so with "eye care practitioners", plaintiff failed to show that this was material to consumer decisions. *See also Cashmere & Camel Hair Mfg. Inst. v. Saks Fifth Ave.*, 284 F.3d 302, 311 (1st Cir. 2002) (to show materiality, the plaintiff must establish that "the defendant's deception is likely to influence [the] purchasing decision").

In *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharmaceuticals Co.*, 290 F.3d 578 (3d Cir. 2002) the name "Mylanta Night Time Strength" for defendant's heartburn medicine was literally false by necessary implication because it falsely conveyed the message that the product "was specially made to work at night".

In appropriate cases, a presumption of public deception will arise if the defendant intended such deception. *See, e.g., Cashmere & Camel Hair M'frs Institute v. Saks Fifth Avenue*, 284 F.3d 302 (1st Cir. 2002) ("[i]t is well-established that if there is proof that a defendant *intentionally* set out to deceive or mislead consumers, a presumption arises that consumers in fact have been deceived").

An unsubstantiated claim may be enjoined under appropriate circumstances. *See, e.g., Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharmaceuticals Co.*, 290 F.3d 578 (3d Cir. 2002), in which the court observed that, "although the plaintiff normally has the burden to demonstrate that the defendant's advertising claim is false, a court may find that a completely unsubstantiated advertising claim by the defendant is per se false without additional evidence from the plaintiff to that effect". A preliminary injunction was affirmed against the unsubstantiated use of "Night Time Strength" in the brand name for defendant's heartburn medicine. Defendant's product name and label had conveyed to 25% of survey respondents an unsubstantiated message of all-night relief from heartburn.

Commercial Disparagement

In *ISI Int'l v. Borden Ladner LLP*, 316 F.3d 731 (7th Cir. 2003), defendant's allegedly disparaging letters to plaintiff's customers concerning patent rights did not constitute "commercial advertising or promotion" under § 43. Similarly, in *Sports Unlimited, Inc. v. Lankford Enterprises, Inc.*, 275 F.3d 996 (10th Cir. 2002), defendant floor installer's distribution of unfavorable competitive information about plaintiff to two persons associated with a particular project was held insufficient to constitute commercial advertising or promotion under the Lanham Act.

In *Podiatrist Ass'n v. La Cruz Azul de P.R., Inc.*, 332 F.3d 6 (1st Cir. 2003), the plaintiffs asserted that Blue Cross "falsely disparaged the health care services provided by podiatrists and actively encouraged patients to seek services from medical doctors instead." However, "a plaintiff at the very least must identify some medium or means through which the defendant disseminated information to a particular class of consumers." Plaintiff failed to plead "the use of any particular advertising or promotion medium", and dismissal therefore was affirmed. In *Rice v. Fox Broadcasting Co.*, 330 F.3d 1170 (9th Cir. 2003), plaintiff contended that defendant's television programs falsely claimed that they would reveal the secrets of several magic tricks "for the first time on television". Because the statements were "part of the show itself, and [were] not made in promotion or marketing" of the show, the statements were "not actionable as commercial advertising or promotion under the Lanham Act." In a Second Circuit decision after the *Fashion Boutique v. Fendi* case, summary judgment for defendants was affirmed where defendants' statements in an art magazine article repudiating the authenticity of certain paintings were not "commercial advertising or promotion", and similar statements in a disseminated letter had not been shown to be false or misleading. *Boule v. Hutton*, 328 F.3d 84 (2nd Cir. 2003).

The Seventh Circuit analyzed whether direct oral solicitations constituted "commercial advertising or promotion" under the Lanham Act in affirming dismissal in *First Health Group Corp. v. BCE Emergis Corp.*, 269 F.3d 800 (7th Cir. 2001). It concluded that "[a]dvertising is a form of promotion to anonymous recipients, as distinguished from face-to-face communication." Consequently, "statements by a firm's sales force could not be called advertising; likewise, it is hard to see how statements of [defendant's] executives and lawyers, made over a conference table in effort to negotiate a contract . . . could be called 'commercial advertising or promotion'". Plaintiff also failed to show that the accused statements were false or that hospital personnel were deceived by them. Compare this with the analysis of oral statements in the excerpt above from the Second Circuit's *Fashion Boutique v. Fendi* decision.

Standing

Plaintiffs lacked standing in *The Joint Stock Society v. UDV North America, Inc.*, 266 F.3d 164 (3d Cir. 2001). The plaintiffs alleged that the U.S. defendants misrepresented Smirnoff Vodka as being made in Russia, but lacked standing because "[t]he defendants' allegedly false advertising cannot have harmed the plaintiffs by channeling their customers toward Smirnoff when the plaintiffs have not even begun offering their product for sale in the United States."

§ 8.02[C] Passing Off

In *Twentieth Century Fox Film Corp. v. Entertainment Distributing*, 34 Fed. Appx. 312 (9th Cir. 2002) defendant had been held liable for reverse passing off where it "copied

substantially the entire Crusade in Europe series created by Twentieth Century Fox, labeled the resulting product with a different name, and marketed it without attribution to Fox". The Supreme Court granted certiorari in the case (under a different name), and its opinion on that case's reverse passing off claim follows.

DASTAR CORP. V. TWENTIETH CENTURY FOX FILM CORP.

United States Supreme Court
2003 U.S. LEXIS 4276 (2003)

JUSTICE SCALIA delivered the opinion of the Court.

* * *

In this case, we are asked to decide whether § 43(a) of the Lanham Act, *15 U.S.C. § 1125(a)*, prevents the unaccredited copying of a work, and if so, whether a court may double a profit award under § *1117(a)*, in order to deter future infringing conduct.

I

In 1948, three and a half years after the German surrender at Reims, General Dwight D. Eisenhower completed *Crusade in Europe*, his written account of the allied campaign in Europe during World War II. Doubleday published the book, registered it with the Copyright Office in 1948, and granted exclusive television rights to an affiliate of respondent Twentieth Century Fox Film Corporation (Fox). Fox, in turn, arranged for Time, Inc., to produce a television series, also called *Crusade in Europe*, based on the book, and Time assigned its copyright in the series to Fox. The television series, consisting of 26 episodes, was first broadcast in 1949. It combined a soundtrack based on a narration of the book with film footage from the United States Army, Navy, and Coast Guard, the British Ministry of Information and War Office, the National Film Board of Canada, and unidentified "Newsreel Pool Cameramen." In 1975, Doubleday renewed the copyright on the book as the "proprietor of copyright in a work made for hire." App. to Pet for Cert. 9a. Fox, however, did not renew the copyright on the *Crusade* television series, which expired in 1977, leaving the television series in the public domain.

In 1988, Fox reacquired the television rights in General Eisenhower's book, including the exclusive right to distribute the *Crusade* television series on video and to sub-license others to do so. Respondents SFM Entertainment and New Line Home Video, Inc., in turn, acquired from Fox the exclusive rights to distribute *Crusade* on video. SFM obtained the negatives of the original television series, restored them, and repackaged the series on videotape; New Line distributed the videotapes.

Enter petitioner Dastar. In 1995, Dastar decided to expand its product line from music compact discs to videos. Anticipating renewed interest in World War II on the 50th anniversary of the war's end, Dastar released a video set entitled *World War II Campaigns in Europe*. To make *Campaigns*, Dastar purchased eight beta cam tapes of the *original* version of the *Crusade* television series, which is in the public domain, copied them, and then edited the series. Dastar's

Campaigns series is slightly more than half as long as the original Crusade television series. Dastar substituted a new opening sequence, credit page, and final closing for those of the Crusade television series; inserted new chapter-title sequences and narrated chapter introductions; moved the "recap" in the Crusade television series to the beginning and retitled it as a "preview"; and removed references to and images of the book. Dastar created new packaging for its Campaigns series and (as already noted) a new title.

Dastar manufactured and sold the Campaigns video set as its own product. The advertising states: "Produced and Distributed by: *Entertainment Distributing*" (which is owned by Dastar), and makes no reference to the Crusade television series. Similarly, the screen credits state "DASTAR CORP presents" and "an ENTERTAINMENT DISTRIBUTING Production," and list as executive producer, producer, and associate producer, employees of Dastar. Supp. App. 2-3, 30. The Campaigns videos themselves also make no reference to the Crusade television series, New Line's Crusade videotapes, or the book. Dastar sells its Campaigns videos to Sam's Club, Costco, Best Buy, and other retailers and mail-order companies for \$ 25 per set, substantially less than New Line's video set.

In 1998, respondents Fox, SFM, and New Line brought this action alleging that Dastar's sale of its Campaigns video set infringes Doubleday's copyright in General Eisenhower's book and, thus, their exclusive television rights in the book. Respondents later amended their complaint to add claims that Dastar's sale of Campaigns "without proper credit" to the Crusade television series constitutes "reverse passing off" in violation of § 43(a) of the Lanham Act, *15 U.S.C. § 1125(a)*, and in violation of state unfair-competition law. App. to Pet. for Cert. 31a. On cross-motions for summary judgment, the District Court found for respondents on all three counts, *id.*, at 54a-55a, treating its resolution of the Lanham Act claim as controlling on the state-law unfair-competition claim because "the ultimate test under both is whether the public is likely to be deceived or confused," *id.*, at 54a. The court awarded Dastar's profits to respondents and doubled them pursuant to § 35 of the Lanham Act, *15 U.S.C. § 1117(a)*, to deter future infringing conduct by petitioner.

The Court of Appeals for the Ninth Circuit affirmed the judgment for respondents on the Lanham Act claim, but reversed as to the copyright claim and remanded. *34 Fed. Appx. 312, 316 (2002)*. (It said nothing with regard to the state-law claim.) With respect to the Lanham Act claim, the Court of Appeals reasoned that "Dastar copied substantially the entire *Crusade in Europe* series created by Twentieth Century Fox, labeled the resulting product with a different name and marketed it without attribution to Fox [,and] therefore committed a 'bodily appropriation' of Fox's series." *Id.*, at 314. It concluded that "Dastar's 'bodily appropriation' of Fox's original [television] series is sufficient to establish the reverse passing off." *Ibid.*² The court also affirmed the District Court's award under the Lanham Act of twice Dastar's profits.

¹ Passing off (or palming off, as it is sometimes called) occurs when a producer misrepresents his own goods or services as someone else's. See, e.g., *O. & W. Thum Co. v. Dickinson*, 245 F. 609, 621 (CA6 1917). "Reverse passing off," as its name implies, is the opposite: The producer misrepresents someone else's goods or services as his own. See, e.g., *Williams v. Curtiss-Wright Corp.*, 691 F.2d 168, 172 (CA3 1982).

² As for the copyright claim, the Ninth Circuit held that the tax treatment General Eisenhower sought for his manuscript of the book created a triable issue as to whether he intended the book to be a work for hire, and thus as to whether Doubleday properly renewed the copyright in 1976. See *34 Fed. Appx.*, at 314. The copyright issue is still the subject of litigation, but is not before us. We express no opinion as to whether petitioner's product would infringe a valid copyright in General Eisenhower's book.

We granted certiorari. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 537 U.S. 1099, 154 L. Ed. 2d 767, 123 S. Ct. 816 (2003).

II

The Lanham Act was intended to make "actionable the deceptive and misleading use of marks," and "to protect persons engaged in ... commerce against unfair competition." 15 U.S.C. § 1127. While much of the Lanham Act addresses the registration, use, and infringement of trademarks and related marks, § 43(a), 15 U.S.C. § 1125(a) is one of the few provisions that goes beyond trademark protection. As originally enacted, § 43(a) created a federal remedy against a person who used in commerce either "a false designation of origin, or any false description or representation" in connection with "any goods or services." 60 Stat. 441. As the Second Circuit accurately observed with regard to the original enactment, however -- and as remains true after the 1988 revision -- § 43(a) "does not have boundless application as a remedy for unfair trade practices," *Alfred Dunhill, Ltd. v. Interstate Cigar Co.*, 499 F.2d 232, 237 (1974). "Because of its inherently limited wording, § 43(a) can never be a federal 'codification' of the overall law of 'unfair competition,'" 4 J. McCarthy Trademarks and Unfair Competition § 27:7, p. 27-14 (4th ed. 2002) (McCarthy), but can apply only to certain unfair trade practices prohibited by its text.

Although a case can be made that a proper reading of § 43(a), as originally enacted, would treat the word "origin" as referring only "to the geographic location in which the goods originated," *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 777, 120 L. Ed. 2d 615, 112 S. Ct. 2753 (1992) (STEVENS, J. concurring in judgment),³ the Courts of Appeals considering the issue, beginning with the Sixth Circuit, unanimously concluded that it "does not merely refer to geographical origin, but also to origin of source or manufacture," *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405, 408 (1963), thereby creating a federal cause of action for traditional trademark infringement of unregistered marks. See 4 McCarthy § 27:14; *Two Pesos, supra*, at 768. Moreover, every Circuit to consider the issue found § 43(a) broad enough to encompass reverse passing off. See, e.g., *Williams v. Curtiss-Wright Corp.*, 691 F.2d 168, 172 (CA3 1982); *Arrow United Indus., Inc. v. Hugh Richards, Inc.*, 678 F.2d 410, 415 (CA2 1982); *F. E. L. Publications, Ltd. v. Catholic Bishop of Chicago*, 214 USPQ 409, 416 (CA7 1982); *Smith v. Montoro*, 648 F.2d 602, 603 (CA9 1981); *Bangor Punta Operations, Inc. v. Universal Marine Co.*, 543 F.2d 1107, 1109 (CA5 1976). *The Trademark Law Revision Act of 1988* made clear that § 43(a) covers origin of production as well as geographic origin.⁴ Its language is amply

³ In the original provision, the cause of action for false designation of origin was arguably "available only to a person doing business in the locality falsely indicated as that of origin," 505 U.S., at 778, n. 3. As adopted in 1946, § 43(a) provided in full:

"Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation." 60 Stat. 441.

⁴ Section 43(a) of the Lanham Act now provides:

inclusive, moreover, of reverse passing off -- if indeed it does not implicitly adopt the unanimous court-of-appeals jurisprudence on that subject. See, e.g., *Alpo Petfoods, Inc. v. Ralston Purina Co.*, 286 U.S. App. D.C. 192, 913 F.2d 958, 963- 964, n. 6 (CADC 1990) (Thomas, J.).

Thus, as it comes to us, the gravamen of respondents' claim is that, in marketing and selling Campaigns as its own product without acknowledging its nearly wholesale reliance on the Crusade television series, 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." See, e.g., Brief for Respondents 8, 11. That claim would undoubtedly be sustained if Dastar had bought some of New Line's Crusade videotapes and merely repackaged them as its own. Dastar's alleged wrongdoing, however, is vastly different: it took a creative work in the public domain -- the Crusade television series -- copied it, made modifications (arguably minor), and produced its very own series of videotapes. If "origin" refers only to the manufacturer or producer of the physical "goods" that are made available to the public (in this case the videotapes), Dastar was the origin. If, however, "origin" includes the creator of the underlying work that Dastar copied, then someone else (perhaps Fox) was the origin of Dastar's product. At bottom, we must decide what § 43(a)(1)(A) of the Lanham Act means by the "origin" of "goods."

III

The dictionary definition of "origin" is "the fact or process of coming into being from a source," and "that from which anything primarily proceeds; source." Webster's New International Dictionary 1720-1721 (2d ed. 1949). And the dictionary definition of "goods" (as relevant here) is "wares; merchandise." *Id.*, at 1079. We think the most natural understanding of the "origin" of "goods" -- the source of wares -- is the producer of the tangible product sold in the marketplace, in this case the physical Campaigns videotape sold by Dastar. The concept might be stretched (as it was under the original version of § 43(a))⁵ to include not only the actual producer, but also the trademark owner who commissioned or assumed responsibility for ("stood behind") production of the physical product. But as used in the Lanham Act, the phrase "origin of goods" is in our view incapable of connoting the person or entity that originated the ideas or communications that "goods" embody or contain. Such an extension would not only stretch the text, but it would be out of accord with the history and purpose of the Lanham Act and inconsistent with precedent.

"Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which --

"(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

"(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act." 15 U.S.C. § 1125(a)(1).

⁵ Under the 1946 version of the Act, § 43(a) was read as providing a cause of action for trademark infringement even where the trademark owner had not itself produced the goods sold under its mark, but had licensed others to sell under its name goods produced by them -- the typical franchise arrangement. See, e.g., *My Pie Int'l, Inc. v. Debould, Inc.*, 687 F.2d 919 (CA7 1982). This stretching of the concept "origin of goods" is seemingly no longer needed: The 1988 amendments to § 43(a) now expressly prohibit the use of any "word, term, name, symbol, or device," or "false or misleading description of fact" that is likely to cause confusion as to "affiliation, connection, or association ... with another person," or as to "sponsorship, or approval" of goods. 15 U.S.C. § 1125(a).

Section 43(a) of the Lanham Act prohibits actions like trademark infringement that deceive consumers and impair a producer's goodwill. It forbids, for example, the Coca-Cola Company's passing off its product as Pepsi-Cola or reverse passing off Pepsi-Cola as its product. But the brand-loyal consumer who prefers the drink that the Coca-Cola Company or PepsiCo sells, while he believes that that company produced (or at least stands behind the production of) that product, surely does not necessarily believe that that company was the "origin" of the drink in the sense that it was the very first to devise the formula. The consumer who buys a branded product does not automatically assume that the brand-name company is the same entity that came up with the idea for the product, or designed the product -- and typically does not care whether it is. The words of the Lanham Act should not be stretched to cover matters that are typically of no consequence to purchasers.

It could be argued, perhaps, that the reality of purchaser concern is different for what might be called a communicative product -- one that is valued not primarily for its physical qualities, such as a hammer, but for the intellectual content that it conveys, such as a book or, as here, a video. The purchaser of a novel is interested not merely, if at all, in the identity of the producer of the physical tome (the publisher), but also, and indeed primarily, in the identity of the creator of the story it conveys (the author). And the author, of course, has at least as much interest in avoiding passing-off (or reverse passing-off) of his creation as does the publisher. For such a communicative product (the argument goes) "origin of goods" in § 43(a) must be deemed to include not merely the producer of the physical item (the publishing house Farrar, Straus and Giroux, or the video producer Dastar) but also the creator of the content that the physical item conveys (the author Tom Wolfe, or -- assertedly -- respondents).

The problem with this argument according special treatment to communicative products is that it causes the Lanham Act to conflict with the law of copyright, which addresses that subject specifically. The right to copy, and to copy without attribution, once a copyright has expired, like "the right to make [an article whose patent has expired] -- including the right to make it in precisely the shape it carried when patented -- passes to the public." *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230, 11 L. Ed. 2d 661, 84 S. Ct. 784, 1964 Dec. Comm'r Pat. 425 (1964); see also *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 121-122, 83 L. Ed. 73, 59 S. Ct. 109, 1939 Dec. Comm'r Pat. 850 (1938). "In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying." *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 29, 149 L. Ed. 2d 164, 121 S. Ct. 1255 (2001). The rights of a patentee or copyright holder are part of a "carefully crafted bargain," *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-151, 103 L. Ed. 2d 118, 109 S. Ct. 971 (1989), under which, once the patent or copyright monopoly has expired, the public may use the invention or work at will and without attribution. Thus, in construing the Lanham Act, we have been "careful to caution against misuse or over-extension" of trademark and related protections into areas traditionally occupied by patent or copyright. *TrafFix*, 532 U.S., at 29. "The Lanham Act," we have said, "does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity." *Id.*, at 34. Federal trademark law "has no necessary relation to invention or discovery," *Trade-Mark Cases*, 100 U.S. 82, 94, 25 L. Ed. 550, 1879 Dec. Comm'r Pat. 619 (1879), but rather, by preventing competitors from copying "a source-identifying mark," "reduces the customer's costs of shopping and making purchasing decisions," and "helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable

product," *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 163-164, 131 L. Ed. 2d 248, 115 S. Ct. 1300 (1995) (internal quotation marks and citation omitted). Assuming for the sake of argument that Dastar's representation of itself as the "Producer" of its videos amounted to a representation that it originated the creative work conveyed by the videos, allowing a cause of action under § 43(a) for that representation would create a species of mutant copyright law that limits the public's "federal right to 'copy and to use,'" expired copyrights, *Bonito Boats, supra*, at 165.

When Congress has wished to create such an addition to the law of copyright, it has done so with much more specificity than the Lanham Act's ambiguous use of "origin." The *Visual Artists Rights Act of 1990*, § 603(a), 104 Stat. 5128, provides that the author of an artistic work "shall have the right ... to claim authorship of that work." 17 U.S.C. § 106A(a)(1)(A). That express right of attribution is carefully limited and focused: It attaches only to specified "works of visual art," § 101, is personal to the artist, §§ 106A(b) and (e), and endures only for "the life of the author," at § 106A(d)(1). Recognizing in § 43(a) a cause of action for misrepresentation of authorship of noncopyrighted works (visual or otherwise) would render these limitations superfluous. A statutory interpretation that renders another statute superfluous is of course to be avoided. *E.g.*, *Mackey v. Lanier Collection Agency & Service, Inc.*, 486 U.S. 825, 837, 100 L. Ed. 2d 836, 108 S. Ct. 2182, and n. 11 (1988).

Reading "origin" in § 43(a) to require attribution of uncopyrighted materials would pose serious practical problems. Without a copyrighted work as the basepoint, the word "origin" has no discernable limits. A video of the MGM film *Carmen Jones*, after its copyright has expired, would presumably require attribution not just to MGM, but to Oscar Hammerstein II (who wrote the musical on which the film was based), to Georges Bizet (who wrote the opera on which the musical was based), and to Prosper Merimee (who wrote the novel on which the opera was based). In many cases, figuring out who is in the line of "origin" would be no simple task. Indeed, in the present case it is far from clear that respondents have that status. Neither SFM nor New Line had anything to do with the production of the *Crusade* television series -- they merely were licensed to distribute the video version. While Fox might have a claim to being in the line of origin, its involvement with the creation of the television series was limited at best. Time, Inc., was the principal if not the exclusive creator, albeit under arrangement with Fox. And of course it was neither Fox nor Time, Inc., that shot the film used in the *Crusade* television series. Rather, that footage came from the United States Army, Navy, and Coast Guard, the British Ministry of Information and War Office, the National Film Board of Canada, and unidentified "Newsreel Pool Cameramen." If anyone has a claim to being the *original* creator of the material used in both the *Crusade* television series and the Campaigns videotapes, it would be those groups, rather than Fox. We do not think the Lanham Act requires this search for the source of the Nile and all its tributaries.

Another practical difficulty of adopting a special definition of "origin" for communicative products is that it places the manufacturers of those products in a difficult position. On the one hand, they would face Lanham Act liability for *failing* to credit the creator of a work on which their lawful copies are based; and on the other hand they could face Lanham Act liability for *crediting* the creator if that should be regarded as implying the creator's "sponsorship or approval" of the copy, 15 U.S.C. § 1125(a)(1)(A). In this case, for example, if Dastar had simply "copied [the television series] as *Crusade in Europe* and sold it as *Crusade in Europe*," without

changing the title or packaging (including the original credits to Fox), it is hard to have confidence in respondents' assurance that they "would not be here on a Lanham Act cause of action," Tr. of Oral Arg. 35.

Finally, reading § 43(a) of the Lanham Act as creating a cause of action for, in effect, plagiarism -- the use of otherwise unprotected works and inventions without attribution -- would be hard to reconcile with our previous decisions. For example, in *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 146 L. Ed. 2d 182, 120 S. Ct. 1339 (2000), we considered whether product-design trade dress can ever be inherently distinctive. Wal-Mart produced "knockoffs" of children's clothes designed and manufactured by Samara Brothers, containing only "minor modifications" of the original designs. *Id.*, at 208. We concluded that the designs could not be protected under § 43(a) without a showing that they had acquired "secondary meaning," *id.*, at 214, so that they "identify the source of the product rather than the product itself," *id.*, at 211 (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851, n. 11, 72 L. Ed. 2d 606, 102 S. Ct. 2182 (1982)). This carefully considered limitation would be entirely pointless if the "original" producer could turn around and pursue a reverse-passing-off claim under exactly the same provision of the Lanham Act. Samara would merely have had to argue that it was the "origin" of the designs that Wal-Mart was selling as its own line. It was not, because "origin of goods" in the Lanham Act referred to the producer of the clothes, and not the producer of the (potentially) copyrightable or patentable designs that the clothes embodied.

Similarly under respondents' theory, the "origin of goods" provision of § 43(a) would have supported the suit that we rejected in *Bonito Boats*, 489 U.S. 141, 103 L. Ed. 2d 118, 109 S. Ct. 971, where the defendants had used molds to duplicate the plaintiff's unpatented boat hulls (apparently without crediting the plaintiff). And it would have supported the suit we rejected in *TrafFix*, 532 U.S. 23, 149 L. Ed. 2d 164, 121 S. Ct. 1255: The plaintiff, whose patents on flexible road signs had expired, and who could not prevail on a trade-dress claim under § 43(a) because the features of the signs were functional, would have had a reverse-passing-off claim for unattributed copying of his design.

In sum, reading the phrase "origin of goods" in the Lanham Act in accordance with the Act's common-law foundations (which were *not* designed to protect originality or creativity), and in light of the copyright and patent laws (which *were*), we conclude that the phrase refers to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods. Cf. 17 U.S.C. § 202 (distinguishing between a copyrighted work and "any material object in which the work is embodied"). To hold otherwise would be akin to finding that § 43(a) created a species of perpetual patent and copyright, which Congress may not do. See *Eldred v. Ashcroft*, 537 U.S. 186, 208, 154 L. Ed. 2d 683, 123 S. Ct. 769 (2003).

The creative talent of the sort that lay behind the Campaigns videos is not left without protection. The original film footage used in the Crusade television series could have been copyrighted, see 17 U.S.C. § 102(a)(6), as was copyrighted (as a compilation) the Crusade television series, even though it included material from the public domain, see § 103(a). Had Fox renewed the copyright in the Crusade television series, it would have had an easy claim of copyright infringement. And respondents' contention that Campaigns infringes Doubleday's copyright in General Eisenhower's book is still a live question on remand. If, moreover, the

producer of a video that substantially copied the Crusade series were, in advertising or promotion, to give purchasers the impression that the video was quite different from that series, then one or more of the respondents might have a cause of action -- not for reverse passing off under the "confusion ... as to the origin" provision of § 43(a)(1)(A), but for misrepresentation under the "misrepresents the nature, characteristics [or] qualities" provision of § 43(a)(1)(B). For merely saying it is the producer of the video, however, no Lanham Act liability attaches to Dastar.

Because we conclude that Dastar was the "origin" of the products it sold as its own, respondents cannot prevail on their Lanham Act claim. We thus have no occasion to consider whether the Lanham Act permitted an award of double petitioner's profits. The judgment of the Court of Appeals for the Ninth Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

JUSTICE BREYER took no part in the consideration or decision of this case.

Notes on Passing Off

The Supreme Court's *Dastar* decision remanded the state law unfair competition claim, and that claim subsequently was dismissed in *Twentieth Century Fox Film Corp. v. Dastar Corp.*, 68 U.S.P.Q. 2d 1536 (C.D. Cal. 2003) because "the Ninth Circuit has consistently held that claims brought under California unfair competition law are substantially congruent to claims brought under the Lanham Act.

In *Cooper Industries, Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424 (2001) a jury found Cooper liable for passing off for using photographs and a modified drawing of Leatherman's multi-function pocket tool (with Leatherman's trademark whited out) in marketing materials and catalogs for defendant's similar product. The Supreme Court remanded the case for reassessment of punitive damages award under the proper standard. See the discussion of the Supreme Court's follow-up decision on punitive damages in Chapter 9.

Compare Cavalier v. Random House, Inc., 297 F.3d 815 (9th Cir. 2002) (no reverse passing off where books at issue significantly differed; "without substantial similarity there can be no claim for reverse passing off"); *Lipscher and Kehoe v. LRP Pub'ns, Inc.*, 266 F.3d 1305 (11th Cir. 2001) (affirming dismissal of reverse passing off claim where plaintiff presented no evidence of likely confusion caused by defendant allegedly taking false credit for plaintiff's database); *Murray Hill Pub'ns, Inc. v. ABC Comm'ns, Inc.*, 264 F.3d 622 (6th Cir. 2001) (no reverse passing off where plaintiff's copyright infringement claim failed and, rather than false credit, no writing credit at all was given for the song at issue). *Compare Danielson v. Winchester-Conant Props.*, 322 F.3d 26 (1st Cir. 2003) (First Circuit has not yet recognized claim for "reverse passing off", but even if it did, plaintiff did not seek injunctive relief regarding substituted name on residential development site plans, and had made an insufficient showing for monetary relief).

As noted in the coursebook at p. 421, protection may be had from a competitor's use of a generic term if the competitor is deceptively using it to help pass off his product as that of the

generic term user. *Compare Courtenay Comm'ns Corp. v. Itall*, 334 F.3d 210 (2nd Cir. 2003), (even if words "iMarketing News" might be generic, defendant's graphic composite mark including those words might be protectable against defendant's use; dismissal vacated and case remanded).

§ 8.03 Configuration and Other Trade Dress

[A] Functionality

The Supreme Court re-endorsed application of the *Inwood* test ("essential to the use or purpose or the article or affects the cost or quality of the article"), in assessing functionality in the *Traffix Devices* case at pp. 440-444 of the coursebook. It opined that "[w]here the design is functional under the *Inwood* formulation there is no need to proceed further to consider if there is a competitive necessity for the feature", and that in such a case, "speculation about other design possibilities" is unnecessary. This directive of *Traffix Devices* was applied in *Eppendorf-Netholer-Hinz GmbH v. Ritter GmbH*, 289 F.3d 251 (5th Cir. 2002), in which the designs of plaintiff's disposable pipette tips and certain dispenser syringes were held functional under the *Inwood* test. The Fifth Circuit did note that, if a functionality determination cannot be made under *Inwood*, then the competitive necessity test ("exclusive use ... would put competitors at a significant non-reputation-related disadvantage") may be used. The Federal Circuit made a similar observation regarding the consideration of alternative designs in *Valu Engineering v. Dexnord Corp.*, 278 F.3d 1268, 1276 (Fed. Cir. 2002):

Nothing in *Traffix* suggests that consideration of alternative designs is not properly part of the overall mix, and we do not read the Court's observations in *Traffix* as rendering the availability of alternative designs irrelevant. Rather, we conclude that the Court merely noted that once a product feature is found functional based on other considerations there is no need to consider the availability of alternative designs, because the feature cannot be given trade dress protection merely because there are alternative designs available. But that does not mean that the availability of alternative designs cannot be a legitimate source of evidence in the first place.

In the end, the Court in *Valu Engineering* affirmed that Valu's cross-sectional design for conveyor guide rails was functional. Its decision was based on the utilitarian advantages of the design and application of the *Morton-Norwich* factors, *i.e.* an abandoned utility patent application, advertising touting the utilitarian advantages of the design, available alternative designs dictated solely by function, and Valu's design resulting in "a comparatively simple or cheap method of manufacturing." *See also, Clicks Billiards v. Sixshooters, Inc.*, 251 F.3d 252 (9th Cir. 2002) (reversing summary judgment for defendant where fact issues remained as to whether the overall image of plaintiff's pool hall was nonfunctional, distinctive and infringed, citing *Traffix Devices* and *Inwood*, but applying *Morton-Norwich* – type of analysis); *Tie Tech, Inc. v. Kinedyne, Inc.*, 296 F.3d 778 (9th Cir. 2002) (design of "web-cutter" device used to release handicapped individuals from securement in emergencies was functional; "it is semantic trickery to say that there is still some sort of separate 'overall appearance' which is non-functional" and "there exists a fundamental right to compete through imitation of a competitor's product").

In *Talking Rain Beverage Co. v. South Beach Beverage Co.*, 349 F.3d 601 (9th Cir. 2003), the court applied a multifactor analysis combined with the Supreme Court's guidance in *Traffix* in concluding that plaintiff's registered bottle design was functional. Both parties' bottles "resemble a typical 'bike bottle' [having] smooth sides and a recessed grip area." In determining that plaintiff's design was functional, the court observed that: (1) plaintiff's "Get a Grip" advertising touted the utilitarian advantages of a recessed grip design; (2) both parties conceded that the grip feature gave the bottle structural support; as a consequence, "trademark law does not prohibit [defendant] from also using this efficient manufacturing process"; and (3) the bottle design provided utilitarian advantages, because the recessed grip fit easily into standard bicycle beverage holders. Finally, while the court noted that defendant "could have achieved the same functionality by adopting a bike bottle design other than the design embodied by [plaintiff's] trademark", it concluded that "under the Supreme Court's decision in *Traffix*, the mere existence of alternatives does not render a product nonfunctional." Similarly, in *Antioch Co. v. Western Trimming Corp.*, 347 F.3d 150 (6th Cir. 2003), the court noted *Traffix's* admonition that competitors need not "adopt a different design simply to avoid copying" functional product designs, in holding that plaintiff's padded, dual-hinged scrapbook design was functional.

In another pharmaceutical drug case, *Shire U.S., Inc. v. Barr Labs, Inc.*, 329 F.3d 348 (3rd Cir. 2003), a denial of preliminary relief on functionality grounds was affirmed. Defendant sold a generic equivalent of plaintiff's prescription stimulant used in treating attention deficit hyperactivity disorder (ADHD). Defendants imitated the shape and colors of plaintiff's tablets, although with some differences in the shape and markings. The appellate court observed that, "we have the benefit of the Supreme Court's most recent decisions which caution against the over-extension of trade dress protection." The district court's conclusion, based on expert testimony, that "the similarity in tablet appearance enhances patient safety by promoting psychological acceptance" was upheld, and it "did not clearly err in finding that plaintiff had failed to show that its product configuration was non-functional".

After the Supreme Court struck down the Florida statute in *Bonito Boats*, boatmakers successfully sought assistance from U.S. legislators, and the Vehicle Hull Protection Act was enacted as Chapter 13 of the Copyright Act. Under 17 U.S.C. §1301, a sufficiently original design of a "vessel hull, including a plug or mold" can be protected from copying, even if it has a utilitarian function.

§ 8.03[B] Aesthetic Functionality

In *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc.*, 280 F.3d 619 (6th Cir. 2002), the use of certain sport symbols on clothing was held aesthetically functional. The court reasoned that protecting "suggestive symbols like lacrosse sticks and the ski patrol cross on clothing [used] to convey the product's athletic nature or capacity to invoke images of athleticism ... would deny consumers the benefits of a competitive market ... [t]hese design features are something that other producers of [casual clothing] have to have as part of the product in order to be able to compete effectively in the market". Competitors had only "a limited range of sports and sporting equipment to choose from in attempting to convey this idea in this manner of clothing". Arguably, in that case widespread third party use of such symbols would have prevented their indicating a single source in any event, but in an instance where third party use is not widespread, resort to the theory of aesthetic functionality may be necessary.

In *In re Pacer Tech*, 338 F.3d 1348 (Fed. Cir. 2003), design patent evidence was critical to a refusal to register a container cap design. Several design patents for similar cap designs were considered evidence of a lack of distinctiveness. In affirming, the Federal Circuit held that the cap design was not inherently distinctive and had not acquired sufficient distinctiveness to support registration. Relevant inherent distinctiveness factors for product design included "whether [the design] was a 'common' basic shape or design, whether it was unique or unusual in a particular field", and "whether it was capable of creating a commercial impression distinct from the accompanying words." Here, the existence of several design patents for similar cap designs created a prima facie case that the applied for design was not "unique or unusual" in the field that was not rebutted. "Pacer could successfully rebut the prima facie case, for example, with evidence showing that the container caps shown in the design patents were not actually being sold in the relevant market," but had not done so.

§ 8.03[C] Distinctiveness

Nonfunctional trade dress can be shown to have secondary meaning in a manner similar to word marks *i.e.*, by satisfying such factors as (1) exclusivity, length and manner of use; (2) amount and manner of advertising; (3) amount of sales and number of customers; (4) established place in the market; (5) direct consumer testimony; (6) consumer surveys; and (7) intentional copying. *Herman Miller, Inc. v. Palazetti Imports and Exports, Inc.*, 270 F.3d 298 (6th Cir. 2001).

The unusualness of the design and the extent that it has been advertised and promoted can play particularly significant roles in determining whether secondary meaning exists. As the court observed in connection with packaging in *Willie W. Gray v. Meijer, Inc.*, 295 F.3d 641 (6th Cir. 2002):

[T]he most mundane packaging may be infused with meaning by advertising and promotional tools, rendering a strong trade dress. Likewise, particularly unique packaging even without any artificial efforts to establish a secondary meaning for the product may result in a strong trade dress. The combination of these two factors determines the relative strength or weakness of the trade dress.

In *The Yankee Candle Co., v. The Bridgewater Candle Co., LLC*, 259 F.3d 25 (1st Cir. 2002) plaintiff's advertising "did not emphasize any particular element of its [claimed] trade dress, and thus could not be probative of secondary meaning," and plaintiff's evidence of intentional copying was not probative of secondary meaning, given "the highly functional nature of certain elements of Yankee's claimed combination trade dress".

After the Supreme Court's *Wal-Mart v. Samara* decision (pp. 435-440 of the coursebook), the TTAB now views product configurations as not inherently distinctive and requires proof of secondary meaning. *See, e.g. In re Enco Display Sys. Inc.*, 56 U.S.P.Q. 2d 1279 (T.T.A.B. 2000) (eye glass-related product designs)).

Qualifying building designs also can be registered as trademarks with the U.S. Patent and Trademark Office. For example, the designs of the Citicorp Center in Manhattan, the Sears Tower in Chicago, and the Transamerica Tower in San Francisco, all are federally registered.

Family of Marks

In *AM General Corp. and General Motors Corp. v. DaimlerChrysler Corp.*, 311 F.3d 796, 804 (7th Cir. 2002) the Seventh Circuit defined a "family of marks" as a group of marks having "a recognizable common characteristic . . . used in such a way that the public associates not only the individual marks, but the common characteristic of the family, with the trademark owner". It held that defendant "can't be said to have infringed a family of marks that did not exist when its [automotive] grille entered the market, or at least had not acquired secondary meaning when the [defendant's] grille entered the market."

See also Yurman Design, Inc. v. PAJ, Inc., 262 F.3d 101 (2d Cir. 2001), in which plaintiff successfully obtained relief for five of its jewelry designs under copyright law, but was unsuccessful in asserting rights in a larger family of trade dress under the Lanham Act. The fatal flaw in the trade dress claim was "try as it might, the Court [could not] divine precisely what [plaintiff] specific trade dress was . . . [W]e hold that a plaintiff asserting that a trade dress protects an entire line of different products must articulate the specific common elements sought to be registered."

§ 8.03[D] Likelihood of Confusion

Beverage Marketing USA, Inc. v. South Beach Beverage Corp., 33 Fed. Appx. 12 (2d Cir. 2002), and *Nora Beverages, Inc. v. Perrier Group of America, Inc.*, 269 F.3d 114, 119 (2d Cir. 2001), are two cases involving bottle designs where "prominent and distinctive labels" made confusion unlikely. In *Antioch Co. v. Western Trimming Corp.*, 347 F.3d 150 (6th Cir. 2003), plaintiff's scrapbook design was held functional, but the court also noted that defendant used "its own distinctive logo, scrollwork, stickers, and face sheet" to "provide sufficient signals to scrapbook buyers" that its product did not originate with plaintiff, making confusion unlikely.

§ 8.04 Misappropriation

For an interesting discussion of the *eBay v. Bidder's Edge* case, see Chang, *Bidding on Trespass: eBay, Inc. v. Bidder's Edge, Inc. and the Abuse of Trespass Theory in Cyberspace Law*, 29 AIPLA Quarterly J. 445 (2001). The author expresses concern that "[c]yber trespass to chattels is on its way to becoming the 'cure-all' remedy for unwanted Internet contacts", and concludes that plaintiff should be required to show "that either actual and tangible harm was done to the chattel, or that the chattel's value to the plaintiff was substantially diminished." Because neither was shown in the eBay case, in the author's view trespass to chattels should not have been found by the court.

Compare EF Cultural Travel BV v. Zefer, 318 F.3d 58 (1st Cir. 2003), in which the court affirmed a preliminary injunction against defendant's use of a "scraper tool" automated searching program to compile (and undercut) the travel tour pricing information on plaintiff's website, because the scraper tool had been unlawfully constructed using confidential information from plaintiff's former employees, and *Kremen v. Cohen*, 337 F.3d 1024 (9th Cir. 2003), in which the case was remanded for the lower court factually to determine whether the defendant domain name registrar's unauthorized conveyance of the plaintiff's domain name to another party constituted unlawful conversion under California state law.

§ 8.05 Distinctive Advertising and Merchandising

The plaintiff in *Comedy III Productions, Inc. v. New Line Cinema*, 200 F.3d 593 (9th Cir. 2000) (see p. 480 of the coursebook) was successful in a subsequent case against a defendant selling t-shirts bearing a likeness of The Three Stooges, but under right of publicity law rather than trademark law. *Comedy III Productions, Inc. v. Saderup*, 58 U.S.P.Q.2d 1823 (Cal. Supreme Ct. 2001). See the discussion on right of publicity law in § 8.06 of the coursebook.

In *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir. 2001), the plaintiff was allowed to pursue a claim against defendant's alleged unauthorized use in TV ads of a character similar to plaintiff's "Psycho Chihuahua" character, because of defendant's alleged promise to pay to use plaintiff's character. Defendant argued that the plaintiff's claim was preempted by the Copyright Act, but the court concluded that the alleged promise to pay was "an extra element" that changed "the nature of the action so that it is qualitatively different from a copyright infringement claim".

§ 8.06 Right of Publicity

[A] Generally

Voice misappropriation was unsuccessfully asserted in *Oliveira v. Frito-Lay, Inc.*, 251 F.3d 56 (2d Cir. 2001) (plaintiff's widely known vocal recording of the 1964 song "The Girl from Ipanema" used in a snack commercial).

As digital imaging becomes more sophisticated and widely used, novel right of publicity issues are likely to arise. Might a digitally created virtual person have a right of publicity? What if a portion of a celebrity's anatomy, e.g. Bette Davis' eyes, is digitally "borrowed" and used in a depiction of someone else? An interesting discussion of the potential legal ramifications of this developing technology may be found in Beard, "Clones, Bones and Twilight Zones: Protecting the Digital Persona of the Quick, the Dead, and the Imaginary," 16 Berkeley Tech. L. J. 1165 (2001).

Some jurisdictions recognize a post-mortem right of publicity, while others do not. See, e.g., *Cairn v. Franklin Mint Co.*, 292 F. 3d 1139 (9th Cir. 2002) (affirming dismissal of right of publicity claim regarding Princess Diana; while California recognized a post-mortem right of publicity, Great Britain, the domicile of Princess Diana, did not).

[B] First Amendment Concerns

The California Supreme Court's "transformative test", first articulated in the *Comedy III v. Saderup* decision discussed on p. 495 of the coursebook, was applied again by that court in *Winter v. DC Comics*, 66 U.S.P.Q. 2d 1954 (S. Ct. Cal. 2003). Plaintiff's Johnny and Edgar Winter, "well-known performing and recording musicians originally from Texas", sued DC Comics under right of publicity law for featuring in its comic books the characters Johnny and Edgar Autumn as "villainous half-worm, half-human offspring." The half-human portions bore a strong resemblance to the Winter Brothers.

The trial court entered summary judgment in favor of defendant. On appeal, the California Supreme Court explained that the *Comedy III* transformative test emphasizes the lack of commercial harm created by truly transformative works: "Works of parody or other distortions of the celebrity figure are not, from the celebrity fan's viewpoint, good substitutes for conventional depictions of the celebrity, and therefore do not generally threaten markets for celebrity memorabilia that the right of publicity is designed to protect." The transformative test requires the court to determine "whether a product containing a celebrity's likeness is so transformed that it has become primarily the defendant's own expression rather than the celebrity's likeness." While in *Comedy III* the defendant's depiction of the Three Stooges on t-shirts was insufficiently transformative, in this case the distorted parody depiction of the Winter Brothers featured in one small section of a "quite expressive" comic book series *was* sufficiently transformative, with the result that it would be a poor market substitute for actual Winter Brothers memorabilia. The court did remand plaintiff's claim that defendant's advertising misleadingly suggested that the plaintiffs were connected with or endorsed the comic books.

The *Comedy III* test was applied by the Sixth Circuit in *ETW Corp. v. Jireh Publishing*, 332 F.3d 915 (6th Cir. 2003). Plaintiff ETW was the licensing agent for professional golfer Tiger Woods, and held the exclusive rights to exploit his commercial identity through use of his name, likeness, etc., as well as to use the register mark TIGER WOODS in connection with "art prints" and other products. The licensing agent sued over the defendant publisher's sale of a limited edition of an art print depicting Woods' 1997 victory at the Masters Tournament. The foreground featured three views of Woods, while in the background other famous golfers such as Jack Nicklaus and Arnold Palmer looked down on him. Collateral use of his name on an envelope and in a narrative description for the print was permitted under the *Rogers v. Grimaldi* relevance test. As to plaintiff's attempt "to constitute Woods himself as a walking, talking trademark", the court opined that, "as a general rule, a persons' image or likeness cannot function as a trademark." Consistent use of a single image or likeness would be required, and "ETW does not claim that a particular photograph of Woods has been consistently used on goods." Finally, applying *Comedy III*, the print was protected by the First Amendment from plaintiff's right of publicity claims. The art print contained transformative elements in its portrayal of "a historic sporting event" (e.g. the images of past golf legends looking down on Woods from the sky), and no serious economic harm to plaintiff was likely to result. Given the balance of harms and the public's interest in expressive communications, the court concluded that whatever rights plaintiff possessed in Woods name and likeness "must yield to the First Amendment."

CHAPTER 9 JURISDICTION AND REMEDIES

§ 9.01 Jurisdiction

In *Domain Name Clearing Co. v. F.C.F., Inc.* 16 Fed. Appx. 108 (4th Cir. 2001), the court affirmed that the value of the domain name at issue exceeded the \$75,000 threshold for diversity jurisdiction. *See also Amazon, Inc. v. Dirt Camp, Inc.*, 273 F.3d 1271 (10th Cir. 2001) (remanding for determination of whether diversity jurisdiction existed over plaintiff's remaining state law claims).

§ 9.01[A][1] Extraterritorial Jurisdiction

In *Hawes v. Network Solutions, Inc.*, 337 F.3d 377 (4th Cir. 2003), the plaintiff sued both the domain name registrar for transferring his "lorealcomplaints.com" domain name to L'Oreal S.A., a French corporation, pursuant to the order of a French court, and the transferee L'Oreal. Plaintiff's cosmetics business competed with L'Oreal, and he claimed to have registered the domain name for "a forum with which to communicate with L'Oreal concerning problems with its products." Plaintiff failed to appear to defend himself in the French court action filed by L'Oreal.

No exception to the registrar's immunity under the Anti-Cybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. § 1114(D)(i), applied, so dismissal of that portion of the suit was affirmed. The claim against L'Oreal for its actions in the French court, however, was reinstated. The Fourth Circuit emphasized that its decision "does not imply any disrespect of any French court that may have taken jurisdiction of a related dispute in France." Nonetheless, "[a]djudication of an action brought under [the ACPA] involves neither appellate-like review of, nor deference to, any simultaneously pending actions in foreign jurisdictions ... " In the court's view, this "does not leave the foreign trademark owner bereft of protection", because it "remains free to file a counterclaim" in the U.S. action.

§ 9.01[A][2] Pendent Jurisdiction

In another breach of contract case involving trademark rights, *International Armor & Limousine Co. v. Moloney Coachbuilders, Inc.*, 272 F.3d 912 (7th Cir. 2001), the court held that it had no subject matter jurisdiction where the trademark claims were merely derivative of contract issues.

§ 9.01[A][5] Sovereign Immunity

The Supreme Court's *College Savings* decision was applied in insulating a state enterprise from trademark-related actions in *Hapco Farms, Inc. v. Idaho Potato Comm'n*, 238 F.3d 468 (2d Cir. 2001) (affirming judgment that defendant, an Idaho state agency, was immune from a suit seeking to cancel the agency's federal trademark registrations).

Foreign countries also have limited immunity from federal subject matter jurisdiction under the Foreign Sovereign Immunity Act ("FSIA"). 28 U.S.C. §§ 1330 (a), 1604. The FSIA "provides the sole basis for obtaining [subject matter] jurisdiction over a foreign sovereign in the United States". *Republic of Argentina v. Weltover, Inc.*, 504 U.S. 607, 611 (1992) (internal quotation marks omitted); *accord Saudi Arabia v. Nelson*, 507 U.S. 349, 355 (1993). That basis comes from exceptions to the general sovereign immunity, most of which are contained in 28 U.S.C. § 1605(a):

§ 1605. General exceptions to the jurisdictional immunity of a foreign state

A foreign state shall not be immune from the jurisdiction of courts of the United States or of the States in any case in which the action is based (1) upon a commercial activity carried on in the United States by the foreign state; or (2) upon any act performed in the United States in connection with the commercial activity of the foreign state elsewhere; or (3) upon an act outside the territory of

the United States in connection with a commercial activity of the foreign state elsewhere and that act causes a direct effect in the United States.

In *Virtual Countries Inc. v. Republic of South Africa*, 63 U.S.P.Q.2d 1993 (2d Cir. 2002), for example, the Seattle-based plaintiff owned a number of domain names based on the names of foreign countries, including "southafrica.com". When the Republic of South Africa issued a press release stating its intention to claim that domain name through means such as an ICANN proceeding (see § 8.01 in Chapter 8), the plaintiff sued in New York for a declaration that defendant had no rights in the domain name. The court determined that only the "direct effect" third clause of the § 1605(a) provision could supply the necessary exception to the Republic's sovereign immunity. Because of "the tentative and indefinite nature of the release" which mentioned only a future intention to use an ICANN proceeding, the alleged injury to plaintiff was too speculative, and the necessary "direct effect in the United States" was lacking. Dismissal therefore was affirmed.

§ 9.01[B][1] Personal Jurisdiction - Generally

The considerations in determining whether a foreign defendant is subject to personal jurisdiction in a U.S. court are similar to those for a domestic defendant. *See, e.g., Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002) (exercising personal jurisdiction over Danish defendants who targeted the distribution and promotion of allegedly infringing "Barbie Girl" song at the U.S., including California; "Mattel's trademark claims would not have arisen 'but for' the conduct foreign defendants purposefully directed toward California, and [personal] jurisdiction over the foreign defendants, who are represented by the same counsel and closely associated with the domestic defendants, is reasonable"). However, the burden of proof may be higher. In *Yahoo!, Inc. v. La Ligue Contre Le Racisme Et L'Antisemitisme*, 145 F.Supp.2d 1168 (N.D. Cal. 2001), for example, the court held that "a plaintiff seeking to hale a foreign defendant into court in the United States must meet a higher jurisdictional threshold than is required when a defendant is [a] United States resident". In that case, there was personal jurisdiction over defendants in plaintiff's declaratory judgment action because the defendants sent a cease and desist letter to the plaintiff's California headquarters, requested that plaintiff perform certain acts there to restrict access to plaintiff's website content, and utilized the U.S. Marshals to effect service of process there.

§ 9.01[B][2] On-line Activities and Personal Jurisdiction

In accord with other decisions, the Fifth Circuit in *Quick Techs. v. Sage Group PLC*, 313 F.3d 338, 345 (5th Cir. 2002) held that a website that is nothing more than a "passive advertisement", *i.e.* "a website that provides product information, toll-free telephone numbers, e-mail addresses, mail addresses, and mail-in order forms," does not support the exercise of personal jurisdiction. In *Rio Properties, Inc. v. Rio Int'l Interlink*, 284 F.3d 1007 (9th Cir. 2002), defendant's passive website did not provide basis for personal jurisdiction, but its print and radio advertisements to promote the website in the forum state did.

In *Toys "R" Us v. Step Two S.A.*, 318 F.3d 446, 452-454 (3d Cir. 2003), although the Spanish defendant's commercially interactive websites "do not appear to have been designed or intended to reach customers in New Jersey", the court concluded that they might provide a basis

for personal jurisdiction there if combined with "something more" in non-Internet contacts, "such as serial business trips to the forum state, telephone and fax communications directed to [it], purchase contracts with forum state residents . . . and advertisements in local newspapers". The case was remanded for jurisdictional discovery.

In a dispute over the trademark CAREFIRST, the plaintiff had sued an Illinois corporation in Maryland in *Carefirst of Maryland, Inc. v. Carefirst Pregnancy Centers, Inc.*, 334 F.3d 390 (4th Cir. 2003). In affirming dismissal for lack of personal jurisdiction, the Fourth Circuit found that the defendant's website, while accessible in Maryland, had "a strongly local character, emphasizing that [defendant's] mission is to assist Chicago-area women in pregnancy crises", and that defendant's receipt through the Internet of a miniscule fraction of its donations (\$120 in total) from Maryland residents was insufficient to create jurisdiction.

§ 9.01[B][3] Domain Name *In Rem* Jurisdiction

In *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214 (4th Cir. 2002), *in rem* jurisdiction was appropriate over many .com, .org and .net domain names because the plaintiff could not establish personal jurisdiction over the Argentine domain name registrant. The court further concluded that a plaintiff bringing an *in rem* action under § 1125(d) "may, in appropriate circumstances, pursue infringement and dilution claims as well as bad faith registration claims", citing Jennings, *Significant Trademark/Domain Name Issues in Cyberspace*, 663 PLI/Pat 649 (2001).

In rem jurisdiction may be appropriate where the suit was filed even if the defendant eventually consents to personal jurisdiction elsewhere. *Porsche Cars North America, Inc. v. Porsche.net*, 302 F.3d 248, (4th Cir. 2002) (affirming the retention of *in rem* jurisdiction in Virginia despite the domain name registrant's consent, three days before trial, to jurisdiction in California).

Harrods was followed in *Cable News Network, LP v. cnnnews.com*, 66 U.S.P.Q. 2d 1057 (4th Cir. 2003), with the Fourth Circuit affirming judgment against defendant on plaintiff's trademark infringement claim, and affirming the transfer of the domain name to plaintiff.

Compare Mattel, Inc. v. barbie-club.com, 310 F.3d 293 (2d Cir. 2002) (*in rem* action dismissed because it was not filed in the district of the registrar or similar domain name authority); *Fleetwood Financial Corp. v. Fleetbostonfinancial.com*, 138 F. Supp.2d 121 (D. Mass. 2001) (dismissing *in rem* lawsuit as having been filed in the wrong jurisdiction, where neither "the registrar, registry or other domain name authority" was located in Massachusetts).

§ 9.01[C] Venue

In *ISI Int'l, Inc. v. Borden Ladner Gervais LLP*, 316 F.3d 731 (7th Cir. 2003), the court affirmed dismissal of a suit against a Canadian law firm on *forum non conveniens* grounds, in favor of a proceeding in Ontario, Canada, after the U.S. federal law claim was dismissed.

§ 9.02[A] Remedies – Injunctive Relief

In *Interstellar Starship Servs. v. Epix, Inc.*, 304 F.3d 936 (9th Cir. 2002), the defendant was enjoined from using the domain name epix.com and the associated website in a manner likely to cause confusion with plaintiff's EPIX mark, but the court declined, under the circumstances, to transfer the domain name to plaintiff.

Preliminary Injunctions

In *Ty, Inc. v. The Jones Group, Inc.*, 237 F.3d 891 (7th Cir. 2000), "Beanie Racers" for racing car plush toys was preliminarily enjoined based on plaintiff's rights in "Beanie Babies" for plush toys. Defendant's claim that it would experience great irreparable harm if enjoined "rings hollow", given that it voluntarily assumed the risk, knowing "of Ty's product and the possible confusion that could be created".

In *Scotts Co. v. United Industries Corp.*, 315 F.3d 264 (4th Cir. 2002) sales of defendant's anti-crabgrass control products at issue were seasonal, negating any "actual and imminent injury" to either party and making preliminary relief unnecessary.

Modifications

Where plaintiff had established superior rights in "Patsy's" for pasta sauce in *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209 (2nd Cir. 2003), but the parties' restaurants previously had co-existed under their "Patsy's" names in New York for decades, the court modified the injunction to allow defendant to continue its restaurant use of the name "Patsy's Pizzeria", and to make "some, although very limited" use of that name on pasta sauce. Among other things, the use "must be a minor component of the labeling", and "must use the name only to identify the maker or distributor of the product."

Disclaimers

Disclaimers generally are a disfavored method of dispelling likely confusion. *See, e.g., Ford Motor Co. v. Ford Financial Solutions*, 103 F. Supp.2d 1126, 1128 (N.D. Iowa 2000) (rejecting disclaimer as a remedy). In some instances, however, their mandated use can actually benefit the plaintiff. In *Promatek Indus. v. Equitrac Corp.*, 300 F.3d 808 (7th Cir. 2002), the court affirmed a preliminary injunction mandating use of a disclaimer on defendant's website, despite defendant's objection that the disclaimer unfairly informed consumers of its competitor (plaintiff) and encouraged them to access plaintiff's website.

In *ProFitness Physical Therapy Ctr. v. Pro-Fit Orthopedic & Sports Physical Therapy*, 314 F.3d 62, 70-71 (2d Cir. 2002), citing decisions like *Home Box Office* (p. 528 of the coursebook), the court questioned generally the use of disclaimers as remedies, but noted that "disclaimers might be effective to cure a minimal or moderate amount of confusion". It remanded the case to the district court to "determine the specific level of confusion and fashion relief accordingly".

Disclaimers normally will be ineffective in initial interest confusion cases. The use of a domain name that is confusingly similar to the plaintiff's trademark, or the use of metatags that incorporate the plaintiff's mark, can create a likelihood of initial interest confusion, as discussed in sections 5.05, 6.02, and 8.02. This is sometimes compared to "bait and switch" tactic, and

therefore is actionable even though, after reaching defendant's website, the consumer may subsequently learn that the products or services are not those of the plaintiff. As a consequence, any disclaimer of affiliation with plaintiff on defendant's website would be irrelevant in such cases, because it would not dispel the initial interest confusion that unlawfully brought the consumer to defendant's website in the first place. *See, e.g. Pacaar Inc. v. Telescan Techs., L.L.C.*, 319 F.3d 243, 253 (6th Cir. 2003) ("A disclaimer disavowing affiliation with the trademark owner read by a consumer after reaching the website comes too late"). *Compare, however, Taubman v. Webfeats*, 319 F.3d 770 (6th Cir. 2003). There plaintiff owned the mark "The Shops at Willow Bend" and sued defendant over its registered domain name "shopsatwillowbend.com". Defendant conducted no commercial activities on the website. In that context, the Court denied preliminary relief and approved defendant's use of a disclaimer and a hyperlink to plaintiff's website to redirect errant customers. "Here, a misplaced customer simply has to click his mouse to be redirected to [plaintiff's] site" and "[defendant's] website and its disclaimer actually serve to redirect lost customers to [defendant's] site that might otherwise be lost".

Contempt

In *John Zink Co. v. Zink*, 241 F.3d 1256 (10th Cir. 2001), defendant was held in contempt for violating an injunction against his making commercial use of defendant's ZINK surname and other marks containing that name in competition with plaintiff; attorneys' fees were awarded to plaintiff. *See also, Abbott Labs. v. Unlimited Beverages, Inc.*, 218 F.3d 1238 (11th Cir. 2000) (defendant "cannot simply remove the 'Naturalyte' name from the enjoined bottle and market the same solution in the same bottle through private retailer in order to bypass the consent judgment . . . A consent judgment need not recite every possible way in which a violation might occur when the proscribed conduct is readily ascertainable to an ordinary person").

§ 9.02[B] Monetary Relief

In *Dial One of Mid South Inc. v. Bellsouth Telecomm'ns, Inc.*, 269 F.3d 523 (5th Cir. 2001), \$150,000 of plaintiff franchisor's lost profits were awarded where defendants, after notice, failed to remove the listing of plaintiff's ex-franchisee from the Yellow and White Pages directories.

In *Tamko Roofing Products, Inc. v. Ideal Roofing Co.*, 282 F.3d 23 (1st Cir. 2002), an accounting of defendant's profits did not require a showing of bad faith because the parties directly competed. *Compare Quick Techs. v. Sage Group PLC*, 313 F.3d 338 (5th Cir. 2002), in which the jury did not award defendant's profits because the infringement was not willful. The appellate court observed that willfulness is only one factor to consider in such an award, but jury instruction to the contrary was harmless error where no other factor favored the award. *See also Xoom v. Imageline, Inc.*, 323 F.3d 279 (9th Cir. 2003). ("In determining damages under the Lanham Act, the plaintiff bears the burden of proving a causal connection between its harms and the defendant's profits"; because plaintiff had shown neither actual damages nor that causal link, its damages claim could not be sustained).

In *Thompson v. Haynes*, 305 F.3d 1369 (Fed. Cir. 2002), the court affirmed the award of the willful infringer's profits, but vacated the award of the trademark owner's lost profits and the

award of damages for corrective advertising. As to the trademark owner's alleged lost profits, there was no evidence of even a single lost product sale and the district court's speculation as to one hundred lost sales per month was "too thin a reed on which to support an award of almost two million dollars". The court also vacated the award of damages for corrective advertising where the infringer's ads "were not a source of marketplace confusion or damage" and "Tenth Circuit precedent does not contemplate the award of damages to counteract an advertising campaign that itself caused no confusion". Finally, the lower court's treble damages award was vacated; the court " may not, as it did here, simply lump profits together with damages and apply the same measure of enhancement to both".

On the corrective advertising issue, *compare Zelinski v. Columbia 300 Inc.*, 335 F.3d 633 (7th Cir. 2003), which affirmed a \$70,000 corrective advertising award relating to plaintiff's PINBREAKER mark for bowling balls. "[I]t wasn't unreasonable for [plaintiff] to recommend a corrective advertising campaign when [defendant] sold slightly over 3,000 balls [under an identical mark] in Korea and Taiwan". The jury "is entitled to use its common sense" to decide that customers were deceived when purchasing defendant's products, especially "when no amount of inspection would have revealed that [defendant] – not [plaintiff] – manufactured the balls."

Other Aspects of Monetary Relief

[A][7] Enhanced and Other Damages

Punitive damages "operate as 'private fines' intended to punish the defendant and to deter wrongdoing. A jury's assessment of the extent of a plaintiff's injury is essentially a factual determination, whereas its imposition of punitive damages is an expression of its moral condemnation." *Cooper Indus., Inc. v. Leatherman Tool Group*, 532 U.S. 424 (2001). In that case Cooper had unlawfully used depictions of Leatherman's multi-purpose pocket tool (with Leatherman's trademark whited out) in Cooper's marketing materials and catalogs for Cooper's similar ToolZall product. The jury awarded \$50,000 in compensatory damages for this reverse passing off and \$4.5 million in punitive damages, which the district and appellate courts let stand.

Concluding that the Ninth Circuit in *Cooper v. Leatherman* incorrectly reviewed the punitive damages award under an abuse of discretion standard, rather than *de novo* as it should have, the Supreme Court remanded for determination under the proper standard. In doing so it explained that the Eighth Amendment's "prohibition against excessive fines and cruel and unusual punishments" applies, and that a reviewing court considering a punitive damages award should evaluate *de novo* the following factors: "(1) the degree of reprehensibility of the defendant's misconduct, (2) the disparity between the harm (or potential harm) suffered by the plaintiff and the punitive damages award, and (3) the difference between the punitive damages awarded by the jury and the civil penalties authorized or imposed in comparable cases".

The Supreme Court also observed that Cooper had used depictions of Leatherman's product because of Cooper's inability to quickly and cheaply obtain a mock-up of Cooper's yet-to-be released product, rather than any intention to mislead customers. On remand, the Ninth Circuit, in *Leatherman Tool Group, Inc. v. Cooper Indus, Inc.*, 285 F.3d 1146 (9th Cir. 2002),

determined the maximum award of punitive damages was \$500,000. Among other things, it concluded that, "Cooper's conduct was more foolish than reprehensible."

The Supreme Court further clarified the guidelines for awarding punitive damages in *State Farm Mut. Auto. Inc. Co. v. Campbell*, 123 S. Ct. 1513 (2003). There the award to defendants of \$145 million in punitive damages after a \$1 million compensatory award was held unconstitutionally excessive. "[C]ourts must ensure that the measure of punishment is both reasonable and proportionate to the amount of harm to the plaintiff and to the general damages recovered." While declining "to impose a bright-line ratio", the Court observed that, "in practice, few awards exceeding a single-digit ratio between punitive and compensatory damages, to a significant degree, will satisfy due process."

Subsequently, in *Ford Motor Co. v. Estate of Tommy Smith*, 123 S. Ct. 2072 (2003), the Supreme Court applied *State Farm v. Campbell* in setting aside a \$290 million punitive damages award against Ford stemming from a fatal 1993 California rollover accident involving a Ford Bronco. It vacated that judgment and remanded the case to the Supreme Court of Kentucky for further consideration in view of the *State Farm v. Campbell* decision.

A[8] Cybersquatting Damages

Statutory damages are available in domain name cybersquatting cases brought under the Anti-Cybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. § 1125(d)(1). Those damages, available under 15 U.S.C. § 1117(d), range from \$1,000-\$100,000 per domain name. See, e.g. *E. & J. Gallo Winery v. Spider Webs Ltd.*, 286 F.3d 270 (5th Cir. 2002) (\$25,000 for defendant's bad faith registration of ernestandjuliogallo.com in violation of ACPA); *Shields v. Zuccarini*, 254 F.3d 476 (3d Cir. 2001) (\$10,000 for each violative domain name); *Electronic Boutique Holdings Corp. v. Zuccarini*, 56 U.S.P.Q.2d 1705 (E.D. Pa. 2000) (\$100,000 for each violative domain name).

[C] Attorneys' Fees

In *Tamko Roofing Products, Inc. v. Ideal Roofing Co.*, 282 F.3d 23 (1st Cir. 2002), the court stated that a "mere failure to conduct a trademark search before using a mark may evidence nothing more than carelessness, and so may not warrant an award of fees". However, it nonetheless affirmed the award of attorneys' fees in the absence of bad faith, based on the "totality of circumstances", including defendant's continued use of the mark after a preliminary injunction was granted. *Compare Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209 (2d Cir. 2003) (defendant had submitted false evidence; "fraudulent conduct in the course of conducting trademark litigation permits a finding that a case is 'exceptional' for purposes of an attorneys' fee award under the Lanham Act").

In *Cairns v. Franklin Mint Co.*, 292 F.3d 1139 (9th Cir. 2002), a case involving use of Princess Diana's image on collectible merchandise, over \$2 million in attorneys' fees was awarded to defendant where plaintiff's false advertising claim was groundless and "absurd".

[D] Insurance Coverage

Some additional decisions holding that the insurance company was required to supply coverage: *Charter Oak Fire Ins. Co. v. Hedeem & Co.*, 280 F.3d 730 (7th Cir. 2002) (affirming summary judgment that alleged infringing use of trademark in stationery letterhead was encompassed by advertising injury clause); *Hyman v. Nationwide Mutual Fire Ins. Co.*, 304 F.3d 1179 (11th Cir. 2002) ("because trade dress may encompass marketing or packaging designed to draw attention to a product, it can constitute an 'advertising idea' or 'style of doing business'"); *R. C. Bigelow, Inc. v. Liberty Mutual Ins. Co.*, 287 F.3d 242 (2d Cir. 2002) (use of the allegedly infringing trade dress in advertising fell within the advertising injury clause); *American Simmental Assoc. v. Coregis Ins. Co.*, 282 F.3d 582 (8th Cir. 2002) (alleged misrepresentation that cattle were "fullbloods" was encompassed by advertising injury provision).

In *Sport Supply Group v. Columbia Cas. Co.*, 335 F.3d 453 (5th Cir. 2003), marketing practices that allegedly violated a trademark license agreement fell within the insurance policy's "arising out of breach of contract" exception to coverage, and the denial of coverage was affirmed. In contrast to the above decisions, the court also opined that use of the trademark did not constitute "advertising", so the policy's "misappropriation of advertising ideas under an implied contract" clause did not apply.

CHAPTER 10 GOVERNMENTAL REGULATION

§ 10.01 The Federal Trade Commission

In *United States v. Alpine Indus.*, 77 Fed. Appx. 803 (6th Cir. 2003), the FTC contended that defendant had violated a consent order from a prior false and deceptive advertising case that prohibited defendant from making product claims about its air-cleaning devices without the support of competent and reliable scientific evidence. A jury found that defendant had violated the consent order by making insufficiently supported advertising claims that its product removed over 60 indoor pollutants, controlled ambient ozone levels, and produced various health benefits. Based on 1490 days of violations at a \$1,000 per day penalty, the FTC was awarded \$1,490,000 in civil penalties.

On January 1, 2004 the "Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003", 15 U.S.C. § 7701, also known as the CAN-SPAM Act, took effect. It concerns the abusive use of commercial electronic mail, often referred to as "spam". It covers "any electronic e-mail message the primary purpose of which is the commercial advertisement or promotion of a commercial product or service (including content on an Internet website operated for a commercial purpose)". 15 U.S.C. § 7702(2)(A). Among other things, the Act requires that commercial e-mails be "clearly and conspicuously" labeled as advertisements except when sent to consumers who have affirmatively agreed to receive such messages. The FTC is directed to make recommendations as to the wording of the labeling. 15 U.S.C. §§ 7704(a)(5), 7710. Among other things, this will enable consumers to more effectively use software filters to block receipt of such e-mails. The Act also imposes criminal penalties for "fraud and related activity in connection with electronic mail" as defined by the Act, including imprisonment, 15 U.S.C. § 7703, prohibits the use of deceptive subject headers, and requires the e-mailer to provide contact information that will allow recipients to opt out of receiving any future e-mails from the e-

mailer. 15 U.S.C. § 7704. The Act is to be enforced by the FTC as if its violation were an unfair or deceptive act or practice in violation of the FTC Act. 15 U.S.C. § 7706.

§ 10.05 State and Municipal Regulation

In *Group Health Plan, Inc. v. Philip Morris USA, Inc.*, 344 F.3d 753 (8th Cir. 2003), the court concluded that the Minnesota false advertising and unfair competition statutes were intended to mirror Lanham Act requirements for monetary damages. The dismissal of several HMOs monetary damages claim against various tobacco companies for allegedly deceptive representations was affirmed, but the claim for injunctive relief against them was remanded. While the evidence in the lower court was insufficient to establish "the extent of harm caused" for damages purposes, it was sufficient "to raise an inference" that harm had occurred for purposes of injunctive relief.