MEALEY'S™ LITIGATION REPORT

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Judge: 'Real News' Marks, Domains Descriptive

NEW YORK — In a trademark and domain dispute between competing online news organizations, a federal New York judge ruled that plaintiff Real News Project Inc. (RNP) did not establish that its "Real News" trademark is distinctive to support its claims of trademark infringement and unfair competition, issuing judgment against RNP. **SEE PAGE 6.**

Ticketmaster Granted Default Judgment Against Infringing Site

WILMINGTON, N.C. — Ticket-selling giant Ticketmaster was granted default judgment, damages and an injunction over the registrant and operator of a confusingly similar domain name in a May 12 judgment in the U.S. District Court for the Eastern District of North Carolina. **SEE PAGE 10.**

Dismissal Granted In Dispute Over Prayer Books

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American Red Cross Wins On Summary Judgment

NEW YORK — A federal judge ruled May 14 that the American Red Cross did not violate its Congressional charter by licensing its emblem to companies such as Target and Wal-Mart for fund-raising purposes. **SEE PAGE 16.**

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ORLANDO, Fla. — Allegations by a plaintiff that a defendant violated the Lanham Act by copying its "terms of participation" were rejected June 2 by a federal judge, who deemed the claim preempted by the federal Copyright Act.

Preemption

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Documents

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Dooney & Bourke Prevails In Longstanding Dispute With Louis Vuitton

NEW YORK — Four years after it was first accused by Louis Vuitton Malletier of trademark infringement, handbag maker Dooney & Bourke Inc. saw its request for dismissal of the claims granted in its entirety on May 28 (Louis Vuitton Malletier v. Dooney & Bourke Inc., No. 04-Civ-2990, S.D. N.Y.; 2008 U.S. Dist. LEXIS 42787).

(**Opinion and order in Section A.** Document #16-080616-103Z.)

Focusing primarily on application of the Polaroid factors, U.S. Judge Shira A. Scheindlin of the Southern District of New York found that the plaintiff "has offered no proof that the similarity in the marks is likely to confuse ordinary consumers, whether it is at the point of initial interest, point-of-sale, or post-sale, and the differences between the marks are likely to be memorable enough to dispel confusion even under market conditions."

At issue in the dispute is the style introduced by Louis Vuitton, a French luxury goods company, in October 2002, whereby its famous "LV" is printed along with geometric shapes in an array of bright colors on white and black handbags. Known as the "Monogram Multicolore" mark, the look quickly became popular, and others — including the defendant — launched their own versions. Dooney & Bourke's directly competing "It Bag" prompted Louis Vuitton to sue, alleging trademark infringement and dilution.

Key Dissimilarities

In assessing Dooney & Bourke's summary judgment motion, Judge Scheindlin turned to the Polaroid factors. With regard to mark validity, the judge deemed the plaintiff's mark entitled to protection. With regard to the issue of similarity, however, Judge Scheindlin found definitively in Dooney & Bourke's favor.

According to the judge, although there are "obvious similarities" between the bags, such as multicolored monograms set against a white or black background, even when viewed in market and social settings, from afar and at different times, "there are a number of key, discernible dissimilarities that preclude a finding that consumers would consider the marks confusingly similar." In support of that finding, Judge Scheindlin noted that the plaintiff's Monogram Multicolore mark consists of its well-recognized toile monogram, while the defendant's "It Bag" features the "DB" registered trademark. Furthermore, the "LV" in the Monogram Multicolore mark is "significantly larger" in font size than the defendant's "DB," and the plaintiff's mark includes geometric shapes that constitute a portion of the design, while Dooney & Bourke's does not. In addition, the color schemes employed by the bags differ, resulting in presentations that are "distinct as well as distinguishable," Judge Scheindlin held.

Consumers 'Generally Aware'

Turning to the issue of actual confusion, Judge Scheindlin noted that despite four years of litigation, Louis Vuitton was unable to offer evidence of actual confusion. Consumers are "generally aware that the two multicolored and monogrammed designs come from different, unaffiliated sources which they were able to distinguish and identify by name," the judge held. Judge Scheindlin also found no evidence that Dooney & Bourke acted in bad faith in creating the "It Bag" and that other factors such as consumer sophistication and quality of the products are neutral or weigh slightly in the defendant's favor.

"Although Louis Vuitton's mark is strong and there is a proximity between the products, no one factor is determinative and the Polaroid factors cannot be balanced according to a mathematical formula. Rather, considering all of the evidence and evaluating the Polaroid factors, a reasonable jury could only conclude that Dooney & Bourke's mark is not likely to cause confusion with Louis Vuitton's Monogram Multicolore mark. Accordingly, defendant's motion for summary judgment on plaintiff's trademark infringement claim is granted," the judge said.

No Diminution

Judge Scheindlin also deemed dismissal of Louis Vuitton's trademark dilution claims appropriate because there is no diminution of the capacity of Louis Vuitton's mark to serve as a unique identifier of its source.

Louis Vuitton is represented by Steven Kimelman, Michael A. Grow and Alison Arden Besunder of Arent Fox in New York and Theodore C. Max of Sheppard, Mullin, Richter & Hampton in New York. Douglas D. Broadwater, Roger G. Brooks and Darin P. McAtee of Cravath, Swaine & Moore in New York and Thomas J. McAndrew of Thomas J. McAndrew & Associates in Providence, R.I., represent Dooney & Bourke. ■

District Court Grants Defendant Partial Summary Judgment

PHOENIX — A federal judge concluded May 20 that keyword advertising does not result in initial interest confusion (Designer Skin LLC et al. v. S&L Vitamins Inc. et al., No. CV05-3699, D. Ariz.).

(**Decision available.** Document #16-080616-016Z.)

Furthermore, in granting defendant S&L Vitamins Inc. partial summary judgment, U.S. Judge James A. Teilborg of the District of Arizona rejected arguments by plaintiff Designer Skin LLC that Internet users who search for it will falsely believe that the defendant is an affiliate because links to the defendant's Web site will appear near the top of the results page. According to the ruling, "such users, if any, will be the naïve few."

"S&L Vitamins' domain names — www.thesupplenet.com and www.bodysourceonline.com — bear no resemblance whatsoever to 'Designer Skin' or its domain name — www.designerskin.com," Judge Teilborg wrote.

Tanning Products

Designer Skin makes indoor tanning products and owns a number of registered trademarks in connection with the business. S&L Vitamins is an Internet reseller; it buys various products in bulk, which it then sells at discount prices. Several of the products it resells bear the Designer Skin brand, having purchased the products at tanning salons. S&L Vitamins displays thumbnail images of the plaintiff's products it offers for resale and identifies the products by using Designer Skin's trademarks. The defendant also uses Designer Skin trademarks in the metatags of its Web site.

The plaintiff filed suit in 2005, alleging trademark infringement, trademark dilution and copyright infringement. S&L sought dismissal.

Viable Uses

Granting the request in part, Judge Teilborg turned first to the issue of trademarks, rejecting as a matter of law the notion that the defendants' metatag use represented an infringement. The plaintiff is required to show that the uses are deceptive, the judge noted, and to that end Designer Skin is unable to meet its burden. Writing that liability attaches for trademark infringement only when conduct is likely to confuse an appreciable number of people as to the source of the product, Judge Teilborg found that the metatag use would confuse few people.

Furthermore, a third argument by Designer Skin — that the viable uses of its marks on the Web sites in close association with S&L Vitamins' own logo somehow bolsters the alleged initial interest confusion — must fail because it is "irrelevant to a finding of initial interest confusion," the judge said.

"An internet searcher cannot possibly be deceived into initially visiting a website by the look of the website itself: the website is not viewed until the searcher arrives," Judge Teilborg wrote.

'Unpersuasive'

The judge deemed the 10th Circuit U.S. Court of Appeals' decision in Australian Gold Inc. v. Hatfield (436 F.3d 1228 [2006]), which included a finding that a defendant's use of trademarks caused initial interest confusion because it used the goodwill associated with the marks in such a way that customers might be lured into using the defendants products, "unpersuasive." According to Judge Teilborg, "there is a meaningful distinction between (1) using a mark to attract potential customers to a website that only offers products of the mark holder's competitors and (2) using a mark to attract potential customers to a website that offers the mark holder's genuine products as well as the products of competitors."

"In sum, S&L Vitamins' use of Designer Skin's trademarks to accurately describe the contents of its websites does not cause initial interest confusion. As a result, the Court will grant S&L Vitamins' motion for summary judgment on all of Designer Skin's trademark claims," the judge said.

Not Protected

The plaintiff's copyright infringement claim survived summary judgment, however. According to Judge Teilborg, the renderings of its products and the written descriptions that accompany the renderings are entitled to copyright protection; whether the images appearing on S&L Vitamins Web site are copies of the renderings presents a genuine issue of material fact, the judge said. With regard to whether the use is fair — even if copying has taken place — Judge Teilborg found in favor of the plaintiff.

"Copying the electronic renderings from Designer Skin's website and pasting them on S&L Vitamins' own sites for the purpose of selling Designer Skin's products is not protected by the fair use doctrine. As a result, the copyright infringement claim will proceed to trial on the issue of whether the images on S&L Vitamins' website are either copies of Designer Skin's electronic renderings or photographs of the products themselves," Judge Teilborg wrote.

Designer Skin is represented by Elan Shai Mizrahi Jennings Haug & Cunningham in Phoenix. Ronald D. Coleman Hoffman Polland & Furman in New York and Gregory John Kuykendall of Kuykendall & Associates in Tucson, Ariz., represent S&L Vitamins. ■

Judge: 'Real News' Marks, Domains Descriptive, Not Distinctive

NEW YORK — In a trademark and domain dispute between competing online news organizations, a federal New York judge ruled that plaintiff Real News Project Inc. (RNP) did not establish that its "Real News" trademark is distinctive to support its claims of trademark infringement and unfair competition, issuing judgment against RNP (Real News Project Inc. v. Independent World Television Inc., No. 06-4322, S.D. N.Y.; 2008 U.S. Dist. LEXIS 41457).

(**Opinion, order and findings of fact and conclusions of law available.** Document #16-080616-023Z.)

In an opinion and order that also included his findings of fact and conclusions of law, U.S. Judge Gerard E. Lynch of the Southern District of New York found that RNP did not sufficiently demonstrate a likelihood of confusion between its Web site at *www.real-*

news.org and the site Independent World Television Inc. (IWT) at *www.realnews.com*, noting that despite some similarities between the parties' products and services, most of the factors in the likelihood of confusion balancing test established by Polaroid Corp. v. Polarad Elecs. Corp. (287 F.2d 492, 495 [2nd Cir. 1961]) favored IWT.

News Sites

RNP, which was founded by Russ Baker, launched its nonprofit Web site on Feb. 6, 2006, after obtaining the *realnews.org* domain in August 2005. Although RNP's site includes some links to outside news stories, its "primary original content" has been four investigative articles on political and news topics. Baker claims to have begun using the "Real News Project" in bylines of articles as early as January 2005.

IWT, also a nonprofit news organization, launched its original site *www.iwtnews.com* in summer 2005. It was eventually renamed "Real News" in early 2006. After conducting trademark and Internet searches, IWT founder Paul Jay claims that he became aware of RNP's site on Feb. 7, 2006 — the day after its launch. Jay informed Baker of IWT's new venture, which led to various communications between the two. They disagree on the tone of the discussions and each other's positions. Jay claims that Baker "gave no indication" of any objection to IWT's use of "Real News"; Baker says that he "expressly" stated the opposite. Also in February 2006, IWT acquired the domain *getrealnews.org*, and eventually the domains *therealnews.com* and *realnews.com* as well.

Trademark Applications

Shortly thereafter, RNP filed applications for "Real News" and related marks with the U.S. Patent and Trademark Office. The PTO initially rejected the trademarks as descriptive. After RNP requested reconsideration and disclaimed the word "news," the PTO's examiner approved the marks for publication. IWT opposed the applications. Because RNP had already filed the present trademark infringement complaint against IWT, the PTO suspended proceedings pending the case's outcome. In March, IWT applied for registration of "The Real News" trademark; that application was also rejected as descriptive.

Judge Lynch stated that he found both Jay's and Baker's testimony to be credible but noted that neither was "an unbiased witness" and that it was reasonable to that each had "very different impressions" of their conversations. Turning to the testimony of a less interested party, IWT's former marketing director, Judge Lynch concluded that IWT chose the name

"Real News" independent of RNP and, therefore, in good faith. The judge also noted that IWT researched the mark and domains and that it obtaining legal counsel, which informed it that the mark would not be protectable.

Descriptive Marks

Because RNP's marks are still unregistered, Judge Lynch stated that the burden was on RNP to prove that its marks were entitled to protection because they've acquired secondary meaning or because there is a likelihood of confusion with the accused IWT marks. Stating that "the central issue is whether plaintiff's marks are descriptive or suggestive," the judge concluded that RNP's "Real News" is merely a descriptor of its product which requires no "imagination, thought or perception" on the public's part to discern what a product under that moniker will be. He pointed to PTO rejections of such marks as "Real Coffee," "Real Beer" and "Real Food" as descriptive.

Judge Lynch also considered testimony from IWT's expert on "numerous uses" of the term "real news" by other news agencies, many of which predate Baker's asserted first use of the mark. Citing Thompson Medical Co. v. Pfizer Inc. (753 2d 208, 217 [2nd Cir. 1985]), the judge stated that granting RNP trademark status of "Real News" "would unduly burden" other news services; U.S. "trademark law does not sanction the monopolization of a clearly descriptive term" even if there are other synonyms for it."

Likelihood Of Confusion

Most of the Polaroid factors favor IWT, Judge Lynch said. RNP's mark is weak; and it has not provided evidence that its mark has achieved secondary meaning in the mind of the typical user. And even though the parties' respective marks and domains are "very similar," they "are displayed in a different manner, and in a different context." The sites' taglines and visual display are different. The sites are, therefore, "sufficiently different" to alert the typical viewer of that the sites offer different goods and services.

IWT provides "daily news and analysis" that is primarily video-based, Judge Lynch noted, while RNP focuses on detailed "investigative pieces that take too longer to create" that is text-based. Even though both sites contain news items, it is no hard evidence of how much audience overlap exists, if any. RNP's testimony about the alleged actual confusion between the two sites is "extremely weak," the judge said, finding that much of it came from "interested witnesses recounting a handful of anecdotes."

Considering IWT's testimony of its conception of the term, Judge Lynch agreed that "Real News" is an "average everyday way" of conveying the type of news that both sites intend to convey to their users. "It is unsurprising that two news organizations developed the phrase independently," he stated. In light of IWT's good faith adoption of the term and its descriptive nature, Judge Lynch ruled that "RNP has failed to prove that its marks are distinctive" and granted judgment to IWT on all counts.

RNP is represented by Rebecca Hughes Parker and Martin P. Michael of Sonnenschein, Nath & Rosenthal in New York and Dianne Smith-Misemer and Rebecca Stroder of Sonnenschein Nath in Kansas City, Mo. Jared Briant, Natalie Hanlon-Leh and Jennifer Daniel Collins of Faegre & Benson in Denver and Jonathan Zavin, Christian D. Carbone and J. Ryan Miller of Loeb & Loeb in New York represent IWT. ■

Anti-Mormon Group's Trademark, Cybersquatting Claims Dismissed

DENVER — On May 29, a 10th Circuit U.S. Court of Appeals panel upheld the dismissal of trademark infringement and cybersquatting charges brought by an anti-Mormon organization against the operator of a Web site that opposed and parodied it (Utah Lighthouse Ministry Inc. v. Discovery Computing Inc., et al., No. 07-4095, 10th Cir.; See 10/1/07, Page 46).

(**Opinion available.** Document #16-080616-022Z.)

Utah Lighthouse Ministry Inc. (UTLM) did not establish that the accused Web site infringed its trademark, was used "in connection with any goods or services" or was likely to cause confusion, ruled the panel, which comprised Circuit Judges Timothy M. Tymkovich, Neil M. Gorsuch and James A. Parker. It also found that UTLM did not show that its "Utah

Lighthouse" trademark was entitled to a presumption of protectability.

Parody Site

UTLM is an organization that is devoted to "critically analyzing" the Mormon Church, doing so through newsletters, a Salt Lake City bookstore and an online bookstore at *www.utlm.org*. UTLM obtained federal trademark registration for "Utah Lighthouse" in July 2006. The Foundation for Apologetic Information and Research (FAIR) is an organization that supports the church and is critical of UTLM, with its main Web site at *www.fairlds.org*.

UTLM became aware of a parody Web site created by Allen Wyatt, FAIR vice president, that was critical of UTLM, mimicking the style and presentation of *utlm.org*. Wyatt, through his company Discovery Computing Inc., registered 10 Internet domains similar to UTLM's trademarks and its founders' names, including *utahlighthouse.com*, *geraldtanner.com*, *sandratanner.org* and *utahlighthouseministry.org*. The sites resolved to Wyatt's Web site, which, in turn, included a link to FAIR's site.

In April 2005, UTLM sued Wyatt, Discovery and FAIR in the U.S. District Court for the District of Utah. UTLM alleged trademark infringement, trademark dilution, cybersquatting and unfair competition under federal and state law. Both sides moved for summary judgment. The court granted judgment in FAIR's favor on all counts, finding that the "Utah Lighthouse" trademark was not protectable and dismissing UTLM's claims with prejudice. UTLM appealed dismissal of the infringement, unfair competition and cybersquatting claims to the 10th Circuit.

Commercial Use

To establish infringement and unfair competition under the Lanham Act, UTLM asserted that Wyatt's use of the mark was a commercial use because it linked to FAIR's Web site, which includes a bookstore. With no 10th Circuit case law on the topic, the panel referred to <u>Bosley Medical Institute v. Kremer</u> (403 F. 3d 672, 677 [9th Cir. 2005]) in agreeing with the District Court's finding that Wyatt's site was not commercial because it did not provide any "goods or services, earned no revenue, and had no direct links to commercial sites." Wyatt merely used UTLM's mark "in connection with the expression of his opinion about [UTLM's] goods and services" to offer "critical commentary" about UTLM — the owner of the trademark.

The panel noted that Wyatt's Web site includes three links to FAIR's site but that none of them link directly to the bookstore. Further, the panel found that FAIR's site "is overwhelmingly noncommercial in nature" with just an "inconspicuous link" to its bookstore. Per <u>Bosley</u>, this "roundabout path" from Wyatt's site to the commercial portion of FAIR's site is "too attenuated" to confer commercial status upon Wyatt's site, the panel ruled.

Case Law Mischaracterized

UTLM argued that Wyatt's use of the trademark prevented users from reaching its site, including its bookstore, making Wyatt's use commercial. The panel rejected this theory as well, finding that an "interference" claim could be asserted only if the accused infringer used the mark "in connection with the goods or services of a competing producer." Ruling otherwise, the panel stated, would "place most critical . . . commentary under the restrictions of the Lanham Act."

Likewise, the panel rejected UTLM's stance that "the overall commercial nature of the Internet" qualified Wyatt's site as commercial. UTLM's cited case law on this point "mischaracterizes" their rulings, the panel said, noting that there is a difference between "in commerce" and "in connection with any goods and services." The cited cases found Internet use sufficient to establish a trademark as being used "in commerce" for jurisdictional purposes but did not hold that Internet use in general is commercial.

Secondary Meaning

Because UTLM's mark was not registered at the time that Wyatt created his site or when the complaint was filed, the panel noted that UTLM needed to establish that its mark had acquired secondary meaning. However, the panel found that UTLM's submitted evidence of the number of "hits" generated for "Utah Lighthouse" on search engines, such as Yahoo! and Google, was "inadequate to demonstrate that consumers associate the mark with a particular product." Without further evidence that these search engine users had subsequently visited UTLM's site, the hit reports alone were insufficient to establish secondary meaning.

UTLM also did not establish any likelihood of confusion, the panel ruled. There is no dispute that the Web sites' marks are similar because Wyatt "intentionally selected" the domain as appropriate to critique and comment on UTLM. And even though Wyatt's site uses a black and white striped lighthouse image similar to UTLM's logo, Wyatt included the words "Destroy, Mislead and Deceive" on the image. In the context of the site as a whole, it is obvious that Wyatt intended his site as a parody and a critique of UTLM's site, the panel held, stating that "a successful parody weighs heavily against a finding of likelihood of confusion."

Similarly, UTLM did not succeed in its cybersquatting claims. Even though Wyatt's domains are "virtually identical" to UTLM's marks, the panel stated, there is no evidence of "a bad faith intent to profit." Wyatt did not attempt to sell the domains to UTLM at a profit, the panel said, nor did he profit from diverting any of UTLM's customers. As such, Wyatt's use of the mark is "a fair use parody."

Lance C. Starr of American Fork, Utah, and Mike Holman and Jeffrey N. Walker of Holman & Walker in Sandy, Utah, represent the defendants. UTLM is represented by Paul C. Oestreich of Morriss O'Bryant Compagni in Salt Lake City.

(Additional documents available: **District Court's memorandum decision and order.** Document #78-070806-007Z. **Complaint.** Document #78-070806-008C. **UTLM's opening appellant brief.** Document #78-070806-006B. **Discovery's appellee brief.** Document #78-071001-004B. **UTLM's reply brief.** Document #78-071001-005B.) ■

Ticketmaster Granted Default Judgment Against Infringing Site

WILMINGTON, N.C. — Ticket-selling giant Ticketmaster was granted default judgment, damages and an injunction over the registrant and operator of a confusingly similar domain name in a May 12 judgment in the U.S. District Court for the Eastern District of North Carolina (Ticketmaster Corp. v. Daniel DeVane, No. 7:07-CV-196-F, E.D. N.C.).

(**Order available.** Document #24-080528-027R.)

U.S. Judge James C. Fox found that Wilmington resident Daniel DeVane registered the domain *ticketmasterevent.com* in a bad faith attempt to trade on Ticketmaster's famous mark. Due to DeVane's failure to respond to Ticketmaster's complaint or subsequent filings, Judge Fox granted Ticketmaster's motion for default judgment, finding that DeVane violated the Anti-Cybersquatting and Consumer Protection Act (ACPA), the trademark infringement and unfair competition provisions of the Lanham Act and the Federal Trademark Dilution Act (FTDA).

Likely To Cause Confusion

Ticketmaster filed its complaint against DeVane in November. When DeVane failed to respond, default was entered against him in April. Shortly thereafter, Ticketmaster moved for default judgment.

Finding that Ticketmaster's mark was distinctive and famous, Judge Fox said that online customers would be likely to confuse DeVane's domain with Ticketmaster's site at *ticketmaster.com*. The judge also found that DeVane had "no rights or legitimate interest" in the *ticketmasterevent.com* domain but that it had been registered "with the bad faith intent to profit from the use of it" and to divert customers from Ticketmaster's site, in violation of the ACPA. Judge Fox also found that DeVane's use of Ticketmaster's mark "diminished the value" of its federally registered trademark, in violation of the FTDA. Additionally, the judge held that DeVane's use of the mark "in commerce, and in connection with the sale of goods or services" entitled Ticketmaster to judgment on its Lanham claims.

Entitled To Injunction

Judge Fox noted that the FTDA and ACPA entitle a trademark owner to an injunction. The judge found that DeVane had been properly served in accordance with Federal Rule of Civil Procedure 4 and that, per the entry of default, the facts and claims against him were "deemed admitted" in conjunction with the evidence submitted by Ticketmaster. Therefore, Judge Fox enjoined DeVane and anyone associated with him from any further use of Ticketmaster's marks, or similar marks, in any form.

Because of the showing of bad faith, Ticketmaster was awarded $5,000 in statutory damages. In light of

(continued on page 13)

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Please no phone conferencing into a single site location. One phone line in one room only. We cannot accommodate other internal phone lines. Additional phone lines from the same company will be charged separately.

DeVane's continued use of the disputed domain after receiving a cease-and-desist letter and his failure to make any appearance in the present action, Judge Fox found the case exceptional and awarded Ticketmaster attorney fees under the Lanham Act.

Ticketmaster is represented by W. Thad Adams III of Adams Intellectual Property Law in Charlotte, N.C., and Robert W. Sacoff, Mark V.B. Partridge and J. Michael Monahan II of Pattishall, McAuliffe, Newbury, Hilliard & Geraldson in Chicago. DeVane has no counsel of record.

(Additional documents available: **Complaint.** Document #24-080528-028C. **Motion for default judgment.** Document #24-080528-029M.) ■

Unfair Competition, False Designation Of Origin Claims Are Preempted

ORLANDO, Fla. — Allegations by a plaintiff that a defendant violated the Lanham Act by copying its "terms of participation" were rejected June 2 by a federal judge, who deemed the claim preempted by the federal Copyright Act (Millennium Travel & Promotions Inc. v. Classic Promotions & Premiums Inc., Mark Vanginhoven, No. 6:08cv290, M.D. Fla.; 2008 U.S. Dist. LEXIS 43486).

(**Order available.** Document #16-080616-019R.)

According to U.S. Judge Gregory A. Presnell of the Middle District of Florida, the plaintiff's "Terms of Participation" cannot serve as the basis for a Lanham Act claim and a multiparagraph work, such as the Terms of Participation, is simply too long to function as a source identifier whose utilization by another might cause the confusion or deception prohibited by the Lanham Act.

"The Terms of Participation cannot serve as the basis for a Lanham Act claim, and Millennium does not argue that the other allegedly misappropriated materials and designs are enough on their own to do so," the judge said.

Extra Element

Plaintiff Millennium Travel & Promotions Inc. registered a copyright for its one-page work of text, which spells out the requirements for individuals to purchase certain travel conditions. Defendants Classic Promotions & Premiums Inc. and Mark Vanginhoven stand accused of copying the text and distributing it to the public, along with Millennium's brochures and other marketing materials, resulting in a likelihood of confusion.

In its complaint, filed earlier this year, Millennium alleged copyright infringement, contributory copyright infringement, unfair competition under Florida common law, violations of Florida's deceptive and unfair trade practices statute and violations of Section 43(a) of the Lanham Act, which prohibits false descriptions and false designations of origin. Moving for dismissal, the defendants argued that the state law claims are preempted by the Copyright Act and that the Lanham Act claim impermissibly attempts to shoehorn a copyright claim into a trademark claim.

Granting the request, Judge Presnell applied the "extra element" test set forth in Bateman v. Mnemonics Inc. (79 F.3d 1532, 1549 [11th Cir. 1996]). The District Court rejected assertions by Millennium that it pleaded extra elements of its unfair competition claim that differ from the elements of its copyright infringement claim. According to the judge, "at its heart . . . [the unfair competition claim] remains a copyright infringement claim, complaining about the copying and distribution of Millennium's copyrighted work by the Defendants." Judge Presnell found similarly with regard to deceptive and unfair trade practices, writing that "the only deceptive or unfair practices alleged . . . are the improper copying and distribution of Millennium's copyrighted work."

Dismissal Without Prejudice

Finally, the judge turned to the trademark claim. Noting that Millennium conceded that the multiparagraph Terms of Participation is too lengthy to qualify for Lanham Act protection, Judge Presnell nonetheless rejected the plaintiff's assertions that the "product" it sells to customers is the Terms of Participation plus its own "materials and designs."

"The theory goes, the entire package that the Defendants are selling closely resembles the entire package that Millennium sells, which could deceive purchasers into thinking it came from the other. However, Millennium offers no case law supporting the proposition that a collection of words that is too long to be protected under the Lanham Act can be afforded that protection if combined with even more items," the judge said.

Judge Presnell stopped short of deeming the claim preempted, however, for he wrote that he could not rule out the possibility that the plaintiff could state a Lanham Act claim independent of the allegedly misappropriated Terms of Participation. As such, the claim was dismissed without prejudice.

Millennium is represented by Amaury Cruz of Amaury Cruz PA in Miami. Ava K. Doppelt and David W. Magana of Allen, Dyer, Doppelt, Milbrath & Gilchrist in Orlando represent the defendants. ■

Dismissal Granted In Copyright, Trademark Dispute Over Prayer Books

PHILADELPHIA — A federal judge on May 16 rejected allegations that a defendant copied biblical stories, similar words and expressions and literary style in authoring a motivational book (Herman Douglas Sr. v. Joel Osteen et al., No. 07-3925, E.D. Pa.; 2008 U.S. Dist. LEXIS 40152).

(**Memorandum and order available.** Document #16-080602-012Z.)

According to U.S. Judge Petrese B. Tucker of the Eastern District of Pennsylvania, the bulk of plaintiff Herman Douglas Sr.'s book "Prayer Power in the Eyes of Faith" is not subject to copyright protection. Furthermore, defendant Joel Osteen's use of the phrase "eyes of faith" in his own book titled "Best Life Now: 7 Steps to Living at Your Full Potential" does not represent trademark infringement.

"Plaintiff has not only failed to allege secondary meaning, but the phrase 'eyes of faith' is incapable of distinguishing Plaintiff's book from the products of others," the judge held.

Douglas published his book in 1990, obtaining copyright protection for the work in 1990 and again in 2006. Osteen authored and obtained a copyright for his book in 2004. Both books focus on religious motivation, recounting biblical stories and setting forth motivational prayers and anecdotes. After purchasing a copy of Osteen's book, Douglas consulted with a "legal advisor," who eventually sued, alleging copyright infringement, trademark infringement and unfair competition. Moving to dismiss, Osteen argued that Douglas failed to state a claim in that the elements of the works that are similar are not copyrightable and that his use of a portion of the title of Douglas' work is not trademark infringement.

Unsurprising

Granting the request on both counts, Judge Tucker agreed with Osteen that there is no copyright protection for titles of books, short phrases or biblical stories that are in the public domain. Furthermore, the use of the same literary style does not give rise to a finding of "substantial similarity."

"The two books at issue in this case are motivational religious books. It is unsurprising that they contain the same biblical stories, similar expressions and phrases, and similar literary styles because the two books explore the same idea, namely religious motivation. Further, nowhere in the Amended Complaint has plaintiff alleged that defendants copied any of the original elements of his work; Plaintiff merely alleges that both he and Osteen wrote motivational religious books, which contain common elements that are not subject to copyright protection," the judge held.

Secondary Meaning

With regard to trademark infringement, Judge Tucker again deemed dismissal appropriate. According to the judge, Douglas does not and cannot hold any trademark rights in the "eyes of faith" phrase and, regardless, Osteen's use of the phrase does not create a likelihood of confusion with Douglas' book. In reaching that conclusion, Judge Tucker noted that Douglas' only claim of secondary meaning is an allegation that his book is available on the Internet.

"Even assuming arguendo that Plaintiff's trademark in the title of his book has acquired secondary meaning via the internet, Plaintiff has failed to allege any likelihood of confusion resulting from Osteen's alleged use of the mark four times on one page of his differently-titled book," Judge Tucker held. "Because Plaintiff does not allege (and cannot prove) that the phrase 'eyes of faith' distinguishes his book from the products of others, Plaintiff has failed to state a claim for trademark infringement."

Douglas appeared *pro se*. Michael Eidel of DLA Piper Rudnick Gray Cary in Philadelphia represents Osteen. ■

Microsoft Awarded $970,000 In Statutory Damages For Infringing Software Sales

SAN DIEGO — An online software seller was hit with a $970,000 default judgment on May 6 after a federal judge agreed that the request by Microsoft Corp. was not excessive (Microsoft Corp. v. Online Datalink Computer Inc. and Hien Ho, No. 07cv1165, S.D. Calif.).

(**Order available.** Document #24-080528-030R.)

According to U.S. Judge William Q. Hayes of the Southern District of California, Microsoft is entitled to $100,000 for each of its seven trademarks at issue and $30,000 for each of nine copyrights at issue in connection with defendant Hien Ho's infringement. Furthermore, because Ho has continued to infringe despite repeated warnings by Microsoft of his unlawful conduct, entry of a permanent injunction is also warranted.

Personally Served

Ho operates co-defendant corporation Online Datalink Computer Inc., which advertises, markets, installs and distributes computer hardware and software, including that created by Microsoft. Beginning in March 2007, an investigator working for Microsoft was able to buy software products on several occasions from Ho that infringed Microsoft's registered copyrights and trademarks.

Microsoft sued, alleging copyright infringement of its programs Windows XP Professional, Microsoft Office 2003 Pro, Microsoft Office Excel 2003, Microsoft Office Outlook 2003, Microsoft Office PowerPoint 2003, Microsoft Office Word 2003, Microsoft Publisher 2003, Microsoft Business Contact Manager for Outlook 2003 and Microsoft Office Access 2003. Furthermore, Ho was accused of infringing Microsoft's trademarks, including "Microsoft" for computer programs and computer programming services, "Microsoft" for computer hardware and software manuals, newsletters and computer documentation, "Windows" for computer programs and manuals, the colored flag design, "Powerpoint," "Microsoft Access," "Outlook" and the four-color square logo.

Ho was personally served with the complaint but failed to respond or enter an appearance in the action. Microsoft moved for entry of default, which the clerk entered in September. Currently before Judge Hayes was Microsoft's request for an award of statutory damages of $970,000 and permanent injunctive relief.

Nonwillful Damages

Granting the motion, Judge Hayes agreed with Microsoft that statutory damages under the Copyright and Lanham Acts are appropriate because Ho's inaction in the case prevented Microsoft from engaging in any meaningful discovery and because Ho simultaneously infringed Microsoft's copyrights and trademarks. Furthermore, the amount requested is not excessive.

"Microsoft seeks the maximum amount of statutory damages permitted for non-willful copyright and trademark infringement. . . . Microsoft's requested statutory damages are reasonable given Microsoft has only requested the maximum non-willful statutory damages despite the alleged willful conduct," the judge said.

With regard to relief, Judge Hayes noted that Ho's failure to stop his infringing activity is grounds for granting the motion because "there is no reason to believe they will cease these actions without the issuance of a permanent injunction."

Microsoft is represented by Jennifer N. Chiarelli, Katherine M. Dugdale and Audra Mayumi Mori of Perkins Coie in Santa Monica, Calif. ■

American Red Cross Defeats Johnson & Johnson On Summary Judgment

NEW YORK — A federal judge ruled May 14 that the American Red Cross (ARC) did not violate its Congressional charter by licensing its emblem to companies such as Target and Wal-Mart for fund-raising purposes (Johnson & Johnson Inc. v. The American National Red Cross, et al., No. 07-Civ-7061, S.D. N.Y.; 2008 U.S. Dist. LEXIS 39113).

(**Decision in Section B.** Document #16-080616-006Z.)

U.S. Judge Jed Rakoff of the Southern District of New York issued the findings in denying plaintiff Johnson & Johnson Inc. (J&J) summary judgment on its claims of trademark dilution. According to Judge Rakoff, nothing in the charter bars ARC from making "any use whatever of the red cross emblem and words." Furthermore, that the licensing activities are related to a "charitable" purpose "only further emphasizes their legitimacy," he said.

Agent Relationship

J&J in 2007 sued ARC and four licensees, alleging tortious interference with contractual relations, tortious interference with prospective economic advantage, unfair competition, promissory estoppel, unlawful dilution of J&J's federal trademark rights and breach of contract. ARC counterclaimed, asserting violation by J&J of the Lanham Act, unfair competition and seeking cancellation of J&J's right to use the Red Cross trademark. The ARC's original congressional charter — later listed in large part within the U.S. Criminal Code at Section 706 — prohibited use of the emblem and "red cross" words by nongrandfathered third parties. In filing suit, J&J — a grandfathered third party — contended that the ARC violated Section 706, its congressional charter and the Geneva Convention of 1949 when the defendant in 2005 entered into licensing agreements to manufacture and sell products displaying the Red Cross emblem and words.

The licensees agreed that their use of the logo would inure to Red Cross' benefit and that the goodwill associated with the logo belonged exclusively to the defendant. Because of the language used, the ARC argued that the licensees were acting as their agents; J&J argued on summary judgment that no agency relationship was created between the parties.

Criminalization

Siding with the ARC, Judge Rakoff found that neither the congressional charter nor Section 706 placed limitations on the ARC's commercial uses of the Red Cross emblem and words. As proof, he noted that the ARC has entered into "a number of arrangements to use the Red Cross emblem and words in an ostensibly commercial context," including licensing agreements that utilize the logo. Furthermore, J&J's argument that the licensees violate the congressional charter and statute because they are not grandfathered users "misapprehends the point of the statutory language concerning employees and agents," Judge Rakoff held.

The "real question," he wrote, involves whether the permission the criminal statute gives to ARC to use its logo for any purpose — including commercial — inherently contemplates that such uses will entail subsequent or subordinate uses by others to carry out the uses permitted by ARC. Answering in the affirmative, Judge Rakoff noted that "surely every business use, or for that matter charitable use of the Red Cross emblem and words by ARC inevitably involves some subsequent 'use' by a third party."

"Thus, even the ultimate purchasers of a product bearing the Red Cross emblem or words, whether sold to the purchaser by ARC, a licensor, a retailer, or whomever, will in some sense make 'use' of the Red Cross emblem and words. No reasonable interpretation of the statute prohibits such use, or any other use that follows in the ordinary course, once ARC, through its employees or agents, has lawfully authorized the initial business use," the judge said.

J&J's interpretation of Section 706 would criminalize the licensing agreements between ARC and its licensees but also a "host of other familiar and traditional ARC activities" like cause marketing and partnering with manufacturers which supply the defendant with water bottles, blankets and other items bearing the logo that ARC uses in its disaster relief efforts.

Dominant Use

Furthermore, with regard to the congressional charter, a similar interpretation is warranted, the judge said. Although J&J is a "grandfathered user," such a user "cannot use federal trademark dilution law to trump the dominant use for the emblem granted by Congress to ARC" Judge Rakoff wrote. Furthermore, there is no evidence that members of the general consuming public associate the Red Cross name and emblem with J&J.

"Because ARC has used the name and emblem for over 100 years and has been granted exclusive use of the name and emblem by Congress, J&J cannot seriously argue that the words 'Red Cross' and the Red Cross emblem serve as an exclusive designation of J&J products," Judge Rakoff held in dismissing J&J's dilution claims.

Counterclaims Dismissed

The judge also dismissed ARC's counterclaims, however, after finding that the plaintiff's own uses of the Red Cross emblem do not create a different commercial impression than its pre-1905 uses, and thus J&J has not impermissibly exceeded its grandfathered rights.

J&J is represented by Gregory L. Diskant, Robert W. Lehrburger and Sarah Elizabeth Zgliniec of Patterson, Belknap, Webb & Tyler in New York and Richard Zachary Lehv and Roger L. Zissu of Fross Zelnick Lehrman & Zissu in New York. Jonathan L. Abram and Raymond A. Kurz of Hogan & Hartson in Washington, D.C. represent the Red Cross. ■

Preliminary Injunction Granted In Dispute Over 'Toolchex' Mark

RICHMOND, Va. — A former independent contractor who exceeded the bounds of his agreement with a plaintiff was subjected to a preliminary injunction June 2, after a Virginia federal judge found that the corporation was likely to succeed on the merits of its trademark infringement allegations (Toolchex Inc. v. Patrick J. Trainor, No. 3:08-CV-236, E.D. Va.; 2008 U.S. Dist. LEXIS 43030).

(**Memorandum opinion available.** Document #16-080616-020Z.)

Defendant Patrick J. Trainor is alleged to have used plaintiff Toolchex Inc.'s "Toolchex" trademark in a way that actually confused a consumer. Such evidence weighs in favor of entering preliminary injunctive relief, U.S. Judge James R. Spencer of the Eastern District of Virginia held.

Scheme Revealed

Toolchex is an administrator of tool reimbursement plans, servicing employers who reimburse their employees for the cost of tools and other equipment they're required to use to do their jobs. If an employee asks to be reimbursed for a purchase, Toolchex verifies the request, sends an invoice to the employer and mails the employer a check payable to the employee. For a little over one year, Trainor worked as an independent contractor with nonparty National Sales Pros Inc., a company that marketed Toolchex's services. Trainor was given access to information about Toolchex's registered trademarks but was not authorized to enter any contracts on the company's behalf, substantiate any employees' claims for reimbursement or handle any invoices, money or checks that were issued by or payable to Toolchex.

Nonetheless, Toolchex alleges, Trainor in August 2007 met with the general manager of Haley Pontiac-

GMC, a car dealership in Richmond. During the meeting, Trainor held himself out as a Toolchex employee and got Haley to enter into a contract with Toolchex, even though Trainor never sent the documents to Toolchex. Furthermore, after Toolchex terminated its affiliation with National Sales Pros, Trainor continued to operate and collect the profits from a tool reimbursement program for Haley, creating counterfeit invoices and checks. Haley finally learned of the scheme when it attempted to contact Toolchex and learned that the dealership had no account with the plaintiff.

Toolchex sued, alleging trademark counterfeiting, trademark infringement, unfair competition and false advertising and seeking injunctive relief.

Public Interest

Granting the request, Judge Spencer found first that the plaintiff could be irreparably harmed if an injunction were not issued and — in contrast — Trainor will suffer no harm if subjected to injunctive relief. Furthermore, with regard to Toolchex's likelihood of success on the merits, Judge Spencer noted that Toolchex has alleged that it uses its trademarks in advertisements and on its forms, indicating their nature and function, that it has registered its trademarks with the U.S. Patent and Trademark Office (PTO) and that Trainor used the marks in a way that actually confused Haley. As such, it is likely that the plaintiff will succeed on the merits of its claim, the judge said.

Finally, Judge Spencer turned to the issue of public interest. According to the judge, "preventing consumers from being confused serves the public interest . . . as does preventing trademarks from being used deceptively."

"Here, at least a portion of the public was actually confused by Trainor's conduct, and he allegedly used Toolchex's trademarks deceptively in a way that harmed the company's interest and without contractual authorization. Thus, this factor supports granting a preliminary injunction," the judge said.

Toolchex is represented by Thomas J. O'Brien of Morgan, Lewis & Bockius in Washington, D.C. Trainor has not entered an appearance in the case. ■

5th Circuit Panel Upholds Entry Of Preliminary Injunction

NEW ORLEANS — The Fifth Circuit U.S. Court of Appeals on May 23 rejected arguments that a plaintiff was not entitled to entry of injunctive relief because it failed to show any effect on U.S. commerce (Paulsson Geophysical Services Inc. v. Axel M. Sigmar, Reservoir Systems Inc. and Sigma Research Inc., No. 07-50406, 5th Cir.; 2008 U.S. App. LEXIS 11175).

(**Decision available.** Document #16-080602-114Z.)

The appellate panel found that the facts of the case — pitting plaintiff Paulsson Geophysical Services Inc. against defendants Axel M. Sigmar, Reservoir Systems Inc. (RSI) and Sigma Research Inc. — involved the movement of goods that did have an effect on domestic commerce.

"There is no need to decide what is the smallest 'effect' on United States commerce that is necessary to sustain a court's jurisdiction over United States citizens committing trademark infringement in a foreign country, because the Appellants' activities in this case rose to the level of the infringing parties in Bulova and American Rice," the decision states, citing Steele v. Bulova Watch Co. (344 U.S. 280, 285 [1952]) and American Rice Inc. v. Producers Rice Mill Inc. (518 F.3d 321, 327-28 [5th Cir. 2008]).

Assignment

Paulsson provides seismic imaging services to the oil and gas exploration and production industry, according to the panel, and in the course of business it markets a three-dimensional vertical seismic profile service called "Massive 3D VSP." It holds trademarks for "P/GSI" and "Massive 3D VSP," according to the record. Sigmar is an agent for the two corporate defendants, who together entered into discussions with Paulsson about a cooperative business venture. Sigmar is also the president of the board of administration for RSI, a nonparty in the action.

Sigmar was in contact with a Mexican corporation known as Petroleos Mexicanos (Pemex) regarding a contract to provide seismic data acquisition services, and Paulsson entered into a mutual nondisclosure agreement with the defendants in March 2000 and March 2004. The following year, Paulsson provided RSI with a letter of authority, which allowed it to promote Paulsson's trademarked products in Mexico. In May 2005, RSI granted all rights under its agreement with Paulsson to RSM, but the grant also gave RSM the right to "use" the plaintiff's technology — not just promote it. The assignment to RSM was never finalized, however, and in any event Paulsson specified to the appellants that the letter did not grant RSI a license to use the technology or to commit Paulsson to perform services.

RSM subsequently entered into an agreement with Pemex, and Paulsson became concerned that the agreement was reached by offering Paulsson's services even though the appellants had no authority to do so. Furthermore, Paulsson believed that its trademarks were being misused by the appellants, who led Pemex to believe that they were using Paulsson's technology but instead were using a different system altogether. Paulsson filed suit, alleging trademark infringement and seeking entry of injunctive relief. The request was granted, and the appellants appealed.

Essential Steps

Affirming the injunction, the Fifth Circuit noted first that the language of <u>Bulova</u> and <u>American Rice</u> suggests that a district court "may have jurisdiction over Lanham Act claims against United States citizens properly before it where there is no interference with a foreign nation's sovereignty, regardless of the effect on United States commerce." The appellants and the appellee are all engaged in commercial activity in the United States, the two trademarks at issue were registered in the United States and RSI received a letter of authority from Paulsson while conducting commercial activity in the United States. Furthermore, the execution of the assignment occurred in the United States, and the assignment "clearly was transported or transmitted across the border to Mexico where RSM conducted negotiations with Pemex," according to the record. Finally, the panel focused heavily on a series of financial transactions and transfers from RSM to RSI.

"These significant contracts and financial transactions were clearly related to RSI's support of RSM's contract to use Massive 3D VSP technology. Based upon our review of the record, we disagree with Appellants' confident assertion in their brief that 'there is no evidence showing any effect on United States commerce.' These activities not only had some effect; they had a substantial effect on United States commerce. Although not necessarily violations of the Lanham Act, these activities were all 'essential steps in the course of business consummated abroad,' the misuse of Paulsson's trademarks," the court said, citing <u>Bulova</u>.

Damage Not Quantifiable

Having deemed subject matter jurisdiction a nonissue, the Fifth Circuit turned to the injunction itself and again agreed with the District Court. In so doing, the panel rejected assertions by the appellants that the District Court failed to conduct a digits of confusion analysis, that there is no likelihood of confusion in the case and that the District Court failed to find a substantial threat of irreparable injury. With regard to the latter, the Fifth Circuit noted that "Paulsson had lost control of the quality of the technology that was being associated with its mark."

"There was a substantial threat to Paulsson's goodwill and the value of its Massive 3D VSP mark in Mexico and throughout its small pool of potential customers, because the Appellants were continuing to use the mark while modifying the technology associated with it. . . . Such damage to Paulsson's goodwill in Mexico and worldwide could not be quantified," the panel held, upholding the injunction.

Paulsson is represented by David Paul Blanke and Christopher L. Peele of Vinson & Elkins in Austin, Texas. Warren Tavares Burns of Susman Godfrey in Dallas and Max L. Tribble Jr., Joseph Samuel Grinstein and Aimee M. Robert of Susman Godfrey in Houston represent the appellants. ■

Levi Strauss Files Suit Over 'Tab' Trademark

SAN FRANCISCO — The small marker of textile sewn into the regular structural seams of a pair of jeans is a trademark being claimed by Levi Strauss & Co. (LS&CO) in a new lawsuit (<u>Levi Strauss & Co. v. Kooks Co. Ltd.</u>, No. 3:08-cv-2624, N.D. Calif.).

(**Complaint available.** Document #16-080616-017C.)

According to the filing, defendant Kooks Co. Ltd. has infringed the trademark by producing apparel that contains the textile marker, identified by Levi Strauss & Co. as its "tab" trademark.

"Kooks' actions have caused and will cause LS&CO irreparable harm for which money damages and other remedies are inadequate," Levi Strauss says.

Sight Identification

According to the filing, among Levi Strauss' numerous trademarks is the "famous Tab Device Trademark," which consists of "a small marker of textile or other material sewn into one of the regular structural seams of the pocket." The plaintiff claims to have first started using the tab trademark in 1936 to identify genuine Levi's products. The purpose of the tab, it says, was to provide "sight identification" of Levi Strauss' products.

Kooks produces, manufactures, sources, markets designs and sells clothing, including blue jeans, under the brand name Number (N)ine. According to the filing, the Number (N)ine denim jeans display tabs that are confusingly similar to Levi Strauss' tab trademark.

Unless enjoined, Kooks will cause "great and irreparable damage" to Levi Strauss by depriving it of its statutory rights to use and control use of its trademark, by creating a likelihood of confusion, causing the public falsely to associate Levi Strauss with Kooks and vice versa, causing irreparable damage to Levi Strauss goodwill and diluting the capacity of its trademark to differentiate Levi Strauss products from others.

Levi Strauss seeks preliminary and permanent injunctive relief, damages, attorney fees and costs.

Levi Strauss is represented by Raquel Pachero of Townsend and Townsend and Crew in San Francisco. ■

Apple, CBS Sued Over 'Mighty Mouse' Mark

GREENBELT, Md. — Apple's use of the trademark "Mighty Mouse" in connection with a computer mouse is likely to confuse consumers, for a senior user began marketing a computer mouse under the "Mighty Mouse" brand name more than a year before, according to a complaint filed May 20 (Man & Machines Inc. v. Apple Inc. and CBS Corporation, No. 8:08-cv-01311, D. Md.).

(**Complaint available.** Document #16-080616-018C.)

Man & Machine Inc. (M&M) is an international provider of computer accessories, many of which are waterproof, making them especially attractive to hospitals and medical laboratories. It began developing a waterproof, chemical-resistant computer mouse in 2001, which it named "Mighty Mouse." M&M's Mighty Mouse computer mouse was first sold and distributed in the United States in 2004.

Reverse Confusion

M&M's mouse is a handheld, button-activated input device that — when rolled along a flat surface — directs an indicator to move correspondingly about a computer screen to select operations or to manipulate text or graphics. M&M's mouse is USB-compatible and appears much like a traditional mouse, despite its waterproof and chemical-resistant properties.

Apple, which licensed the rights to the term "Mighty Mouse" from CBS, began selling and distributing its own "Mighty Mouse" computer mouse in 2005. Characterizing Apple as the junior, predatory user, M&M filed suit in the U.S. District Court for the District of Maryland, asserting infringement.

"Because of Apple's size, fame and large advertising budget, Apple's use of the Mighty Mouse trademark has and will continue to overwhelm M&M's use of its Mighty Mouse trademark and will cause M&M to lose the value of that trademark, including the goodwill and reputation resident therein, and will hinder M&M's ability to move into additional markets and/or further into those markets in which it already conducts commerce," the plaintiff complains.

Furthermore, M&M says, Apple's use will result in reverse confusion because it will give users the misimpression that Apple is the source of M&M's goods.

Co-defendant

CBS is named as a defendant in the suit because it owns a pending application to register its "Mighty Mouse" trademark for use in connection with "computer cursor control devices, namely computer mouse[s]." While the application has been opposed by M&M, in the current litigation M&M seeks a finding that CBS acted in concert with Apple to willfully and maliciously injure M&M, to infringe M&M's trademark rights and goodwill in the "Mighty Mouse" mark and to damage M&M's reputation.

The complaint was filed by Eric von Vorys of Shulman, Rogers, Gandal, Pordy & Ecker in Rockville, Md. Sean C. Ploen of the Ploen Law Firm in Minneapolis is of counsel. ■

Yahoo Sues Unnamed Spammers For Trademark Infringement

NEW YORK — In a May 15 complaint filed in the U.S. District Court for the Southern District of New York, Internet search engine and communications firm Yahoo! Inc. takes aim at unnamed companies and individuals that it accuses of using its trademarks to defraud people with various e-mail based phishing and identity theft schemes (Yahoo! Inc. v. XYZ Companies 1-25 and John/Jane Does 1-25, No. 08-4581, S.D. N.Y.).

(**Complaint available.** Document #16-080616-021C.)

In the seven-count complaint, which includes charges of trademark infringement, unfair competition and spam violations, Yahoo claims that the defendants used its marks to make Internet users believe that they had won various Yahoo-sponsored contests and to extract personal information from them that would supposedly facilitate the winners' collection of their promised cash prizes.

Fraudulent E-mails

Yahoo asserts that the defendants have sent many e-mails to various Internet users. Noting that "the specific text and claims may differ" between various accused e-mail messages, Yahoo states that the hoaxes "all follow the same general pattern." The e-mails, which appear to have originated with Yahoo, inform the recipient that he or she was randomly selected from active Internet users to receive a particular cash prize. The stated prize amounts "range from thousands of dollars to one million dollars," with some e-mails touting prizes in British pounds.

Some of the hoax e-mails, Yahoo says, directed the supposed winners to click on a link that took them to a Web site that mimicked Yahoo's look and feel by using its logos and icons and even including links to other Yahoo sites. The counterfeit Yahoo sites then instructed users to enter certain personal information, such as bank accounts and credit card numbers, to aid in receiving the promised prize amount. Other e-mails, Yahoo claims, instructed winners to call or e-mail the "Yahoo! Lottery Coordinator" to arrange for collection of prizes. Sometimes the defendants would charge winners "hundreds of dollars in various processing and mailing charges."

After obtaining users' personal information, Yahoo says the defendants would access their bank accounts, accrue credit card charges, open accounts and even apply for loans in their names. Sometimes the information would be sold to third parties "in a wide variety of credit and identity scams."

Trademark Violations

Yahoo asserts that the defendants used its marks in bad faith, "intentionally to mislead people into mistakenly believing" that they won these fake contests. This "misleading, fraudulent" use has caused actual confusion and deception among Internet users and has damaged the goodwill associated with Yahoo's federally registered trademarks, some of which have achieved incontestable status.

It alleges federal trademark infringement, false designation of origin, unfair competition and dilution, as well as similar charges under New York state law. Noting the false and misleading header and subject lines of the accused e-mails, Yahoo claims violations of the CAN-SPAM (Controlling the Assault of Non-Solicited Pornography and Marketing) Act.

Relief And Discovery

Noting that it does not know the defendants' "true identities," Yahoo says it believes that discovery from the defendants' e-mail service providers, such as EarthLink and GoDaddy, will allow it to identify the accused parties.

Demanding a jury trial, Yahoo asks the court for a permanent injunction against all defendants from any further use of the Yahoo trademarks, or any confusingly similar marks. Yahoo also seeks a post-injunction report detailing the defendants' compliance. Yahoo seeks an award of profits, statutory, punitive and exemplary damages.

The complaint was filed by Robert S. Weisbein of Foley & Lardner in New York. ■

Insurer Owes Coverage For Underlying Trademark Infringement Lawsuit

PHILADELPHIA — An insurer has a duty to defend its insured against an underlying lawsuit alleging trademark infringement because a trademark registration gave a company the rights to the name or title of its product and the insured is accused of infringing that trademark, a federal judge said May 5 (NorFab Corp. v. The Travelers Indemnity Co., No. 07-4482, E.D. Pa.; 2008 U.S. Dist. LEXIS 36751).

(**Opinion available.** Document #13-080521-006Z.)

NorFab Corp. sued its insurer, The Travelers Indemnity Co., in the U.S. District Court for the Eastern District of Pennsylvania after Travelers refused to defend and indemnify NorFab in a lawsuit brought against it by PBI Performance Products Inc. for patent infringement as well as trademark and trade dress infringement and dilution.

Thermal Resistant Fabric

In the underlying lawsuit, PBI alleged that its patent, trademark and trade dress rights in PBI MATRIX, a fabric made for firefighters' turnout gear, were infringed upon by NorFab's manufacture, advertisement and sale of its own flame-resistant fabric. The U.S. District Court for the Eastern District of Pennsylvania granted summary judgment in favor of NorFab on PBI's allegations of trademark and trade dress infringement and dilution. The court then granted NorFab's motion for summary judgment as to the patent infringement claims.

NorFab had purchased three insurance policies from Travelers, which NorFab maintains provide coverage for certain claims in the underlying lawsuit. Each of the three policies provides comprehensive general liability coverage, including coverage for personal and advertising injury liability. The policies also included a "Web Xtend Liability" endorsement, which provides coverage for "web site injury."

Travelers denied coverage for the underlying suit on the basis that the suit does not allege an advertising injury offense or a Web site injury offense as defined in the Web Xtend Liability endorsement.

Travelers moved for summary judgment, arguing that it has no duty to defend because any conduct that NorFab allegedly "committed in the course of advertising" does not constitute "infringement of title" under any of its insurance policies. NorFab filed a cross-motion for summary judgment, arguing that coverage is owed.

Infringement Of Title

Judge Harvey Bartle III first noted that the term "infringement of title" is not defined in the policies. In interpreting the term, the judge said the word "title" is susceptible to different constructions under Pennsylvania law.

Relying on Houbigant v. Federal Ins. Co. (374 F.3d 192, 197 [3d Cir. 2004]), the judge said trademarked title should be defined as "any name, appellation, epithet, or word used to identify and distinguish the trademark holder's good from those manufactured or sold by others."

The judge rejected Travelers' argument that the underlying complaint fails to allege that NorFab infringed PBI's rights in any distinctive name, appellation or epithet.

"Moreover, the underlying complaint alleges that 'PBI MATRIX®' is the name given by PBI to the thermal and flame resistant fabric that was at issue. Such a product name falls within the meaning of the word title as used by the insurance policy at issue here. Particularly considering that the allegations in the underlying complaint are to be liberally construed in favor of the insured, we conclude that the underlying complaint is fairly read as alleging that the '768 trademark registration gave PBI rights in the name or title of its product and that PBI accused NorFab of infringing that trademark," the judge explained.

Duty To Defend

Therefore, the judge said Travelers has a duty to defend NorFab because the underlying claims potentially fall within the policies' coverage.

The judge also granted NorFab summary judgment on its claim for breach of contract.

William R. Herman in Washington Crossing, Pa., represents NorFab. Alan Stuart Miller of Picadio Sneath Miller & Norton in Pittsburgh represents Travelers. ■

Insurers Owe Duty To Defend Trademark Infringement Suit

RALEIGH, N.C. — Two insurers owe a duty to defend their insured against an underlying false-advertising case and breached the duty to defend by denying coverage, the majority of a North Carolina Court of Appeals panel said May 6 (Harleysville Mutual Insurance Co. v. Buzz Off Insect Shield, L.L.C., et al., No. COA07-1002, N.C. App.; 2008 N.C. App. LEXIS 873.).

(**Opinion available.** Document #13-080521-103Z.)

In 2005, S.C. Johnson & Co. sued International Garment Technologies (IGT), alleging that IGT falsely advertised and infringed on Johnson's trademark "OFF!" brand by marketing and advertising IGT's Buzz Off Insect Shield Repellent Apparel clothing line.

Duty To Defend

IGT was insured by Harleysville Mutual Insurance Co. and Erie Insurance Co. IGT submitted the Johnson suit to its insurers for coverage, but both carriers refused coverage. Harleysville then sued IGT, Buzz Off Insect Shield LLC and Erie in the Guilford County Superior Court, seeking a declaration that it owed no duty to defend or indemnify.

The parties moved for summary judgment. IGT argued that the underlying litigation included false-advertising claims premised on disparagement of Johnson's products that were covered under the policies' coverages for personal injury and advertising injury.

The insurers argued that the presence of other non-covered claims in the underlying suit, such as trademark infringement, precluded coverage because the policies included a trademark infringement exclusion. The insurers claimed that all the underlying allegations arose from trademark infringement and should be excluded.

Judge John O. Craig ruled May 23, 2007, that the insurers had an immediate obligation to provide IGT with a defense. However, the judge noted that the insurers owe no duty to Buzz Off Insect Shield because it is not listed as an insured on the policies.

Judge Craig determined that the underlying litigation included nontrademark claims, such as false advertising, to trigger coverage under the policies.

Motions To Vacate

Ruling from the bench, Judge Craig on June 15 denied the insurers' motions to vacate or amend the judgment, determining that no factual or legal grounds existed to vacate or amend the order. This appeal followed.

The majority of the appeals panel, consisting of Judges John M. Tyson and Donna S. Stroud, affirmed the judge's rulings, determining that the underlying complaint alleged that Buzz Off and IGT made false advertising claims through Buzz Off's Web site.

"The Carriers have a duty to defend IGT against the S.C. Johnson action because the allegations in that complaint claim that IGT made false, negative comparative statements about S.C. Johnson's goods in the course of its advertising. The Carriers have failed to show the trial court erred when it found the Carriers had a duty to defend," the panel said.

In addition, the panel said the underlying complaint alleged conduct that occurred during the coverage dates of the carriers' policies.

No Failure To Conform

Further, the panel said the underlying allegations do not fall within the insurers' exclusion for "quality or performance of goods — failure to conform to statements."

"The crux of S.C. Johnson's allegations assert that statements IGT made during the course of advertisements disparaged S.C. Johnson's products, and not that IGT's goods fail to conform with IGT's statements of quality or performance. S.C. Johnson's complaint alleges IGT made false, negative comparative statements about S.C. Johnson's goods and the whole market of skin-applied topical insect repellants in IGT's advertising. The allegations contained in S.C. Johnson's complaint do not fall within the 'Quality Or Performance Of Goods - Failure To Conform To Statements' exclusion and the superior court did not err when it found the Carriers' policies imposed a duty to defend IGT," the panel concluded.

Judge Martha A. Geer dissented from the majority, determining that the insurers have no duty to defend the underlying allegations. The judge said no coverage is owed because the policies exclude coverage for advertising injury "arising out of the failure of goods, products or services to conform with any statement or quality or performance made in your 'advertisement.'"

Cecelia O'Connell Miller of Latham & Watkins in San Diego and Mack Sperling and John S. Buford of Brooks, Pierce, McLendon, Humphrey & Leonard in Greensboro, N.C., represent IGT. John I. Malone Jr. and David L. Brown of Pinto, Coates, Kyre & Brown in Greensboro represent Harleysville. Michael A. Hamilton of Cozen O'Connor in Philadelphia and Gary K. Sue of Burton & Sue in Greensboro represent Erie.

(Additional documents available: **Appellant Harleysville's brief.** Document #50-071113-028B. **Appellant Erie's brief.** Document #50-071113-029B. **Appellee brief.** Document #50-071113-030B. **Appellant Harleysville's reply brief.** Document #50-080220-011B. **Appellant Erie's reply brief.** Document #50-080220-012B.) ■

News From The LexisNexis Patent And Trademark Law Centers

[Editor's Note: The following items of interest appeared recently on the LexisNexis Patent Law Center and the LexisNexis Trademark Law Center. Devoted to patent and trademark litigation and intellectual property issues, the Patent and Trademark Centers are where you can connect with other IP professionals to discuss the hottest issues. Become a regular contributor. Visit the centers on the open Web for headlines, discussion, expert commentary and more at: http://law.lexisnexis.com/practiceareas/patent and http://law.lexisnexis.com/practiceareas/trademark-law.]

Recent Insights And Analysis Posts

LaLonde: Defendant Preclusion, Not Claim Preclusion, Bars Party From Seeking Relief From Default Judgment: Nasalok Coating Corp. v. Nylok Corp., 2008 U.S. App. LEXIS 8376 (Fed. Cir. 2008)
Posted by Anne Gilson LaLonde
Author, Gilson on Trademarks

Nylok sued Nasalok for trademark infringement, and when Nasalok defaulted, the district court enjoined it from infringing the mark. Thereafter, Nasalok petitioned the TTAB (Trademark Trial and Appeal Board) to cancel the mark, but the Federal Circuit deemed this an impermissible collateral attack on the district court's order. Anne Gilson LaLonde, the author of Gilson on Trademarks, analyzes the defendant's attempt to avoid final judgment on invalidity by filing a cancellation petition before the Board. She writes:

"The Federal Circuit in this case disagreed with the Board's uncomplicated application of claim preclusion to the facts of this case. It held that the typical claim preclusion case involves a plaintiff who brings a second related action and is barred from making a claim in the later action that it should have made in the prior action. Instead, because this case involves a defendant bringing the second related action, the court ruled that the Board should have used the "defendant preclusion" standard. Under the doctrine of defendant preclusion, a defendant will be precluded from bringing a claim in a later action only where "(1) the claim or defense asserted in the second action was a compulsory counterclaim that the defendant failed to assert in the first action, or (2) the claim or defense represents what is essentially a collateral attack on the first judgment. . . .

"Defendant preclusion will preclude a defendant from bringing a claim in a later action where that claim was a compulsory counterclaim that it failed to assert in the first action. A defendant may assert a counterclaim challenging the validity of the plaintiff's trademark in an infringement action, and in fact this is often done. As an issue of first impression, the Federal Circuit held in Nasalok that a claim of trademark invalidity is not a compulsory counterclaim when a claim of trademark infringement is made. . . .

"The Federal Circuit . . . rejected the compulsory counterclaim argument, but embraced another argument for defendant preclusion."

Sung On Biotechnology Patent Enforcement As Illustrated By Infringement Litigation On Hepatitis C Virus Genotyping: Innogenetics, N.V. v. Abbott Laboratories, 512 F.3d 1363 (Fed. Cir. Jan. 17, 2008)

Posted by Lawrence M. Sung, Ph.D.
Partner, Dewey & LeBoeuf LLP; Professor & Intellectual Property Law Program Director, University of Maryland School of Law

A biotechnology patent is often viewed as the poster child for a technically complex patent litigation. The subject matter tends to fill a room with uncommon acronyms (or, more precisely, initialisms) like DNA and RNA (for deoxyribonucleic acid and ribonucleic acid, respectively). The technology is usually invented by research scientists pedigreed with Ph.D.s and other indicia of advanced education or ingenuity. Accordingly, the knowledge of a person of ordinary skill in the art (the objective, hypothetical standard against which many patent law determinations are measured) is high with respect to a biotechnology invention. So what is so special about the enforcement of a biotechnology patent in infringement litigation? Lawrence M. Sung addresses the characteristics of such litigation that are shared with those of other technologies as well as the aspects that are unique to biotechnology patent litigation as illustrated by the case of Innogenetics, N.V. v. Abbott Laboratories. He writes:

"In the Innogenetics case, the technology involved diagnostic tools that would detect and classify hepatitis C virus (HCV) genotypes in a biological sample. This would allow medical treatment that was tailored to patients with different genotypes. The patent at issue, U.S. Patent No. 5,846,704, claimed a method of genotyping HCV based on distinct genetic sequences that can be found in the 5 prime untranslated region (5' UTR) of the HCV genome. This method taught specifically hybridizing probes, or short strands of nucleic acids, to a target sequence in the 5' UTR via complementary base pairing principles, and then detecting the formation of any complexes formed between the probes and the nucleic acids of the 5' UTR. . . .

"The Federal Circuit held that the district court did not err in finding that Dr. [Bruce] Patterson's report on the alleged obviousness of the asserted claims of the '704 patent was deficient for purposes of disclosure under . . . [Federal Rule of Civil Procedure 26]. For each of the claims that he analyzed for obviousness, Dr. Patterson merely listed a number of prior art references and then concluded with the stock phrase 'to one skilled in the art it would have been obvious to perform the genotyping method in [claims 1-9 & 12-13] of the '704 patent.' The Federal Circuit admonished that there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness. Nowhere did Dr. Patterson state how or why a person ordinarily skilled in the art would have found the claims of the '704 patent obvious in light of some combination of those particular references. . . . The Federal Circuit opined that such vague testimony would not have been helpful to a lay jury in avoiding the pitfalls of hindsight that belie a determination of obviousness. . . .

'The Federal Circuit concluded that Innogenetics erroneously argued that a method of genotyping required identifying both the presence and the absence of types in a sample and thereby distinguishing among all six types of HCV. '704 patent."

Recent Trademark And Patent Law Blog Posts

Nation's High Court Upholds Patent Exhaustion For Method Patents

Posted by Cecil Lynn
LexisNexis Law Center Staff and Attorney, Ryley, Carlock, & Applewhite

Yesterday (June 10), the U.S. Supreme Court unanimously reaffirmed the longstanding doctrine of exhaustion as it applies to method patents. LG Electronics ("LG") argued before the Court that the doctrine did not apply to method patents and that the defendant Intel Corporation ("Intel") was not authorized to sell components of a patented system that must be combined with additional components in order to practice the patented methods.

Writing for the majority, Justice Clarence Thomas stated, "For over 150 years, this Court has applied the doctrine of patent exhaustion to limit the patent rights that survive the initial authorized sale of a patented item. The Court of Appeals for the Federal Circuit held that the doctrine does not apply to method patents at all and, in the alternative, that it does not apply here because the sales were not authorized by the license agreement. We disagree on both scores."

Right Of Trademark Owner To Recapture Domain Name After Inadvertent Lapse Of Registration

Posted by Gerald M. Levine
Partner, Levine Samuel, LLP

Lapses happen, and when they do the consequences range from loss to recapture. In Golden Door Licensor, L.L.C. v. Protected, WhoisGuard/Chen Bao Shui, D2008-0352 (WIPO May 13, 2008) the Complainant recaptured its domain name, but in other cases failing to timely renew a registration does not always have a happy ending. The decision in Golden Door centered on Paragraph 4(b)(ii) of the Policy, that Respondent has registered the domain name in order to prevent the Complainant from reflecting its trademarks in the disputed domain name and has engaged in a pattern of such conduct.

As a general rule, the fact that a domain name had expired and was not renewed "does not mean that the Respondent has any right to use a well-known trademark as its domain name when such use could cause confusion to consumers and damage to the owner of the trademark," Donna Karan Studio v. Raymond Donn, D2001-0587 (WIPO June 27, 2001) (dknyjeans.com). Indeed, the "Policy does not condone such attempts to 'catch' a domain name after an unintentional failure to renew, when the registrant has no right or legitimate interest thereto and no intention of making a fair use of same," Bronx Arts Ensemble, Inc. v. Vilma Morales, e:bOOm, S.A., D2004-0493 (WIPO August 30, 2004).

Decisions on lapsed registrations are driven by a number of factors. Respondent's conduct, that it is an adjudicated serial cybersquatter, for example, supports an inference hat it has acted opportunistically. In Golden Door this was reinforced by the content of the Web site which offered links to the Complainant's competitors.

New USPTO Rules For Ex Parte Appeals Before The Board Of Patent Appeals And Interferences

Posted by Valri Nesbit
Legal Editor Intellectual Property Matthew Bender

On June 10, the USPTO (U.S. Patent and Trademark Office) published new rules that will improve the process of ex parte appeals before the USPTO's Board of Patent Appeals and Interferences (BPAI). The final rule provides new requirements and clarifications that will help to streamline the appeal process and lead to more timely Board decisions.

Under-Secretary of Commerce for Intellectual Property and Director of the USPTO Jon Dudas said, "These new rules will benefit both the patent community and the USPTO by fostering an ex parte appeals process with improved efficiency and clarity. By exchanging information and crystallizing the issues of the dispute earlier in the process, the result will be more streamlined appeal process and more efficient decision-making."

Pairs Of Cases: Similar Facts, Different Results
Posted by Gerald M. Levine
Partner, Levine Samuel, LLP

In the comment "Punting or Admirable Restraint," I reported on a case that the (WIPO) Panel held was not ripe for determination under the Policy. The issue there concerned lack of subject matter jurisdiction and brought into play panelists' discretion in dismissing a complaint. This comment reports on a pair of cases that were ripe, but two different three-member Panels (having one member in common) came to opposite conclusions as to the parties' rights in the disputed domain names. **Drugstore.com, Inc. v. Nurhul Chee/ Robert Murry**, D2008-0230 (WIPO May 9, 2008) (drugstoretm.com, Complaint denied over dissent); **Drugstore.com, Inc. v. Kevin Andrews**, D2008-0231 (WIPO May 9, 2008) (mydrugstore1.com, Transferred over dissent). These cases illustrate concerns about "subjective" and "objective" analyses of the facts and the politics of inference.

In the history of UDRP (Uniform Domain-Name Dispute-Resolution Policy) cases, there have been several of such pairs falling on either side of the line. An example of one other pair illustrates the point: **Houghton Mifflin Company v. Unasi Management Inc.,** FA0504000469107 (Nat. Arb. Forum June 16, 2005) (Complaint denied); **Houghton Mifflin Company v. LaPorte Holdings c/o Admin.**, FA0504000469115 (Nat. Arb. Forum June 17, 2005) (Transferred). In the first decision the Panel did not apply the evidentiary rule shifting the burden of persuasion to the Respondent to explain why he registered the HOUGHTON mark and in the second case the Panel applied the evidentiary rule. When these splits occur, they undercut what jurisprudences strive for, consistency.

Recent Movers And Shakers Posts

Volpe And Koenig Charitable Giving Fund Accepting New Applications
Posted by LexisNexis Patent Law Center Staff

PHILADELPHIA — Since 2007, the intellectual property law firm Volpe and Koenig has formalized its corporate giving through its "Charitable Giving Fund." Established as a means to help nonprofit organizations located in the Greater Philadelphia area continue their good work in the region, the fund awards two, $20,000 grants, payable to qualified nonprofits over a two-year period.

Volpe and Koenig has updated its Charitable Giving Fund guidelines, which are available on the firm's Web site, http://www.volpe-koenig.com. The guidelines for grants are posted on the firm's Web site, and applicants must send in their requests for grants no later than Aug. 31.

CADNA's London Forum: Curbing International Domain Name Abuses
Posted by LexisNexis Trademark Law Center Staff

WASHINGTON, D.C. — This past Thursday (June 5), the Coalition Against Domain Name Abuse (CADNA) held its London Online Brand Abuses and Internet Governance Education Forum. Broad in its geographical scope, the forum welcomed companies from the United States, UK, Belgium, Netherlands and Switzerland, with half of the attendees representing Global 500 companies. These attendees came together because of concerns over issues such as online brand dilution and the often-ineffective governance of ICANN.

This was the first of two international Online Brand Abuses & Internet Governance Education Forums to be hosted by CADNA, both aimed at creating a global network of brand owners in order to share the latest in proactive, reactive and preventative domain name strategies.

Michael R. Adele Joins Del Mar Heights Office Of Allen Matkins
Posted by LexisNexis Patent Law Center Staff

SAN DIEGO — Allen Matkins Leck Gamble Mallory & Natsis LLP, a leading California business and real estate law firm, announces the addition of Michael R. Adele as senior counsel in the firm's Del Mar Heights office.

Adele joins Allen Matkins' technology and intellectual property and litigation practice groups. He graduated with honors from Harvard Law School in 1988 and has litigated intellectual property matters for approximately 20 years. Adele helped found Cooley Godward's San Diego litigation practice, became a partner there in 1997 and served as head of litigation management for its San Diego office. Most recently, he served as the head of litigation for Weiland, Golden et al., where he first chaired trials in state and federal court, and successfully represented clients in bet-the-company trademark and licensing disputes, trade secret matters, distribution agreements and other civil matters.

Brand Strategist W. Drew Kastner Is Named President, ThinkFire Trademark Licensing
Posted by LexisNexis Trademark Law Center Staff

WARREN, N.J. —– ThinkFire Inc., the leading intellectual property advisory and transactions firm, announced June 3 that W. Drew Kastner, a veteran brand strategist, licensing executive and trademark attorney, has been named president of the firm's newly established Trademark Licensing Group.

Kastner has served for the past 25 years as senior intellectual property counsel at leading IP-rich corporations, including Lucent Technologies and NBC, as well as for international law firms like Jones Day. He has a strong record of managing large intellectual property portfolios for Fortune 500 companies and other clients and for negotiating licensing transactions.

[To view the full articles and posts, visit http://law.lexisnexis.com/practiceareas/patent and http://law.lexisnexis.com/practiceareas/trademark-law.] ■

Pleadings

Wheel Maker Claims Patent Infringement, Fraud By Licensee

■ **Case:** Kuhl Wheels LLC and Epilogics Group v. Hayes Lemmerz International Inc., General Motors Corp. and Ford Motor Co., No. 08-1158 and 08-1179, Fed. Cir.

■ **Appellant brief:** Filed May 29 by Kuhl Wheels LLC and Epilogics Group. **Appellant brief available.** Document #78-080616-007B.

■ **Background:** Kuhl Wheels LLC holds U.S. patent Nos. 6,042,194 and 6,520,596 for "single-piece, hi-vent, steel wheel" designs that use "a spoke concept" to be less expensive and lighter than traditional steel alloy replacement automobile wheels. In 1999, Kuhl granted Hayes Lemmerz International Inc. "a non-exclusive worldwide license" to use its technology, "Kuhl Wheels" trademark and patents for a per-unit royalty of 16 cents. The license stipulated that Hayes would work to "develop, manufacture, and market commercial versions" of the wheel. Hayes was prohibited from using the Kuhl trademark on any other wheels and could not disclose any trade secrets to third parties except on a "need-to-know" basis.

In 2000, the license was amended to grant Hayes additional worldwide rights and stated that it would provide a commercial wheel by July 2004; the per-unit rate was increased to $1.75. Shortly thereafter, Hayes began sending confidential information to an engineer at its Germany plant to develop Hayes' "Struktur Wheel," which Hayes eventually sold to General Motors Corp. (GM) and Ford Motor Co. as the "Flex Wheel." Kuhl claimed that the Struktur Wheel infringed its patents and that it was cannibalizing Kuhl's market because Hayes sold its wheels for a lower price. Kuhl also objected to Hayes marketing its wheels as using "Kuhl Wheel Technology."

In January 2003, Hayes sued Kuhl and its business management company Epilogics Group in the U.S. District Court for the Eastern District of Michigan, seeking a declaration of noninfringement and invalidity for both Kuhl patents. Kuhl counterclaimed for patent infringement. In November, the court granted Hayes' motion for summary judgment of noninfringement and for Kuhl's unfair business practices, fraud and breach of contract claims under California law but denied Hayes judgment on the invalidity claim. Kuhl appealed to the Federal Circuit U.S. Court of Appeals; the appeal was consolidated with Kuhl's parallel complaint against Ford and GM.

■ **Arguments:** The District Court reached its noninfringement judgment because it misconstrued the '194 and '596 patents' claims. The court improperly imported limitations from the '194 patent's embodiments, creating requirements for "radial openings between spoke pairs," even though no such requirement existed within the claim language, the patent's specification or the prosecution history. Because the Struktur Wheel has webbing instead of radial openings, the court incorrectly found that it did not infringe.

In construing the claim limitations related to connecting spokes to the wheel rims, the court did not differentiate the structure in the single-piece and multipiece wheels, conflating the two embodiments. The court also mistakenly stated that each spoke arrangement needed to have a separate connecting means; therefore, the court erred in finding that the Struktur's single connecting ring did not infringe.

In its construction of the '596 patent, the District Court used "ambiguous and coined terms" such as "contact face radius" and "bar radius" that did not appear within the claims or specification. In so doing, the court wrongly stated that all radii be of the same size, even though the patent claim explicitly states differing curvature for different portions of the wheel.

The court erred in granting Hayes summary judgment on the unfair business practices claim because it found no confusion between the Struktur and Kuhl wheel designs. However, this was the improper test. The court should have considered whether customers were "likely to be deceived" about the products' source. By using the Kuhl Wheels trademark, Hayes was unfairly "palming off" its products as Kuhl products.

Kuhl submitted evidence of Hayes' intent to confuse, including Hayes' internal documents. Hayes representatives discussed marketing Struktur under the "Kuhl Wheel" moniker. The documents showed that Hayes developed its wheels after auto manufacturers expressed interest in Kuhl's wheels and that Hayes intentionally marketed its products next to Kuhl's "as a cheaper version of the Kuhl Wheel, developed with Kuhl Wheel technology." Hayes did not inform manufacturers that the Struktur Wheels did not originate from Kuhl. The court erred in failing to properly consider this evidence.

Similarly, the court did not properly consider the evidence regarding Hayes' fraud and breach of contract, incorrectly labeling them as "speculation." Evidence established that Hayes did not intend to honor its obligations under the license and intentionally concealed material facts.

■ **Attorneys:** Kuhl is represented by Andrew N. Chang of Esner, Chang & Ellis in Glendale, Calif., Barry N. Young of the Law Offices of Barry N. Young in Palo Alto, Calif., and John C. Elstead of Elstead Law Office in Pleasanton, Calif. ■

Wax Maker Appeals Cancellation Of 'Flakes' Trademark

■ **Case:** Kerr Corp. v. Freeman Manufacturing & Supply Co., No. 08-3330, 6th Cir.; See September 2007, Page 12.

■ **Appellant brief:** Filed June 3 by Kerr Corp. **Appellant brief available.** Document #78-080616-008B.

■ **Background:** Kerr Corp. makes and sells waxes, including those tailored for the jewelry and optical industries under a variety of color names such as "NYC Pink" and "Tuffy Green." Most recently, Kerr introduced its ACCU Carve "injection wax." Freeman Manufacturing & Supply Co. manufactures waxes for Kerr; originally it did so in "brick form," but around 1980 Kerr changed it to "flake form," which it sells in one pound packages under the registered trademark "Flakes."

In 1984, Kerr and Freeman formalized their relationship with a development agreement, under which Freeman agreed to help in the development of wax technology. Kerr paid Freeman a monthly consulting fee; in exchange, any new discoveries were to become Kerr's "exclusive property." A subsequent distributorship agreement stipulated that Freeman would manufacture waxes "solely for Kerr . . . to be sold under the Kerr brand." After some disputes, the parties terminated the latter agreement in February 2005.

Kerr claimed that Freeman did not disclose the formulas for certain products to it and, instead, sold products incorporating these formulas to third parties. In 2005, Freeman began marketing its own line of jewelry injection waxes. Kerr claimed that Freeman's "Flakes" product name, as well as the product color names, copied its trademark and trade dress rights.

In February 2005, Kerr sued Freeman in the U.S. District Court for the Northern District of Ohio, alleging three counts of trademark infringement and five counts of breach of contract, related to the development agreement. Kerr's motions for a temporary restraining order and preliminary injunction were denied. Both sides moved for summary judgment. The District Court ruled in Freeman's favor, finding that the colors and flake form were functional and could not, therefore, serve as trademarks. The court *sua sponte* ordered that the "Flakes" trademark be canceled as invalid for being generic. Because the court found that Freeman's research and development occurred without the written proposal required by the agreement, it granted Freeman summary judgment on the breach of contract claims. Kerr appealed to the Sixth Circuit U.S. Court of Appeals.

■ **Arguments:** Kerr submitted certain product proposals to Freeman in writing, which resulted in the Pearls and ACCU Carve products. However, Freeman has not provided the formulas for these products to Kerr and it continues to use them, in violation of the development agreement. Freeman even admitted that these products were created at Kerr's request. The District Court erred in ignoring Kerr's evidence of the written proposals, granting judgment to Freeman.

Early in the agreement period, Freeman waived the requirement for written proposals by developing an "inlay dental wax" in response to a verbal request from Kerr. Freeman admitted that the product was developed under the agreement and disclosed the corresponding formula to Kerr. Because these actions by Freeman "were incompatible" with the agreement's written proposal requirement, Freeman "unequivocally" modified the agreement to eliminate this requirement. The court mistakenly concluded that there was no waiver by Freeman.

The District Court erred in finding that the colors of Kerr's waxes were functional and could not serve as trademarks; the court even admitted that some of the color names were "fanciful." The colors are not "essential to the use or purpose" of the wax products and, therefore, cannot be functional. And, per Qualitex Co. v. Jacobson Products Co. (514 U.S. 159, 162-64 [1995], colors can serve as trademarks.

Similarly, the flake form is not essential to the waxes' use or purpose and does not affect their cost or quality, it also cannot be functional. Therefore, the court erred in finding the "Flakes" invalid as generic. The court abused its discretion in canceling the mark, even though Freeman never claimed genericness or sought the mark's cancellation.

■ **Attorneys:** Kerr is represented by Theodore R. Remaklus of Wood, Herron & Evans in Cincinnati. ■

'Sealtight' Mark Holder Calls Collateral Estoppel Ruling Improper

■ **Case:** B&B Hardware Inc. v. Hargis Industries Inc., d/b/a Sealtite Building Fasteners and East Texas Fasteners, et al., No. 07-3866 and 08-1040, 8th Cir.; See May 2008, Page 27.

■ **Appellant reply brief:** Filed May 24 by B&B Hardware Inc. **Reply brief available.** Document #78-080616-005B.

■ **Background:** In 1990, California company B&B Hardware Inc. applied for registration of its "Sealtight" trademark with the U.S. Patent and Trademark Office (PTO); the mark issued in 1993 for the category of "threaded and unthreaded metal fasteners and related hardware." In 1996, Sealtite Building Fasteners, a division of Hargis Industries Inc. (Hargis, collectively), sought to register its "Sealtite" mark with the PTO for "self-drilling and self-tapping screws and other fasteners." The PTO denied registration, citing likely confusion with B&B's trademark. In March 1997, Hargis filed a petition with the PTO's Trademark Trial and Appeal Board (TTAB) to cancel B&B's "Sealtight" mark.

B&B filed a complaint against Hargis in the U.S. District Court for the Eastern District of Arkansas, claiming trademark infringement. A jury found B&B's mark to be "merely descriptive" and without secondary meaning. A May 2000 order dismissing the case by the District Court was upheld on appeal by the Eighth Circuit U.S. Court of Appeals. The TTAB had suspended B&B's mark but reinstated it pending the Arkansas case. After the cancellation proceedings resumed, the TTAB granted a motion for summary judgment by Hargis, cancelling B&B's "Sealtight" mark. However, after a motion for reconsideration by B&B, the TTAB set aside the previous judgment and reinstated B&B's mark.

When Hargis again sought to register its "Sealtite" mark, B&B filed a notice of opposition in February 2003. The TTAB ultimately found that the Arkansas court's decision had no preclusive effect and ruled in B&B's favor. It found that the time to oppose B&B's mark had expired and that it was now incontestable.

In August 2006, B&B sued Hargis for trademark infringement, this time in the Central District of California; the case was transferred to the Eastern District of Arkansas. Hargis moved to dismiss under the doctrines of *res judicata* and collateral estoppel. In September, Hargis' motion was granted under the latter doctrine. B&B's subsequent motion for reconsideration in light of the recently issued TTAB order was denied. B&B again appealed to the Eighth Circuit.

■ **Arguments:** Collateral estoppel was an inappropriate reason for dismissal because there are different issues involved in this case than in the previous appeal. The issue of likelihood of confusion was never reached in the first case, and the jury did not make any findings on the issue of trademark infringement; therefore, this issue cannot be precluded in the present case. Also, B&B's current infringement claims are based on Hargis' uses of the mark since the first case.

Test Masters Educational Services Inc. v. Singh (428 F.3d 559 [5th Cir. 2005]), on which Hargis and the lower court rely to support the dismissal order, held that there is no governing case law that "expressly demarcate[s] a minimum time that must elapse before a defendant can re-litigate the issue of secondary meaning." Only 16 months passed between the first and second Test Masters lawsuits; six years passed between the filing of the two B&B complaints at issue. Additionally, significant events occurred, such as two TTAB proceedings and a finding of incontestability of B&B's mark.

Per the Lanham Act, a finding of incontestability confers its registrant with the "exclusive right to use the registered mark in commerce." And, per Park 'N Fly v. Dollar Park & Fly (469 U.S. 189 [1985]), incontestability allows the registrant "to enjoin infringement" and defeats arguments that the mark is "merely descriptive."

■ **Attorneys:** B&B is represented by Kathryn Bennett Perkins and Brook A. Brewer of Rose Law Firm in Little Rock, Ark.

(Additional documents available: **Appellant brief.** Document #78-080407-011B. **Appellee brief.** Document #78-080505-003B.) ■

Bratz Dolls Maker Seeks Affirmance Of Noninfringement Judgment

■ **Case:** Art Attacks Ink LLC v. MGA Entertainment Inc. and Isaac Larian, No. 07-56110, 9th Cir.; See 7/23/07, Page 14.

■ **Appellee brief:** Filed March 24 by MGA Entertainment Inc. and Isaac Larian. **Appellee brief available.** Document #78-080602-006B.

■ **Background:** In May 2004, Art Attacks Ink LLG sued MGA Entertainment Inc., maker of the popular "Bratz" line of dolls, and its chief executive officer, Isaac Larian, in the U.S. District Court for the Southern District of California, asserting, among other things, trademark, trade dress and copyright infringement. According to the plaintiff, MGA's use of the "Bratz" trademark infringed Art Attacks' copyrighted airbrush artwork, its trade dress associated with an airbrushed cartoon character and Art Attacks' "Brat," "Brats" and "Spoiled Brats" marks. The court denied Art Attacks a preliminary injunction, and the case made its way to trial in April 2007 on the remaining issues of trade dress, copyright and trademark infringement with regard to the "Spoiled Brats" mark only.

In July 2007, a jury reached a partial verdict, finding no trademark infringement, but was unable to reach a decision on the trade dress and copyright infringement claims. A mistrial was declared on those counts, and partial judgment was entered. The same day, Judge Brewster granted MGA judgment as a matter of law (JMOL) on the copyright and trade dress issues. MGA's motion for attorney fees was denied. Art Attacks appealed to the Ninth Circuit U.S. Court of Appeals.

■ **Arguments:** Art Attacks did not present any evidence of direct copying or of any access to the allegedly infringed Spoiled Brats works. Art Attacks had primarily marketed its products on T-shirts and posters at fairs and sporting events in the Arizona area; it had no evidence that any representatives of MGA attended any events where it was an exhibitor or visited its Web site. As such, the District Court properly ruled that a reasonable jury would not find evidence of copyright infringement.

Without direct evidence, Art Attacks asked the court and the jury "to speculate that access occurred." However, per First Union National Bank v. Benham (423 F.3d 855, 863 [8th Cir. 2005]), "[s]uch speculation is impermissible." Art Attacks' theory of "widespread dissemination" of its works also does not provide any evidence that MGA had any access to its works. Because of this "legally insufficient" basis for Art Attacks' claims, the court's grant of JMOL was appropriate.

JMOL was also fitting for the trade dress claim. Art Attacks had no evidence that its "Brats" designs have achieved any secondary meaning. The only testimony it provided was from "employees and close friends." Testimony of such interested parties is "irrelevant to a determination of secondary meaning."

Even if Art Attacks had established secondary meaning in its designs, it did not meet its burden of proof to show any likelihood of confusion between the parties' products. Additionally, the Brats designs are considered "functional" and are, therefore, not protectable as trade dress.

■ **Attorneys:** MGA is represented by its corporate counsel Craig E. Holden in Van Nuys, Calif. ■

Hallmark Says Paris Hilton Card Is A Noninfringing Parody

■ **Case:** Paris Hilton v. Hallmark Cards, No. 08-55443, 9th Cir.; See 9/17/07, Page 31

■ **Appellant brief:** Filed May 13 by Hallmark Cards. **Appellant brief available.** Document #78-080602-007B.

■ **Background:** In September, hotel heiress and media celebrity Paris Hilton sued Hallmark Cards for trademark infringement, commercial appropriation of identity, invasion of privacy, misappropriation of publicity and false designation of origin under the Lanham Act in the U.S. District Court for the Central District of California. Hilton sought more than $100,000 in actual damages, as well as profits, punitive damages, temporary and permanent injunctive relief and attorney fees.

Hilton owns the trademark "That's Hot," which was registered by the U.S. Patent and Trademark Office in February 2007. Hallmark manufactured a greeting card depicting Hilton as a cartoon waitress serving food to a patron, with the dialogue: "Don't touch that, it's hot." "What's hot?" "That's hot." Inside is the greeting "Have a smokin' hot birthday." The card — titled "Paris's First Day as a Waitress" — appeared in stores in 2007 for a sale price of $2.49. According to Hilton, Hallmark failed to properly obtain approval relative to its use of her name and likeness and the card has actually confused consumers into believing that she authorized it.

In November, Hallmark filed a motion to strike under California's statute against strategic lawsuits against public participation (**anti-SLAPP**) and a motion dismiss. The court denied both motions without oral argument in December. The court also dismissed Hilton's trademark infringement claim but ruled that the publicity claim could not be dismissed "at this stage of the proceedings" pending a determination of whether the card merited "First Amendment protection as a parody." The court also noted the necessity of fact finding on the Lanham claim, finding that Hilton "had sufficiently alleged actual malice" to escape dismissal. Hallmark appealed to the Ninth Circuit U.S. Court of Appeals.

■ **Arguments:** The card at question is clearly a parody, depicting the "self-described cultural 'icon'," who trumpets the fact that she doesn't "necessarily have to work" as a waitress, which runs counter to her very public image. The card also lampoons Hilton's "broken-record use" of her catch phrase by "transforming it" into a more literal use. With her lawsuit, Hilton is trying "to impose liability on a personal expression company."

California's anti-SLAPP statute exists to prevent exactly the kind of speech suppressing activity that Hilton is attempting in this lawsuit. Hilton is an "influential public figure;" Hallmark's parody and commentary of her through the medium of its greeting card is in the public interest. To overcome the anti-SLAPP motion, Hilton bore the burden to prove a probability of success on her claims, which she failed to do. As such, the common-law right of publicity claim should be stricken.

Even in her motion to dismiss, Hilton's description of herself "starkly contrast" with the waitress caricature that is serving the public "in a decidedly unprivileged . . . environment." Hallmark's use of Hilton's name and image, which are a matter of public interest, are protected by the First Amendment. Their use is also "artistically relevant" to the theme of the card and are protected by the fair use doctrine per New Kids on the Block v. News America Publishers Inc. (971 F.2d 302

[9th Cir. 1992]). Despite Hilton's claims, there is no confusion about the source of the card.

Therefore, Hilton's right of publicity and Lanham Acts are barred as a matter of law. The lower court's denial of dismissal should be reversed.

■ **Attorneys:** Hallmark is represented by Lincoln D. Bandlow of Spillane Shaeffer Aronoff Bandlow in Los Angeles. ■

Domain Owner Appeals Bad Faith, Trademark Infringement Ruling

■ **Case:** David Lahoti v. Vericheck Inc., No. 08-35001, 9th Cir.; See September 2007, Page 5.

■ **Appellant brief:** Filed April 21 by David Lahoti. **Appellant brief available.** Document #78-080602-016B.

■ **Background:** David Lahoti, a self-proclaimed "Internet entrepreneur," is the registrant of the domain names *veripay.com*, *vericharge.com* and *vericheck.com*. When Georgia-based check verification services company Vericheck Inc. unsuccessfully attempted to register the *vericheck.com* domain, Lahoti offered to sell it for $100,000 in January 2006.

Lahoti contends that he was unaware of Vericheck's existence when he registered the domain in March 2003. The sole purpose of Lahoti's *vericheck.com* Web site was to redirect Internet users to *oversee.net*, which generates income for Lahoti with increased traffic and yields search results that point consumers to Vericheck competitors. In June 2006, Vericheck initiated a complaint against Lahoti with the National Arbitration Forum; per the Uniform Domain Name Dispute Resolution Policy, it was ordered that the domain be transferred to Vericheck.

Lahoti filed suit in the U.S. District Court for the Western District of Washington in August 2006, challenging the decision and seeking a declaration that his use of *vericheck.com* did not violate the Anti-Cybersquatting Consumer Protection Act (ACPA) or the Lanham Act. Vericheck counterclaimed, asserting violations of the ACPA, the Lanham Act and the Washington Consumer Protection Act. Both sides moved for summary judgment.

In August, Judge James L. Robart initially found that neither party met the burden to prove or disprove the distinctiveness of the Vericheck mark and that a reasonable jury could find the term Vericheck arbitrary or descriptive. He also found that neither party had shown whether consumers were likely to confuse *vericheck.com* with Vericheck's services. However, Judge Robart found that Lahoti registered the domain name in bad faith. After a trial, the judge ultimately issued judgment in Vericheck's favor on all of its counterclaims in December. The judge dismissed Lahoti's claims and awarded Vericheck $100,000 in statutory damages, as well as costs and attorney fees. Lahoti appealed to the Ninth Circuit U.S. Court of Appeals.

■ **Arguments:** Lahoti did not know of Vericheck's existence until it contacted him about the disputed domain name. When he first registered the *veripay.com* and *vericharge.com* domains in 1998, he attempted to register *vericheck.com* too, but was unable to do so because it was already registered to another company. This history of Lahoti's interest in the domain, which culminated in his eventually registering it when it became available, is evidence of his good faith. There was no evidence that Lahoti intended to profit by using Vericheck's claimed mark. Judge Robart should have drawn all inferences in his bad faith determination in Lahoti's favor as the nonmoving party.

To establish an ACPA violation, it must be proven that Vericheck's mark was "distinctive" at the time Lahoti's domain was registered. Lahoti submitted evidence of an Arizona company that obtained federal registration of the Vericheck mark for use with check verification services "well before" Vericheck's first claimed usage. As such, Vericheck's mark was not distinctive and there was no ACPA violation.

Vericheck did not provide evidence that its mark had acquired secondary meaning when Lahoti registered the disputed domain; Vericheck also did not meet its burden to show that it had overcome the prior registrant's presumption of exclusive use of the mark. Therefore, the judge erred in finding a likelihood of confusion between Lahoti's domain name and Vericheck's "descriptive and unprotectable" mark.

The judge erred in properly considering Lahoti's argument that Vericheck's mark was not distinctive, calling it a *jus tertii* defense. Lahoti was asserting that Vericheck had no grounds to sue because its mark was not distinctive; he was not claiming that another party had standing to sue instead.

The Sleekcraft factors weigh in Lahoti's favor. Even if Vericheck's mark was valid, it is a weak mark. The parties' services and use of the mark are very different. Lahoti has merely used it in connection with search engine services in different marketing channels from Vericheck's use.

■ **Attorneys:** Lahoti is represented by Derek A. Newman, Randall Moeller and John Du Wors of Newman & Newman in Seattle.

(Additional document available. **District Court order.** Document #16-070917-013R.) ■

Talent Agency Claims Trademark Infringement, Cyberpiracy

■ **Case:** B & J Enterprises Ltd. (trading as Washington Talent Agency) v. Ken Giordano and Albrecht Entertainment Services Inc., No. 08-1375, 4th Cir.

■ **Appellant brief:** Filed May 19 by B & J Enterprises Ltd. **Appellant brief available.** Document #78-080602-002B.

■ **Background:** B&J Enterprises Ltd. is a Washington, D.C.-based business that provides entertainment talent for various functions in the greater Washington area. It operates under the business name Washington Talent Agency (WTA), claiming use in the name for almost 40 years. Ken Giordano formed a competing company Albrecht Entertainment Services (AES) in Virginia in 2000, but relocated to Colorado in 2001. In 2005, Giordano and AES (Giordano, collectively) registered the domain *washingtontalentagency.com*. B&J claims that it became aware of Giordano's use of the WTA name and domain pursuant to a local newspaper article. B&J subsequently offered to purchase the domain, but Giordano refused.

In May 2006, B&J sued Giordano and AES in the U.S. District Court for the District of Maryland, claiming cyberpiracy and trademark infringement. Giordano's motion to dismiss for lack of jurisdiction was denied, with the court finding that the defendants "deliberately targeted Maryland residents," availing themselves of jurisdiction in the state.

In June 2007, both sides moved for summary judgment. The court granted Giordano's motion without opinion in August. B&J moved for reconsideration in October, submitting "numerous affidavits" and other documents. The court granted a motion by Giordano to strike this evidence; the court subsequently also declined to consider supplemental material submitted by Giordano. In March, the District Court issued final judgment denying reconsideration. B&J appealed to the Fourth Circuit U.S. Court of Appeals.

■ **Arguments:** The court erred in excluding B&J's additional evidence upon its motion for reconsideration, stating that testimonial letters from B&J's customers were not sworn testimony and, therefore, not admissible. However, the letters were not being presented at trial, but to rebut the defendants' motion for summary judgment; as such, different standards of admissibility apply.

In considering B&J's evidence that its WTA trademark had achieved secondary meaning, the court looked at each factor in the test for secondary meaning individually instead of "looking at the entire spectrum of evidence." In some of the factors, B&J submitted "overwhelming and undeniable" evidence.

Per Perini Corp. v. Perini Construction Inc. (915 F.2d 121 [4th Cir. 1990]), "length and exclusivity of use [of a mark] is, of itself, evidence of the acquisition of secondary meaning." It is undisputed that B&J used the WTA mark exclusively for almost 40 years. Additionally, B&J provided evidence of its successful "volume of sales" and of its position in the jurisdiction, including services provided to celebrities and political figures. If the court had properly considered all of the submitted evidence as a whole, it would have denied Giordano's motion for summary judgment and granted B&J's motion.

Prior to registering the disputed domain, the defendants had never operated under the WTA name or presented themselves as such. Giordano had "absolutely no history of using that name in any manner" and "no intellectual property claim to it." As such, the registration of the domain and use of the mark was an act of cyberpiracy.

In light of B&J's evidence of secondary meaning, the District Court should have found its WTA mark protectable. The court should have granted the motion for reconsideration and issued judgment as a matter of law on the trademark and cyberpiracy claims.

■ **Attorneys:** B&J is represented by Louis Fireison, Vincent T. Lyon and Patricia H. Ley of Louis Fireison & Associates in Bethesda, Md. ■

Documents

DECISION IN LOUIS VUITTON

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

---X
LOUIS VUITTON MALLETIER, :
Plaintiff, :
- against - :
DOONEY & BOURKE, INC., :
Defendant. :
---X

OPINION AND ORDER

04 Civ. 2990 (SAS)

SHIRA A. SCHEINDLIN, U.S.D.J.:

I. INTRODUCTION

This action has pitted two prominent handbag manufacturers against each other and mired them in seemingly endless and often contentious litigation for nearly four years. Plaintiff Louis Vuitton Malletier ("Louis Vuitton") claims that defendant Dooney & Bourke, Inc. ("Dooney & Bourke" or "Dooney") violated federal and state law by introducing and selling handbags bearing designs that infringe upon and dilute Louis Vuitton's trademark rights. Following the conclusion of extensive fact and expert discovery, Dooney & Bourke now seeks to end the case by moving for summary judgment on all of Louis Vuitton's claims. For the reasons that follow, defendant's motion is granted in its entirety.

II. BACKGROUND

A. Facts[1]

1. The Parties

Louis Vuitton designs, manufactures, imports, and sells fine apparel, handbags, luggage, and fashion accessories.[2] It maintains its principal place of business in Paris, France and employs more than ten thousand people both directly and through its subsidiaries and affiliates.[3]

Dooney & Bourke designs, manufacturers and sells quality handbags and fashion accessories.[4] It was founded in 1975, and maintains its principal place

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[1] For a thorough discussion of the factual background, see *Louis Vuitton Malletier v. Dooney & Bourke, Inc. (Vuitton I)*, 340 F. Supp. 2d 415, 419-28 (S.D.N.Y. 2004), *vacated in part*, 454 F.3d 108 (2d Cir. 2006) (*Vuitton II*). The facts in this section are not in dispute, and are drawn from Defendant's Local Rule 56.1 Statement ("Def. 56.1"), Plaintiff's Local Rule 56.1 Counterstatement of Material Facts ("Pl. Counter 56.1"), and Defendant's Amended Response to Certain Responses in Plaintiff's Local Rule 56.1 Counterstatement ("Def. Response 56.1"). The Court notes that defendant's Local Rule 56.1 Statement is shamefully long, totaling almost three hundred facts – many of which are legal conclusions and non-binding findings of fact from the preliminary injunction stage. Similarly, plaintiff's counter-statement is comprised of needlessly long responses to those purported facts, and denials based on painfully thin distinctions. Indeed, the immature posturing that both parties have exhibited throughout this litigation is evident even in their Local Rule 56.1 statements.

[2] *See* Def. 56.1 ¶ 6.

[3] *See id.* ¶ 7.

[4] *See id.* ¶ 2.

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of business in Connecticut.[5] Peter Dooney serves as the company's president and chief designer, and he bears final authority over all of the Dooney & Bourke product designs.[6]

2. The Handbag Designs

At its Fall 2003 fashion show held on October 7, 2002, Louis Vuitton introduced handbags bearing a new design.[7] This design consisted of Louis Vuitton's original, registered Toile Monogram trademark – *i.e.*, entwined "LV" initials with a curved diamond with a four-point star inset, its negative, and a circle with a four-leafed flower inset[8] – newly set in thirty-three colors (the "Murakami colors")[9] arranged on a white or black background (collectively, the "Monogram Multicolore mark").[10] Both the "L" and the "V" in a single "LV" monogram bear the same Murakami color.[11] Although the letters comprising each

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[5] *See id.* ¶¶ 1-2.

[6] *See id.* ¶ 3.

[7] *See id.* ¶ 11.

[8] *See id.* ¶¶ 8-10.

[9] These colors include red, orange, yellow, green, blue, violet, pink, black, white, brown, and gray. *See id.* ¶ 96.

[10] *See id.* ¶¶ 12-13. *See also* Def. Response 56.1 ¶ 11.

[11] *See, e.g.*, Four Views of One Handbag Bearing Monogram Multicolore Mark, Ex. L to Declaration of Charles A. LeGrand ("LeGrand Decl."),

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monogram are the same color, the colors vary from monogram to monogram.[12] Additionally, both of the letters in a single monogram face in the same direction, as well as all of the "LV" monograms on any given side of a handbag.[13] To the extent that zippers appear on the exterior of a handbag from the Monogram Multicolore line, those zippers are uncolored.[14]

Louis Vuitton's new design, which is not registered with the U.S. Patent and Trademark Office, was the product of a collaboration between its designers and the Japanese artist Takashi Murakami.[15] Soon after the introduction of handbags bearing the Monogram Multicolore mark in October 2002, fashionista customers began contacting Louis Vuitton to pre-order the handbags.[16] Due to the great amount of interest generated by the Monogram Multicolore mark, Louis Vuitton decided to make the line of handbag and accessories bearing the mark a permanent addition to its collection.[17] By March 2003, handbags bearing the

plaintiff's co-counsel, at L-12.

12 *See, e.g.*, *id.*

13 *See, e.g.*, *id.*

14 *See* Def. 56.1 ¶ 116.

15 *See id.* ¶¶ 12, 17.

16 *See id.* ¶ 21.

17 *See* Pl. Counter 56.1 ¶ 15.

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Monogram Multicolore mark with the white background began arriving in Louis Vuitton's retail stores.[18] Handbags with the black background were distributed for retail sale in July 2003.[19] Due to the handbags' popularity, there were waiting lists for certain products at times during 2003 and 2004.[20]

The price range for handbags and fashion accessories bearing the Monogram Multicolore mark range from less than one hundred and fifty dollars for a simple mirror case to thousands of dollars for certain handbags.[21] As of late 2006, products bearing the Monogram Multicolore mark have sold over 186,600 units in the United States,[22] resulting in total sales as of November 2006 of almost $145 million.[23]

Dooney & Bourke has sold a line of products, including handbags, known as the "Signature Collection" since 2001.[24] This line features a repeated

18 *See* Def. 56.1 ¶ 21.

19 *See id.*

20 *See id.* ¶ 275.

21 *See, e.g.*, Photographs and Prices of Sample Louis Vuitton Monogram Multicolore Products, Ex. J to LeGrand Decl., at J-01.

22 *See* Def. 56.1 ¶¶ 45, 71.

23 *See id.* ¶ 73.

24 *See id.* ¶ 23.

5

pattern of an interlocking "DB" monogram alternating forwards and backwards across the surface of the product.[25] The "DB" monogram is a registered trademark.[26]

In 2003, D&B introduced its "It Bag" line of handbags, small leather goods, and accessories.[27] The "It Bag" line bears a design featuring the "DB" monogram that appears in the "Signature Collection" but set in nine colors on a white background, and the "DB" monogram printed in seven colors on a black background.[28] The individual "D" and "B" in a single "DB" monogram bear colors different from each other and both letters face in the same direction.[29] Each monogram faces in an opposite direction from the monogram immediately beside it. Additionally, the "DB" monograms alternate between a "DB" facing to the

25 *See id.* ¶ 24.

26 *See id.* ¶ 26. *See also* Trademark Reg. No. 2,771,012, Ex. O to Declaration of Jessica L. Selb, defendant's counsel, in Support of Dooney & Bourke's Motion for Summary Judgment ("Selb Decl."), at O-1.

27 *See* Def. 56.1 ¶ 34.

28 *See id.* ¶¶ 29, 97.

29 *See, e.g.*, Swatch of Dooney & Bourke Monogram on White Background ("Dooney Swatch"), Ex. C to LeGrand Decl., at C-10. *See also* Photograph of Dooney & Bourke Round Backpack, Ex. J to Selb Decl., at J-13. For photographs of examples of Louis Vuitton and Dooney & Bourke handbags bearing the marks at issue, see *Vuitton I*, 340 F. Supp. 2d at 422-23.

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right side with the "D" on top and the interlocked "B" on the bottom, and a "DB" facing to the left side (*i.e.*, the mirror image of a standard "D" and "B") with the "B" on top and the interlocked "D" on the bottom.[30]

The "It Bag" line does not feature any additional graphics or shapes other than the colored monograms on a white or black background.[31] To the extent that zippers appear on the exterior of an "It Bag" product, those zippers are multi-colored.[32] The "It Bag" line of products also features a pink enameled heart with the words "Dooney & Bourke" written in gold script and hanging from certain handbags.[33]

Products featuring the colored monogram on a white background began to be sold in retail stores in July 2003, and those with the black background were sold beginning in October 2003.[34] The "It Bag" line of products range in price from less than fifty dollars to hundreds of dollars, and in general, are less

[30] *See, e.g.*, Dooney Swatch.

[31] *See, e.g.*, *id.*

[32] *See* Def. 56.1 ¶ 115. *See also* Def. Response 56.1 ¶ 115.

[33] *See* Def. 56.1 ¶ 106. *See also* Photographs and Prices of Sample Dooney & Bourke "It Bag" Products ("Defendant's Sample of Dooney & Bourke Products"), Ex. K to Selb Decl., at K-1, K-5-K-9.

[34] *See* Def. 56.1 ¶¶ 30-31.

expensive than Louis Vuitton products of similar size and shape.[35]

As of late 2006, more than 1.76 million products from the "It Bag" line have been sold in the United States.[36] The sales figures for those products have exceeded $100 million.[37]

B. Procedural Background

Louis Vuitton filed its complaint on April 19, 2004, alleging trademark infringement under section 32 of the Lanham Act, unfair competition and false designation of origin under section 43(a) of the Lanham Act, and trademark dilution under the Federal Trademark Dilution Act of 1996 (the "FTDA").[38] Additionally, Louis Vuitton brought claims for trademark infringement and unfair competition under New York state law, and trademark dilution and injury to business reputation under section 360-1 of New York's General Business Law.

By motion dated April 30, 2004, Louis Vuitton moved to

[35] *See, e.g.*, Defendant's Sample of Dooney & Bourke Products at K-1. *Accord* Photographs and Prices of Sample Dooney & Bourke "It Bag" Products, Ex. J to LeGrand Decl., at J-08.

[36] *See* Def. 56.1 ¶ 70.

[37] *See id.* ¶ 72.

[38] *See* Complaint ¶ 1.

preliminarily enjoin Dooney & Bourke from infringing upon and diluting its trademark rights pending the final determination of the instant action. Following a seven-day hearing, the Court denied Louis Vuitton's motion in its entirety. By Opinion and Order dated August 27, 2004 (the "August 27, 2004 Opinion"), I denied injunctive relief on the trademark infringement claim because, despite the validity of the Monogram Multicolore mark, Louis Vuitton failed to demonstrate a likelihood of confusion "among consumers as to the source, authorization, or affiliation of Dooney & Bourke's handbags."[39] I denied injunctive relief on the federal dilution claim where Louis Vuitton had demonstrated the fame and inherent distinctiveness of its mark, but had failed to adequately demonstrate that it was likely to prove actual dilution.[40] Louis Vuitton appealed to the Second Circuit, and discovery proceeded while the appeal was pending.

The Second Circuit affirmed in part and vacated and remanded in part. With respect to the trademark infringement claim, it agreed with this Court that the Monogram Multicolore mark is both inherently distinctive and holds secondary meaning.[41] However, in assessing likelihood of confusion, the Second

[39] *Vuitton I*, 340 F. Supp. 2d at 447.

[40] *See id.* at 448-52.

[41] *See Vuitton II*, 454 F.3d at 116.

Circuit held that this Court's utilization of a side-by-side comparison to determine the similarity of the marks at issue was improper in light of the Circuit's decision in an unrelated case, *Louis Vuitton Malletier v. Burlington Coat Factory Warehouse Corp.*[42] Although the Circuit found no clear error otherwise with respect to the Court's analysis of the trademark infringement claim, it vacated and remanded for a reassessment of that claim.[43] The Second Circuit affirmed this Court on the federal dilution claim, holding that Louis Vuitton had failed to offer any evidence of actual dilution.[44]

By Opinion and Order dated April 27, 2007, I held that in order for Louis Vuitton to recover Dooney & Bourke's profits should it prevail on its federal trademark infringement claim, it must prove that Dooney & Bourke's

[42] 426 F.3d 532 (2d Cir. 2005). Notably, the Second Circuit acknowledged that the decision was issued over a year after the August 27, 2004 Opinion and could not have been anticipated by this Court. *See Vuitton II*, 454 F.3d at 112.

[43] Specifically, the Second Circuit instructed the Court to "consider the precise trademark claimed by the plaintiff and whether, under market conditions and when viewed sequentially, Vuitton can prove likelihood of confusion between its Multicolore mark and the pattern of Dooney & Bourke's It-Bag." *Vuitton II*, 454 F.3d at 119-20. For similar reasons, the Second Circuit also vacated and remanded the portions of the August 27, 2004 Opinion that addressed Louis Vuitton's trademark infringement, unfair competition, and dilution claims under New York law. *See id.* at 119.

[44] *See id.* at 118-19.

infringing conduct was willfully deceitful.[45] In the absence of such a showing, Louis Vuitton would only be entitled to recover the amount of its own damages.[46] Moreover, I held that Louis Vuitton's federal dilution claim, to the extent it seeks damages, continues to be governed by the standard set forth in the FTDA rather than its replacement – the Trademark Dilution Revision Act of 2006 (the "TDRA"). As a result, Louis Vuitton cannot recover monetary damages absent a showing of actual dilution.[47]

Following the close of extensive fact and expert discovery, both parties moved in limine to exclude certain expert testimony and reports under Federal Rules of Evidence 403 and 702, and *Daubert v. Merrell Dow Pharmaceuticals, Inc.*[48] and its progeny. In light of the volume of submissions on those motions, the Court appointed special masters with the parties' consent

[45] *See Louis Vuitton Malletier v. Dooney & Bourke, Inc. ("Vuitton III")*, 500 F. Supp. 2d 276, 280-82 (S.D.N.Y. 2007).

[46] *See id.* at 282 ("Unless Louis Vuitton has developed new proof of Dooney & Bourke's willful deceit, the only monetary remedy to which Louis Vuitton will be entitled, with respect to its infringement claim, are damages – not Dooney & Bourke's profits.").

[47] *See id.* at 282-83. By Memorandum Opinion and Order dated May 22, 2007, I denied Louis Vuitton's motion for reconsideration and modification of *Vuitton III*. *See Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, No. 04 Civ. 2990, 2007 WL 1498323 (S.D.N.Y. May 22, 2007).

[48] 509 U.S. 579 (1993).

pursuant to Federal Rule of Civil Procedure 53(a)(1)(A) and (a)(1)(C) and by Order dated May 18, 2007. The special masters issued a Report & Recommendation (the "R&R") and the parties objected to the Court's adoption of various portions of the R&R. By Opinion and Order dated December 13, 2007, I adopted the R&R subject to certain very limited modifications.[49] Dooney & Bourke then filed the instant motion for summary judgment.

III. APPLICABLE LAW

A. Summary Judgment

Summary judgment is appropriate "if the pleadings, the discovery and disclosure materials on file, and any affidavits show that there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter of law."[50] An issue of fact is genuine "'if the evidence is such that a reasonable jury could return a verdict for the nonmoving party.'"[51] A fact is material when it "'might affect the outcome of the suit under the governing law.'"[52] "It is the

[49] *See Louis Vuitton Malletier v. Dooney & Bourke, Inc. ("Vuitton IV")*, 525 F. Supp. 2d 558 (S.D.N.Y. 2007).

[50] Fed. R. Civ. P. 56(c).

[51] *Higazy v. Templeton*, 505 F.3d 161, 169 (2d Cir. 2007) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986)).

[52] *McCarthy v. Dun & Bradstreet Corp.*, 482 F.3d 184, 202 (2d Cir. 2007) (citing *Jeffreys v. City of New York*, 426 F.3d 549, 553 (2d Cir. 2005)).

movant's burden to show that no genuine factual dispute exists."[53]

In turn, to defeat a motion for summary judgment, the non-moving party must raise a genuine issue of material fact. To do so, it must do more than show that there is "'some metaphysical doubt as to the material facts,'"[54] and it "'may not rely on conclusory allegations or unsubstantiated speculation.'"[55] However, "'all that is required [from a non-moving party] is that sufficient evidence supporting the claimed factual dispute be shown to require a jury or judge to resolve the parties' differing versions of the truth at trial.'"[56]

In determining whether a genuine issue of material fact exists, the court must construe the evidence in the light most favorable to the non-moving party and draw all justifiable inferences in that party's favor.[57] However, "[i]t is a

[53] *Vermont Teddy Bear Co. v. 1-800 Beargram Co.*, 373 F.3d 241, 244 (2d Cir. 2004) (citing *Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 157 (1970)).

[54] *Higazy*, 505 F.3d at 169 (quoting *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986)).

[55] *Jeffreys*, 426 F.3d at 554 (quoting *Fujitsu Ltd. v. Federal Express Corp.*, 247 F.3d 423, 428 (2d Cir. 2002)).

[56] *McClellan v. Smith*, 439 F.3d 137, 144 (2d Cir. 2006) (quoting *First Nat'l Bank of Ariz. v. Cities Serv. Co.*, 391 U.S. 253, 288-89 (1968)).

[57] *See Allstate Ins. Co. v. Hamilton Beach/Proctor Silex, Inc.*, 473 F.3d 450, 456 (2d Cir. 2007) (citing *Stern v. Trustees of Columbia Univ.*, 131 F.3d 305, 312 (2d Cir. 1997)).

settled rule that '[c]redibility assessments, choices between conflicting versions of the events, and the weighing of evidence are matters for the jury, not for the court on a motion for summary judgment.'"[58] Summary judgment is therefore inappropriate "'if there is any evidence in the record that could reasonably support a jury's verdict for the non-moving party.'"[59]

B. Trademark Infringement Under the Lanham Act

Section 32(1) of the Lanham Act governs claims for infringement of a registered trademark, prohibiting the use in commerce of "any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive."[60]

Section 43(a) of the Act[61] governs claims for infringement of an unregistered trademark and also acts as "a broad federal unfair competition

[58] *McClellan*, 439 F.3d at 144 (quoting *Fischl v. Armitage*, 128 F.3d 50, 55 (2d Cir. 1997)). *Accord Anderson*, 477 U.S. at 249.

[59] *American Home Assurance Co. v. Hapag Lloyd Container Linie, GmbH*, 446 F.3d 313, 315 (2d Cir. 2006) (quoting *Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 286 (2d Cir. 2002)).

[60] 15 U.S.C. § 1114(1).

[61] *See* 15 U.S.C. § 1125(a)(1)(A).

provision."[62] Accordingly, "[w]here there is a claim of consumer confusion [as] to the association of a product or service with another person's trademark, the central inquiry is whether it is likely that 'an appreciable number of ordinarily prudent purchasers' will be misled as to the source or sponsorship of the product or service in question."[63]

"A claim of trademark infringement, whether brought under [section 32(1) or 43(a) of the Act], is analyzed under the familiar two-prong test . . . . The test looks first to whether the plaintiff's mark is entitled to protection, and second to whether defendant's use of the mark is likely to cause consumers confusion as to the origin or sponsorship of the defendant's goods."[64] A certificate of registration of plaintiff's trademark on the principal register is prima facie

[62] *Chambers v. Time Warner, Inc.*, 282 F.3d 147, 155 (2d Cir. 2002). Specifically, section 43(a) prohibits the use in commerce of "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 . . . 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." 15 U.S.C. § 1125(a)(1)(A).

[63] *Chambers*, 282 F.3d at 155 (quoting *EMI Catalogue P'ship v. Hill, Holiday, Connors, Cosmopulos Inc.*, 228 F.3d 56, 61-62 (2d Cir. 2000)).

[64] *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 146 (2d Cir. 2003) (citing *Gruner + Jahr USA Publ'g v. Meredith Corp.*, 991 F.2d 1072 (2d Cir. 1993) and *Time, Inc. v. Petersen Publ'g Co. L.L.C.*, 173 F.3d 113, 117 (2d Cir. 1999)). *Accord Vuitton II*, 454 F.3d at 115.

evidence that plaintiff's mark satisfies the first prong of the test.[65]

In order to determine whether a defendant's use of a mark is likely to cause consumer confusion, courts in the Second Circuit typically engage in a weighing analysis using the eight *Polaroid* factors set out by Judge Henry Friendly, which are: (1) the strength of plaintiff's mark; (2) the similarity of plaintiff's and defendant's marks; (3) the proximity of the products; (4) the likelihood that plaintiff will "bridge the gap;" (5) actual confusion between products; (6) defendant's good or bad faith in adopting the mark; (7) the quality of defendant's product; and (8) the sophistication of the buyers.[66] However, "[n]o single factor is dispositive, nor is a court limited to consideration of only these factors."[67] "Further, 'each factor must be evaluated in the context of how it bears on the ultimate question of likelihood of confusion as to the source of the

[65] *See* 15 U.S.C. § 1057(b) ("A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce . . . .").

[66] *See Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961).

[67] *Brennan's, Inc. v. Brennan's Restaurant, L.L.C.*, 360 F.3d 125, 130 (2d Cir. 2004) (citing *Polaroid*, 287 F.2d at 495).

product.'"[68] The Second Circuit has also noted that "the court may in some circumstances grant summary judgment even without considering all of the *Polaroid* factors."[69]

"The likelihood-of-confusion inquiry turns on whether 'numerous ordinary prudent purchasers are likely to be misled or confused as to the source of the product in question because of the entrance in the marketplace of defendant's mark.'"[70] "To support a finding of infringement, there must be a 'probability of confusion, not a mere possibility.'"[71] "This standard does not change on summary judgment."[72]

"If a factual inference must be drawn to arrive at a particular finding on a *Polaroid* factor, and if a reasonable trier of fact could reach a different conclusion, the district court may not properly resolve that issue on summary

[68] *Id.* (quoting *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872 (2d Cir. 1986)).

[69] *Playtex Prods., Inc. v. Georgia-Pacific Corp.*, 390 F.3d 158, 167 (2d Cir. 2004) (citation omitted).

[70] *Id.* at 161 (quoting *Cadbury Beverages, Inc. v. Cott Corp.*, 73 F.3d 474, 477-78 (2d Cir. 1996)).

[71] *Id.* (quoting *Nora Beverages, Inc. v. Perrier Group of Am., Inc.*, 269 F.3d 114, 121 (2d Cir. 2001)).

[72] *Id.*

judgment."[73] As such, summary judgment should only be granted "where the undisputed evidence would lead only to one conclusion as to whether confusion is likely."[74]

C. Trademark Dilution Under the Lanham Act

Under the FTDA, "the owner of a famous trademark [can] seek 'an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.'"[75] Whereas an action for trademark infringement "serves the interests of consumers, as well as sellers, in having trademarks function as source-identifiers," a dilution claim exists "*solely* for the benefit of sellers. Its purpose is to protect the owners of famous marks from the kind of dilution that is permitted by the trademark laws when a junior user uses the

[73] *Cadbury Beverages*, 73 F.3d at 478.

[74] *Id.*

[75] *New York Stock Exch., Inc. v. New York, New York Hotel, LLC*, 293 F.3d 550, 557 (2d Cir. 2002) (quoting 15 U.S.C. § 1125(c)(1)). The FTDA provides, in relevant part, that: "The owner of a famous mark shall be entitled . . . to an injunction against another person's commercial use . . . of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark . . . ."

same mark in a non-confusing way in an unrelated area of commerce."[76] Dilution ordinarily applies where the parties do not operate in competitive or closely related product lines, but the FTDA "on its face is capable of application to competitive situations."[77]

To prevail under the FTDA, a mark's owner must show that: "(1) the senior mark [is] famous; [and] (2) distinctive; (3) the junior use [is] a commercial use in commerce; (4) it [] begin[s] after the senior mark has become famous; and (5) [] cause[s] dilution of the distinctive quality of the senior mark."[78] Because a famous mark can be protected under the FTDA *without* a showing of confusion,

[76] *TCPIP Holding Co. v. Haar Commc'ns*, 244 F.3d 88, 95 (2d Cir. 2001) (emphasis added). *See also id.* ("The [FTDA] offers no benefit to the consumer public – only to the owner.").

[77] J. Thomas McCarthy, 4 *McCarthy on Trademarks and Unfair Competition* § 24:72 (4th ed. 2008). McCarthy opines that "[i]t is difficult to understand why an anti-dilution law is invoked when the parties operate in competitive or closely related product or service lines. The legal theory of anti-dilution was conceived to protect strong marks against a diluting use by a junior users in a product or service line far removed from that in which the famous mark appears. Thus, using the anti-dilution law when the parties are competitors in the same market sounds a dissonant and false note. Why the need to invoke the 'super weapon' of anti-dilution law to resolve what appears to be a garden variety infringement case."). *But see Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 219 (2d Cir. 1999) ("While the antidilution statutes aim at a different harm than the infringement statute . . . we see no reason why dilution cannot occur . . . where the products are competing."), *abrogated on other grounds*, *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003).

[78] *Nabisco*, 191 F.3d at 215.

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"the standard for fame and distinctiveness required to obtain anti-dilution protection is more rigorous than that required to seek infringement protection."[79] It is not enough for a trademark holder to show that the mark has acquired secondary meaning. Rather, the plaintiff must demonstrate that the mark is *inherently distinctive* to prevail under the FTDA.[80]

A "plaintiff must show that the senior mark possesses both a significant degree of *inherent* distinctiveness and . . . a high degree of . . . *acquired* distinctiveness."[81] In general, the "'degree of fame required for protection under the FTDA must exist in the general marketplace, not in a niche market. Thus, fame limited to a particular channel of trade, segment of industry or service, or geographic region is not sufficient to meet that standard.'"[82]

A plaintiff must next demonstrate the existence of *actual* dilution,

[79] *Empresa Cubana del Tabaco v. Culbro Corp.*, No. 97 Civ. 8399, 2004 WL 602295, at *33 (S.D.N.Y. Mar. 26, 2004) (quotation marks and citation omitted).

[80] *See New York Stock Exch.*, 293 F.3d at 556-57.

[81] *Savin Corp. v. Savin Group*, 391 F.3d 439, 449 (2d Cir. 2004) (quotation marks omitted) (emphasis in original).

[82] *Id.* at 450 n.6 (quoting *Christopher D. Smithers Found., Inc. v. St. Luke's-Roosevelt Hosp. Ctr.*, 00 Civ. 5502, 2003 WL 115234, at *5-6 (S.D.N.Y. Jan. 13, 2003)).

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although it need not prove actual loss of sales or profits.[83] The Supreme Court has explained:

> [W]here 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 . . . . [S]uch mental association will not necessarily reduce the capacity of the famous mark to identify the goods of its owner . . . .[84]

In 2006, Congress enacted the TDRA, which replaced the FTDA in its entirety.[85] Under the TDRA, a trademark owner must still demonstrate that its mark is famous or "widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner."[86] While the TDRA reconfigured the factors used by courts to evaluate

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> The Supreme Court [in *Moseley*] in essence made it more difficult for dilution claims to succeed because plaintiffs face a much higher hurdle of demonstrating actual dilution, but the Court was silent as to the manner in which courts must evaluate plaintiffs' success in overcoming that hurdle. This silence could imply that a test designed to measure likelihood of dilution may not be appropriate to evaluate actual dilution, but we are left without firm guidance on the issue.

AutoZone, Inc. v. Tandy Corp., 373 F.3d 786, 804 (6th Cir. 2004).

[84] *Moseley*, 537 U.S. at 433.

[85] *See* Pub. L. No. 109-312, 120 Stat. 1730 (2006).

[86] 15 U.S.C. § 1125(c)(2)(A).

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fame, the "Second Circuit's requirement that 'the senior mark [must] be truly famous before a court will afford the owner of the mark the vast protections of the FTDA' remains unchanged . . . ."[87]

The TDRA also provides the owner of a famous mark with injunctive relief.[88] In addition to injunctive relief, the TDRA permits the recovery of monetary damages on a federal dilution claim where the owner of a famous mark establishes a likelihood of dilution.[89] The TDRA thus relaxed the burden of proof required to obtain monetary relief since the FTDA had required the owner to establish actual dilution. This relaxed standard, however, applies only if the mark "that is likely to cause dilution . . . was first used in commerce by the person against whom the injunction is sought *after October 6, 2006* . . . ."[90]

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[87] *Dan-Foam A/S v. Brand Name Beds, LLC*, 500 F. Supp. 2d 296, 307 n.90 (S.D.N.Y. 2007) (quoting *Savin Corp.*, 391 F.3d at 449).

[88] 15 U.S.C. § 1125(c)(5) ("[T]he owner of a famous mark shall be entitled to injunctive relief as set forth in section 1116 of this title."). Section 1116 empowers courts to "grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title." *Id.* § 1116.

[89] *See id.* § 1125(c)(5).

[90] *Id.* (emphasis added). *Accord Dan-Foam A/S*, 500 F. Supp. 2d at 308 ("Because the TDRA's relaxed likelihood of dilution standard applies only to pre-October 6, 2006 claims seeking prospective relief, actual dilution . . . still applies

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D. State Law Claims

1. Trademark Infringement and Unfair Competition

"The elements necessary to prevail on common law causes of action for trademark infringement 'mirror the Lanham Act claims.'"[91] A claim of unfair competition under New York law also requires evidence of defendant's bad faith.[92]

2. Trademark Dilution Under Section 360-1 of the New York General Business Law

Under New York General Business law, a "[l]ikelihood of . . . dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief . . . notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services."[93] To prevail on a claim under section 360-1 of the New York General Business Law, *first*, the plaintiff's trademark must be distinctive and *second*, the plaintiff must

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when a pre-October 6, 2006 claimant seeks monetary relief.").

[91] *Vuitton I*, 340 F. Supp. 2d at 436 (quoting *TCPIP Holding Co. v. Haar Commc'ns*, No. 99 Civ. 1825, 2004 WL 1620950, at *6 n.5 (S.D.N.Y. July 19, 2004)). *Accord Cartier Int'l B.V. v. Ben-Menachem*, No. 06 Civ. 3917, 2008 WL 64005, at *13 (S.D.N.Y. Jan. 3, 2008) ("The same acts that constitute trademark counterfeiting and unfair competition under federal laws give rise to [p]laintiffs' claims of common law trademark infringement and unfair competition, as well as unfair competition under New York law.").

[92] *See Vuitton I*, 340 F. Supp. 2d at 436.

[93] N.Y. Gen. Bus. Law § 360-1.

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show a likelihood of dilution.[94]

With respect to the first element, "[d]istinctiveness for dilution purposes often has been equated with the strength of a mark for infringement purposes."[95] "New York law accords protection against dilution to marks that are distinctive as a result of acquired secondary meaning as well as to those that are inherently distinctive."[96] Dilution under the second element can involve blurring or tarnishment.[97] "'To determine the likelihood of blurring, [courts look] to six factors, including: (i) the similarity of the marks; (ii) the similarity of the products covered; (iii) the sophistication of the consumers; (iv) the existence of predatory intent; (v) the renown of the senior mark; (vi) the renown of the junior mark.'"[98]

IV. DISCUSSION

As an initial matter, the parties dispute whether the findings of fact and conclusions of law reached by the Court at the preliminary injunction stage

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[94] *See Vuitton I*, 340 F. Supp. 2d at 436.

[95] *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1030 (2d Cir. 1989) (citations omitted).

[96] *New York Stock Exch.*, 293 F.3d at 557 (citation omitted).

[97] *See id.* (citation omitted).

[98] *Vuitton I*, 340 F. Supp. 2d at 437 (quoting *New York Stock Exch.*, 293 F.3d at 558).

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are relevant to the resolution of the instant motion. Louis Vuitton contends that Dooney & Bourke's references in its Local Rule 56.1 statement to those findings and conclusions are improper because the standard governing summary judgment is distinguishable from the standard on a motion to preliminarily enjoin activity.

Louis Vuitton is correct that the Court's findings of fact and conclusions of law made on a motion for preliminary injunction are not binding on the Court when deciding a motion for summary judgment. This is because the "parties are held to different standards of proof in preliminary injunction hearings than in motions for summary judgment and because findings of fact at the preliminary injunction stage are not as fully fleshed out as at the summary judgment stage . . . ."[99]

Although Dooney & Bourke is correct that the Court may consider those findings and conclusions on a summary judgment motion,[100] its proffer of statements made in the August 27, 2004 Opinion as undisputed facts is not helpful.[101] Even if Louis Vuitton does not dispute that those statements were once made, the Court must still conduct an independent inquiry based on the record, as it currently stands, to determine whether judgment can be granted as a matter of law.

A. Trademark Infringement Under the Lanham Act

After nearly four years of litigation, the parties continue to dispute the exact contours of the Monogram Multicolore mark. Specifically, in its Counterstatement of Material Facts pursuant to Local Rule 56.1, Louis Vuitton now claims that the Monogram Multicolore mark consists of "elements of the original Toile Monogram [t]rademark . . . thirty-three colors arranged and displayed with regularly spaced intervals in horizontal and diagonal rows, in a repeating fashion, on a white [] or a black background []."[102] This definition marginally expands the scope of the Monogram Multicolore mark, as originally defined. However, because Louis Vuitton has consistently defined the Monogram Multicolore mark, up until now, as the Toile Monogram trademark in the thirty-three Murakami colors set against the white or black background,[103] I continue to use that definition here.

The first prong of the test for trademark infringement requires that the Monogram Multicolore mark be entitled to protection. The Second Circuit has previously held that the mark is protectable under section 43(a) of the Lanham Act because it is inherently distinctive, and it has acquired secondary meaning.[104] Despite Louis Vuitton's assertion that "a genuine issue of fact exists on this important [] factor,"[105] nowhere does Dooney & Bourke actually dispute that the Monogram Multicolore mark is a valid mark entitled to protection. In the absence of any dispute on this prong, and because it is well-established based on ample evidence that the mark is inherently distinctive, and has acquired secondary

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[99] *DeSmeth v. Samsung Am.*, No. 92 Civ. 3710, 1998 WL 315469, at *2 (S.D.N.Y. June 16, 1998).

[100] *See Lanvin, Inc. v. Colonia, Inc.*, 776 F. Supp. 125, 127 (S.D.N.Y. 1991) (stating that "[i]n determining a motion for summary judgment, we may consider the Court's findings of fact and conclusions of law in a prior motion for preliminary injunction. However, those earlier findings are not binding . . . .").

[101] *See, e.g.*, Def. 56.1 ¶ 130 ("[T]here is absolutely no proof that Dooney & Bourke attempted to deceive consumers. *Vuitton [I]*, 340 F. Supp. 2d at 447, *aff'd*, *Vuitton [II]*, 454 F.3d at 118."). The Court is obviously aware of its own findings in 2004. Dooney & Bourke's citation to those findings in its Local Rule 56.1 statement was a waste of time, paper, and this Court's limited resources.

[102] *See, e.g.*, Pl. Counter 56.1 ¶ 18. *See also* Def. Response 56.1 ¶ 11 ("The cited evidence does not demonstrate that the [Monogram] Multicolore mark is 'colors arranged and displayed with regularly spaced intervals' in 'horizontal rows in a repeating fashion,' as LV now states . . . .").

[103] *See, e.g.*, *Vuitton II*, 454 F.3d at 115 ("Vuitton claims a new trademark, currently unregistered, consisting of a design plus color, that is, the traditional Vuitton Toile pattern design – entwined LV initials with the three already described motifs – displayed in the 33 Murakami colors and printed on a white or black background.").

[104] *See id.* at 116.

[105] Plaintiff Louis Vuitton Malletier's Memorandum of Law in Opposition to Defendant Dooney & Bourke, Inc.'s Motion for Summary Judgment ("Pl. Opp.") at 13.

meaning, there is no genuine issue of material fact on this prong.

The outcome of plaintiff's trademark infringement claim thus turns on the likelihood-of-confusion inquiry. I focus primarily on the *Polaroid* factors for which the parties dispute whether genuine issues of material fact remain.[106] The crux of Dooney & Bourke's motion for summary judgment on the trademark infringement claim is that Louis Vuitton has failed to put forth evidence demonstrating likelihood of confusion despite the fact that the allegedly infringing "It Bags" have been sold for four years.[107] According to Dooney & Bourke, "confusion has never occurred in the real world despite colossal sales of both products,"[108] and therefore there is no genuine issue of material fact as to whether

[106] It is "incumbent upon the district judge to engage in a deliberate review of each factor, and, if a factor is inapplicable to a case, to explain why." *Natural Organics, Inc. v. Nutraceutical Corp.*, 426 F.3d 576, 579 (2d Cir. 2005) (quotation marks omitted). The parties agree that the fourth *Polaroid* factor of "the likelihood that plaintiff will bridge the gap" is not an issue here and need not be considered. *See* Pl. Opp. at 14 n.5; Dooney & Bourke's Memorandum of Law in Support of its Motion for Summary Judgment ("Def. Mem.") at 13 n.11. Dooney & Bourke contends that even if the remaining two *Polaroid* factors – "the strength of plaintiff's mark" and "the proximity of the products" – weigh in Louis Vuitton's favor, "the outcome of the *Polaroid* analysis on likelihood of confusion must still favor" Dooney & Bourke. Def. Mem. at 13 n.11. Because there is no genuine issue of material fact as to either factor, both *Polaroid* factors weigh in Louis Vuitton's favor.

[107] Def. Mem. at 3-13.

[108] Dooney & Bourke's Reply Memorandum of Law in Further Support of its Motion for Summary Judgment at 1.

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consumers are likely to be confused. Louis Vuitton contends that because a reasonable juror could find that the design featured on Dooney & Bourke's "It Bags" is likely to cause confusion, summary judgment is precluded.[109]

1. The Second *Polaroid* Factor: Similarity Between Plaintiff's and Defendant's Marks

In considering similarity, courts must assess whether the "overall impression" created by the marks at issue in relation to the "context in which they are found" is likely to confuse prospective customers.[110] Because the Second Circuit has made clear that "market conditions must be examined closely to see whether the differences between the marks are 'likely to be memorable enough to dispel confusion on serial viewing,'"[111] the Court has carefully considered all of the evidence in the record with this guidance in mind. Based on that review, I hold that plaintiff has offered no proof that the similarity in the marks is likely to confuse ordinary consumers, whether it is at the point of initial interest, point-of-sale, or post-sale, and the differences between the marks are "likely to be

[109] *See* Pl. Opp. at 13.

[110] *Gruner + Jahr*, 991 F.2d at 1079.

[111] *Vuitton II*, 454 F.3d at 118 (quoting *Burlington Coat Factory*, 426 F.3d at 538).

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memorable enough to dispel confusion" even under market conditions.[112]

As I have previously observed, there are obvious similarities between the products bearing the marks at issue. Most notably, both the Louis Vuitton and Dooney & Bourke handbags feature multicolored monograms set against a white or black background. In market as well as social settings, consumers would likely view the handbags sequentially or serially rather than simultaneously, from a distance rather than at close-range, and subject to varying lighting conditions. Considering real-world conditions "is merely an application of the general rule that the job of a decision-maker is not to make a personal evaluation of the marks as shown on exhibits side-by-side in a brief or displayed in blown-up reproductions conveniently placed next to each other on easels in a courtroom."[113]

Even when viewed in market and social settings, from afar, and at

[112] *Id.* (quotation marks omitted). Louis Vuitton appears to claim only initial interest and post-sale confusion. Initial interest confusion is defined as "confusion that creates initial customer interest, even though no actual sale is finally completed as a result of the confusion." "[E]ven if the marks are almost identical, initial interest confusion is not assumed and must be proven by the evidence." 4 McCarthy § 23:6. Post-sale confusion "can occur when a manufacturer of knockoff goods offers consumers a cheap knockoff copy of the original manufacturer's more expensive product, thus allowing a buyer to acquire the prestige of owning what appears to be the more expensive product." *Hermes Int'l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 108 (2d Cir. 2000).

[113] 4 McCarthy § 23:58. *Accord Burlington Coat Factory*, 426 F.3d at 539.

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different times, there are a number of key, discernible dissimilarities that preclude a finding that consumers would consider the marks confusingly similar. *First,* Louis Vuitton's Monogram Multicolore mark consists of its well-recognized, strong, and inherently distinctive Toile Monogram mark. Dooney & Bourke's "It Bags" prominently feature the "DB" registered trademark. Although the background color may be the same – either white or black – the monograms and their positioning on that background distinguish the products even when viewed "in public from a distance, in a store window, from across a room, from a passing car, [] while walking in the street,"[114] in an advertisement, or hanging off of a woman's shoulder, by way of examples.

The "LV" in the Monogram Multicolore mark is significantly larger in font size than Dooney & Bourke's "DB," and plaintiff's mark unmistakably includes three geometric shapes that are evenly interspersed across the design. In fact, the geometric shapes themselves constitute a significant portion of the design. Even when viewed in marketplace conditions, it is plainly discernible that the Monogram Multicolore mark is a combination of letters *and* shapes. In contrast, the design on Dooney & Bourke's "It Bags" is solely comprised of the "DB"

[114] Declaration of Heather Vandenberghe, Vice President of Marketing and Communications for Louis Vuitton North America ("Vandenberghe Decl."), in Opposition to Dooney's Motion for Summary Judgment, ¶ 9.

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monogram, without any other shapes whatsoever.

Second, the undisputed evidence shows that each monogram or shape that comprises the Louis Vuitton's Monogram Multicolore mark bears a single color. For example, both the "L" and the "V" that comprise a single "LV" monogram on a handbag are the same color. In contrast, the "D" and the "B" comprising a single "DB" monogram on a handbag bear different colors. The impressions created by the handbags' differing presentations of color are distinct as well as distinguishable. The color scheme on the Dooney & Bourke handbags creates a softer, unfocused effect, while the Monogram Multicolore mark presents crisp, bold, individual colors that appear more as a collection of distinct colors.

In light of the key dissimilarities between the marks at issue and the existence of defendant's prominent and registered trademark on the products bearing the allegedly infringing mark, the differences are "likely to be memorable enough to dispel confusion on serial viewing."[115] As a result, this factor favors defendant.

2. The Fifth *Polaroid* Factor: Actual Confusion Between the Products

Louis Vuitton asserts that two genuine issues of material fact on this

[115] *Burlington Coat Factory*, 426 F.3d at 538.

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Polaroid factor remain in dispute: *first*, "[w]hether consumers have been confused by Dooney's marks, including as to whether products bearing them are Louis Vuitton products;" and *second*, "[w]hether the decline in Louis Vuitton's U.S. sales of products under its Monogram Multicolore [m]arks, versus the upward trend in the rest of the world where Dooney does not sell products, was the result of Dooney's use of multicolored monogram marks . . . that confused and diverted customers . . . ."[116] Louis Vuitton further contends that because it has obtained evidence of actual confusion since the Court's finding at the preliminary injunction stage this factor weighs in favor of defendant.

Dooney & Bourke argues that Louis Vuitton has still failed to produce any evidence that even a single consumer was actually confused about source or sponsorship of the "It Bags" during the past four years and instead continues to rely on previously-rejected evidence. It is well-established that Louis Vuitton need not show actual confusion in order to prevail on its claim, but "'[t]here can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion.'"[117] In order to prove actual confusion,

[116] Plaintiff Louis Vuitton's Statement of Material Facts Precluding Summary Judgment ¶¶ 320-321.

[117] *Savin Corp.*, 391 F.3d at 459 (quoting *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971)).

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however, Louis Vuitton must put forth more than a "'single anecdote [] of confusion over the entire course of competition'" because de minimis evidence is insufficient to raise a triable issue.[118]

The evidence submitted both in support of and in opposition to the instant motion fails to raise a genuine issue of material fact as to actual confusion. The Second Circuit has made clear that "[i]f consumers have been exposed to two allegedly similar trademarks in the marketplace for an adequate period of time and no actual confusion is detected . . . that can be a powerful indication that the junior trademark does not cause a meaningful likelihood of confusion."[119] It is undisputed that Louis Vuitton has sought evidence of consumer confusion generated by the sale of Dooney & Bourke's "It Bags" from 2003 through at least 2007.[120] Despite these efforts, Louis Vuitton continues to point to what amounts

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[118] *Id.* (quoting *Nora Beverages*, 269 F.3d at 124) (finding that evidence of a single incident where "someone who had previously sold an exhibit to [d]efendants mistakenly concluded that one of [p]laintiff's executives was associated with [defendants]" constituted de minimis evidence of actual confusion, and weighing that factor in defendants' favor).

[119] *Nabisco*, 191 F.3d at 228. *See* 4 McCarthy § 23:18 ("Weight is given to a failure to prove instances of actual confusion only in instances where the relevant products have coexisted in the market for a long period of time. However, as the duration of non-confusing co-existence stretches into years, the force of the inference strengthens.") (quotation marks omitted).

[120] *See* Def. 56.1 ¶ 46.

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to de minimis evidence of confusion – whether initial, reverse, or post-sale – particularly considering the number of years these products have been on the market and the volume of sales they have generated.[121] Indeed, at her November 2006 deposition, Louis Vuitton's director of intellectual property, Nathalie Moullé-Berteaux, testified that she had no recollection of any new incidents or examples of consumer confusion since the preliminary injunction hearing in 2004.[122]

A very generous reading of the declarations submitted by Louis Vuitton's sales associates and the email evidence reveals, at most, a de minimis number of instances of what might be considered actual consumer confusion. Rather, the vast majority of the evidence on actual confusion submitted by Louis Vuitton solely suggests that Dooney & Bourke's "It Bag" design may "call to mind" the Monogram Multicolore mark, or vice versa. As an example of actual confusion, Louis Vuitton's sales associate asserts that "in or about May 2005, a group of young girls were in the [Louis Vuitton] store . . . [o]ne . . . carried a multicolor Dooney & Bourke bag and while holding her bag close to the Louis

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[121] Louis Vuitton's products bearing the Monogram Multicolore mark have now been on the market for more than four and a half years and, as of November 2006, have generated total sales of almost $145 million. *See id.* ¶ 73.

[122] *See id.* ¶ 50.

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Vuitton multicolor display said . . . , 'Look, my bag looks almost identical to the Louis Vuitton!'"[123] "[W]hile the junior user's mark may call to mind the senior user's famous mark, this alone is not sufficient for a likelihood of confusion."[124] Indeed, the "'very fact of calling to mind may indicate that the mind is distinguishing rather than being confused by the two marks.'"[125]

Here, Louis Vuitton's evidence actually demonstrates that despite the fact that one source's bag may remind some consumers of the bags of another source, consumers are generally aware that the two multi-colored and monogrammed designs come from different, unaffiliated sources which they were

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[123] *See* Declaration of Danika Quinones, retail sales associate for Louis Vuitton, Ex. K to Selb Decl., ¶ 4. *See also* Declaration of Annabelle Huynh, retail sales associate for Louis Vuitton, Ex. K to Selb Decl., ¶ 4 ("In or about the last two months, I assisted a female customer who was with another female customer and showed them a Louis Vuitton 'Eliza' bag. The women said they did not like it because it looked just like the multicolor Dooney & Bourke bag one of the women was carrying. The women said that Louis Vuitton copied Dooney & Bourke.").

[124] 4 McCarthy § 23:9 (citation omitted). *Compare Burlington Coat Factory*, 426 F.3d at 538 n.3 ("Even if a consumer can differentiate between two products, the question is whether, and to what degree, the look of the junior user's product calls to mind the senior user's product") *with Vuitton IV*, 525 F. Supp. 2d at 593-94 (noting that in *Burlington Coat Factory*, Louis Vuitton claimed trade dress infringement in addition to trademark infringement, and the "calls to mind" language from that opinion refers to the "look" or trade dress of a product, which the parties agree is not at issue in the instant case).

[125] 4 McCarthy § 23:9 (quoting *Application of Ferrero*, 479 F.2d 1395, 1397 (C.C.P.A. 1973)).

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able to distinguish and identify by name. The fact that some consumers believed that Louis Vuitton copied Dooney & Bourke's design weighs in defendant's favor because it tends to show that consumers are not misled as to the source, sponsorship, or affiliation of Dooney & Bourke's products with Louis Vuitton. Indeed, they recognize that their products are distinct and originate from independent and unaffiliated sources.[126]

Even the testimony of Louis Vuitton's director of intellectual property suggests that Louis Vuitton's infringement claim is not necessarily premised on a likelihood of confusion between its products and those of defendant, but rather Louis Vuitton's distaste at being associated with the "It Bags."[127] The evidence, however, fails to demonstrate that this "association," which Louis Vuitton disdains, amounts to consumer confusion as to the sponsorship, affiliation, or connection between the marks at issue. Moreover, the

[126] *See id.* § 24:69 ("Traditional trademark infringement involves mistakenly connecting similar marks with the same source or an affiliate source. Similar marks: one source.").

[127] *See* 11/15/06 Deposition of Nathalie Moullé-Berteaux, plaintiff's director of intellectual property, Ex. C to Selb Decl., at 101:5-8, 101:24-102:2 (Defendant's counsel: "So you think [Louis Vuitton] has good grounds to claim of [sic] infringement if people simply think of Louis Vuitton but don't believe these [*i.e.*, Dooney & Bourke "It Bags"] are Louis Vuitton bags; correct?" [Objections omitted] Witness: "Okay. What I am saying is making association with [–] it is whether or not they are likely to be confused.").

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extremely scant number of instances on which Louis Vuitton relies as evidence of consumer confusion as to sponsorship or affiliation constitutes de mimimis evidence that is insufficient to raise a triable issue of material fact.[128]

Because so little of Louis Vuitton's evidence indicates any confusion as to source, sponsorship, or affiliation between the products of plaintiff and defendant, no reasonable juror could find that actual confusion exists. This factor, therefore, weighs in defendant's favor.[129]

3. The Sixth *Polaroid* Factor: Defendant's Good or Bad Faith in Adopting the Mark

The crux of Dooney & Bourke's argument here is that because this Court has previously found no proof of willful deceit in Dooney's adoption of its

[128] *See Louis Vuitton Malletier v. Burlington Coat Factory*, No. 06 Civ. 2540, 2007 WL 627453, at *2 (S.D.N.Y. Jan. 18, 2007) ("In applying the *Polaroid* factors during resolution of the parties' claims at a trial on the merits, the [] [c]ourt should consider not only the potential for consumer confusion as to the *source* of the marks in question, but [] also . . . the potential for confusion as to the sponsorship, affiliation, connection, or identification of those marks.") (quotation marks omitted) (emphasis in original).

[129] *See, e.g.*, *Atlantic Richfield Co. v. Arcos Global Int'l Co.*, No. 95 Civ. 6361, 1997 WL 607488, at *8 (S.D.N.Y. May 29, 1997) (dismissing plaintiff's complaint and directing entry of judgment in favor of defendants where, inter alia, plaintiff failed to show any meaningful instances of actual confusion in support of this *Polaroid* factor, and stating that "isolated instances of confusion, especially by unidentified individuals after the commencement of litigation, is insufficient to establish a likelihood of confusion").

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mark and because Louis Vuitton has failed to produce any probative evidence since then, this factor continues to weigh in defendant's favor. Louis Vuitton argues that genuine issues of material fact exist with respect to this factor, including, inter alia, "whether [Peter] Dooney preselected the infringing marks and used the 'It Team' as a smokescreen to deceive the public," and "whether Dooney created false waiting lists to confuse the public into associating its bags with those sold under the Monogram Multicolore [m]arks . . . ."[130]

In support of its opposition, Louis Vuitton has also submitted the report of its expert, Dr. Richard A. Holub, on the overlapping use of colors in the marks at issue, and for the limited purpose of proving defendant's intent to copy. Dr. Holub testified that six of the seven colors used by Dooney & Bourke on its black bags and seven of the nine colors used on the white bags are "very similar" to the corresponding colors on Louis Vuitton's bags.[131] He further testified that this overlap in colors is striking – and Louis Vuitton argues that this speaks to Dooney's intent – because Dooney could have chosen from thousands of distinct colors for its monogram design.[132]

[130] Pl. Opp. at 19.

[131] Declaration of Richard A. Holub ¶ 13.

[132] *See id.* ¶ 17.

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The Second Circuit has suggested that evidence on this *Polaroid* factor is insufficient when it solely demonstrates that a defendant was aware of a plaintiff's marks before proceeding to use its own modified version.[133] Where there is "no evidence that the [defendant] acted in bad faith in any sense relevant to the Lanham Act, that is, by deceiving customers into believing that its products [] were related to" the plaintiff, this factor favors defendant.[134] While the evidence proffered by Louis Vuitton on this factor is not necessarily convincing, a jury could conclude that the discrepancies, however minor, in testimony regarding the genesis of the "It Bags" coupled with the expert testimony on the proximity between Dooney's color palette and the Murakami colors suggest that Peter Dooney was aware of the Monogram Multicolore mark and may have imitated or been inspired by certain "design features" or the look of products bearing the mark.[135] However, there continues to be no proof that Dooney & Bourke acted in bad faith or attempted to deceive consumers in any way relevant to the Lanham Act.

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133 *See New York Stock Exch.*, 293 F.3d at 556 n.1.

134 *Id.*

135 Pl. Opp. at 20.

4. The Seventh *Polaroid* Factor: The Quality of Defendant's Product

According to Dooney & Bourke, there is no serious dispute that both parties' products are generally considered to be of high quality and regard.[136] The Second Circuit has observed, however, that a "marked difference in quality . . . actually tends to reduce the likelihood of confusion . . . because buyers will be less likely to assume that the senior user whose product is high-quality will have produced the lesser-quality products of the junior user."[137] Louis Vuitton does not allege that Dooney & Bourke's products are inferior, nor is there any evidence in the record substantiating the high or low quality of defendant's products relative to those of plaintiff. As a result, this factor is neutral as a matter of law.

5. The Eighth *Polaroid* Factor: The Sophistication of the Buyers

Dooney & Bourke contends that consumers who purchase its handbags and those of Louis Vuitton are sophisticated about brand identity. Therefore, according to Dooney & Bourke, this factor weighs in its favor because discerning consumers are less likely to be confused about source, sponsorship, or affiliation. "If the goods are expensive, the reasonably prudent buyer does not buy casually, but only after careful consideration. Thus, confusion is less likely than where the goods are cheap and bought casually."[138]

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136 *See* Def. Mem. at 12-13.

137 *Savin Corp.*, 391 F.3d at 461.

Louis Vuitton argues that "the significance of this factor depends on the circumstances and the nature of the confusion at issue" because the sophistication of direct purchasers has no effect on post-sale confusion.[139] Moreover, according to Louis Vuitton, Dooney & Bourke's "It Bags" were targeted at consumers who are teenagers and are presumptively not sophisticated.

It cannot be reasonably disputed that consumers of products offered by both Louis Vuitton and Dooney & Bourke are sophisticated and discerning. Moreover, while Louis Vuitton's handbags are, on average, more costly than those sold by Dooney & Bourke, the evidence shows that there is an overlap among consumers of both brands.[140]

This factor slightly favors Dooney & Bourke. On the one hand,

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138 4 McCarthy § 23:96 (citation omitted).

139 Pl. Opp. at 22-23 (citing *T. Anthony, Ltd. v. Louis Vuitton Malletier*, 30 U.S.P.Q.2d 1214, 1218 (S.D.N.Y. 1993)).

140 *See, e.g.*, 1/27/04 Email to Dooney & Bourke, Ex. K to LeGrand Decl., at K-02 ("I was going to buy a Dooney [&] Bourke "It" style bag with the proceeds of my handbags but instead I will purchase a Coach or a Louis Vuitton."). *Accord* 9/9/06 Email from "Mark and Paula" to Dooney & Bourke, Ex. K to LeGrand Decl., at K-10 ("Even though this is an old style and I have several other Dooney/Coach/Burberry and Louis Vuitton purses[,] this is one of my favorites and I would like to get it done as soon as possible.").

consumers of quality, expensive handbags – made by Louis Vuitton, Dooney & Bourke, and other high-end brands – tend to be sophisticated, hyper fashion-conscious, and are not likely to be easily confused regardless of their youth. On the other hand, Louis Vuitton alleges, inter alia, post-sale confusion and the sophistication of direct purchasers does not necessarily bear on those who might be confused in the post-sale context.[141]

6. Balancing the *Polaroid* Factors and Other Considerations

For the reasons set forth above, the majority of the *Polaroid* factors weigh in Dooney & Bourke's favor, leading the Court to conclude that defendant has demonstrated that there is no genuine issue of material fact on the likelihood of confusion among consumers as to the source, affiliation, or sponsorship of the handbags at issue.[142] Summary judgment on a trademark infringement claim is

[141] However, most cases finding actionable post-sale confusion involve a defendant's counterfeit or "knock-off" copies of the plaintiff's product. *See, e.g.*, *Cartier v. Symbolix, Inc.*, 386 F. Supp. 2d 354 (S.D.N.Y. 2005).

[142] *See, e.g.*, *Savin Corp.*, 391 F.3d at 462 (affirming grant of summary judgment in favor of defendant on trademark infringement claim where the balance of the *Polaroid* factors weighed in defendant's favor even though one of the factors favored plaintiff); *Playtex*, 390 F.3d at 166-67 (affirming grant of summary judgment in favor of defendant on trademark infringement claim where the court held that, on balance, the *Polaroid* factors favored defendant); *Sly Magazine, LLC v. Weider Publ'ns L.L.C.*, 529 F. Supp. 2d 425, 442 (S.D.N.Y. 2007) (granting defendants summary judgment on trademark infringement claim where all *Polaroid* factors weighed in defendants' favor and the court therefore

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appropriate where the *Polaroid* analysis reveals that "undisputed evidence would lead to only one conclusion."[143] Although Louis Vuitton's mark is strong and there is a proximity between the products, no one factor is determinative and the *Polaroid* factors cannot be balanced according to a mathematical formula. Rather, considering all of the evidence and evaluating the *Polaroid* factors, a reasonable jury could only conclude that Dooney & Bourke's mark is not likely to cause confusion with Louis Vuitton's Monogram Multicolore mark. Accordingly, defendant's motion for summary judgment on plaintiff's trademark infringement claim is granted.

B. Trademark Dilution Under the Lanham Act[144]

In contrast to trademark infringement, a cause of action for trademark dilution seeks to prevent the "diminution of the strength of the famous mark []

concluded that there was no genuine issue of material fact as to the likelihood of consumer confusion); *Verilux, Inc. v. Hahn*, No. 3:05 Civ. 254, 2007 WL 2318819, at *9 (D. Conn. Aug. 10, 2007) (granting defendants summary judgment on trademark infringement claim because plaintiff had failed to "raise a genuine issue of material fact as to whether there exists a likelihood of confusion between the source of defendants' and its products" where two *Polaroid* factors supported plaintiff's claim but the balance of the factors did not).

[143] *The Sports Auth., Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 960 (2d Cir. 1996).

[144] As set forth above, the FTDA governs Louis Vuitton's federal dilution claim insofar as it seeks monetary damages, and the TDRA governs its claim for injunctive relief. *See supra* Part II. B.

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even though no confusion as to source, sponsorship, affiliation or connection has occurred."[145] As a result, "[d]ilution by blurring is not just another name for the injury to a trademark caused by confusion and mistake . . . [it] is a name for a kind of erosion of the strength of a mark that could occur in the *absence* of consumer confusion."[146] "[D]ilution presupposes no mental confusion over affiliation or connection, but rather a state of mind that recognizes independent sources and affiliation."[147]

The Second Circuit has made clear that a "plaintiff cannot prevail on a state or federal dilution claim unless the marks at issue are 'very' or 'substantially similar.'"[148] Here, as previously discussed, because fundamental differences distinguish the marks at issue, they are not sufficiently similar to

[145] 4 McCarthy § 24:69.

[146] *Id.* "The dilution theory grants protection to a strong, well-recognized mark *even in the absence of a likelihood of confusion*, if defendant's use is such as to be likely to diminish or dilute the strong identification value of the plaintiff's mark . . . ." *Id.* § 24:72 (emphasis added). Here, Louis Vuitton claims dilution by blurring under the Lanham Act. *See, e.g.*, Pl. Opp. at 8.

[147] 4 McCarthy § 24:72.

[148] *Playtex*, 390 F.3d at 167 (quoting *Federal Express Corp. v. Fed. Espresso, Inc.*, 201 F.3d 168, 176 (2d Cir. 2000)).

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sustain a dilution claim.[149] Notwithstanding this holding, I assess the other elements of Louis Vuitton's federal dilution claim.

1. Famousness of Mark

Dooney & Bourke contends that Louis Vuitton's Monogram Multicolore mark was not sufficiently famous – *i.e.*, "widely recognized by the general consuming public . . . as a designation of source of the goods or services of the mark's owner"[150] – prior to defendant's introduction of the "It Bags" in July 2003. Citing Louis Vuitton's targeted advertising and its limited sales as of July 2003, Dooney & Bourke argues that the Monogram Multicolore mark had not attained the requisite level of fame to sustain a dilution claim as a matter of law.

According to Louis Vuitton, this argument creates a genuine issue of

[149] *Compare id.* (affirming district court's grant of defendant's motion for summary judgment on dilution claim where the marks at issue – "Wet Ones" versus "Quilted Northern Moist-Ones" – were not sufficiently similar to sustain the claim) *with Adidas Am., Inc. v. Payless Shoesource, Inc.*, No. CV 01-1655, 2008 WL 508060, at *23 (D. Or. Feb. 22, 2008) (holding that a reasonable juror could find plaintiff's three-stripe mark and defendant's four-stripe design to be sufficiently close and in fact, nearly identical). *See Playtex Prods., Inc. v. Georgia-Pacific Inc.*, No. 02 Civ. 7848, 2003 WL 21939706, at *8 (S.D.N.Y. Aug. 12, 2003) ("Because I concluded above that the dissimilarity [between plaintiff's mark and defendant's mark] was a major reason that there was no likelihood of consumer confusion [with respect to the trademark infringement claim], it follows that the marks are not sufficiently similar to support a claim for dilution under either the federal or state statute."), *aff'd*, 390 F.3d 158 (2d Cir. 2004).

[150] 15 U.S.C. § 1125(c)(1).

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material fact with respect to the Monogram Multicolore mark's fame as of July 2003. I disagree. Despite Louis Vuitton's apparent willingness to have this issue resolved by the fact-finder, there is no genuine issue of material fact. Louis Vuitton's own evidence demonstrates the distinctive quality and great degree of recognition enjoyed by the Monogram Multicolore mark, even by July 2003, and even outside of the fashionista world. For example, according to Louis Vuitton North America's Vice President of Marketing and Communications, the company engaged in "widespread advertising, publicity, promotion and sales of products bearing the Monogram Multicolore [m]ark[]," and enjoyed a deluge of unsolicited media coverage and attention.[151]

Moreover, notwithstanding Dooney & Bourke's contention that Louis Vuitton's "limited advertising did not have [] geographic or demographic reach,"[152] Louis Vuitton spent more money on advertising products bearing the Monogram Multicolore mark in 2003 than during any other year since their

[151] Vandenberghe Decl. ¶ 29. *See id.* ¶¶ 16-18. *See also id.* ¶ 29 (stating that the publication *Women's Wear Daily* ranked Louis Vuitton as the ninth most recognized accessory brand in the United States in its *June 2003* listing, and "attributed the success in consumer recognition in part to the Louis Vuitton handbags bearing the Monogram Multicolore [m]arks") (emphasis added).

[152] Def. Mem. at 20.

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launch.[153] The evidence adequately demonstrates that, far beyond a narrow, niche market, the Monogram Multicolore mark achieved a high level of fame in the broad fashion market by early to mid-2003. Therefore, even under the high standard of fame required to sustain a dilution claim, the Monogram Multicolore mark meets that standard as a matter of law.

2. Evidence of Actual Dilution

Louis Vuitton must establish actual dilution in order to recover monetary damages on its dilution claim. However, its anecdotal evidence on actual dilution continues to be insufficient as a matter of law. At most, Louis Vuitton's evidence demonstrates that "consumers mentally associate the junior user's mark with a famous mark."[154] But, as the Supreme Court has made clear, "such mental association is not sufficient to establish actionable dilution" because it does not necessarily "reduce the capacity of the famous mark to identify the goods of its owner, the statutory requirement for dilution under the FTDA."[155] Indeed, "[b]lurring is not a necessary consequence of mental association."[156]

[153] *See* Vandenberghe Decl. ¶ 27.

[154] *Moseley*, 537 U.S. at 433.

[155] *Id.*

[156] *Id.* at 434.

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The record establishes that a number of consumers mentally associated Louis Vuitton's products bearing the Monogram Multicolore mark with Dooney & Bourke's "It Bags," and vice versa. However, similar to the Supreme Court's observation in *Moseley*, "[t]here is a complete absence of evidence of any lessening of the capacity" of the Monogram Multicolore mark "to identify and distinguish the goods or services" offered by Louis Vuitton.[157] In fact, the evidence demonstrates that, rather than eroding the strength of Louis Vuitton's mark, some consumers that made the mental association between the marks at issue directed any "offense" they might have felt from the association towards defendant rather than plaintiff.[158] While some of the evidence shows that certain consumers preferred the "It Bags" for various reasons, it does not sufficiently raise any genuine issues of fact as to the impact of the "It Bags" on the strength of the Monogram Multicolore mark.[159] As Louis Vuitton's own witness affirmed, Louis

[157] *Moseley*, 537 U.S. at 434.

[158] *See, e.g.*, Pl. Counter 56.1 ¶ 175 ("A Dooney employee directed to collect comments from customers in the ordinary course of business wrote that several customers were turned off to the Dooney It Bags because they thought that it [sic] looked like a Louis Vuitton 'knock-off.'"). *See also Moseley*, 537 U.S. at 434 (stating that an individual who saw an advertisement for defendant's store, which bore the allegedly diluting mark as its name, was offended by it but his offense was directed at the defendant and his opinion of plaintiff was not altered).

[159] *See, e.g.*, Pl. Counter 56.1 ¶ 175.

Vuitton's reputation and standing in the handbag industry has only increased since 2002, despite the introduction and success of the "It Bags" in the market.[160]

C. State Law Claims

1. Trademark Infringement and Unfair Competition

For the reasons set forth above in Part IV.A, no reasonable juror could conclude that there is a likelihood of confusion between the marks at issue for purposes of the Lanham Act. Accordingly, Louis Vuitton's claim under New York law fails as a matter of law for those same reasons.

2. Trademark Dilution

There is no genuine issue of material fact that Louis Vuitton's Monogram Multicolore mark is distinctive. Under the six-factor framework for

[160] *See, e.g.*, 7/7/07 Deposition of Nathalie Moulle-Berteaux, Ex. B to Selb Decl., at 38:5-25 (Defendant's counsel: "Has Louis Vuitton's goodwill, reputation and standing in the handbag industry grown throughout the period since 2002?" Moulle-Berteaux: "I do think so, yes."). Additionally, for the reasons set forth in *Vuitton IV* with respect to plaintiff's now-excluded expert Mr. Weston Anson, the substantively similar "evidence" now put forth by plaintiff's witness Guillaume Cardon, Financial Control Manager for Louis Vuitton, fails to raise a genuine issue of material fact because it is "simply not probative of dilution under the substantive law." *Vuitton IV*, 525 F. Supp. 2d at 662-64 (noting that plaintiff has made no effort to "connect a loss of sales in the United States to a loss of reputation on the part of Louis Vuitton and [it] cites no case law to support the proposition that a plaintiff's loss of sales coincident with a defendant's achieving 'critical mass' in the marketplace necessarily implies a loss of reputation" or an erosion of the strength of plaintiff's mark).

assessing likelihood of dilution by blurring under New York law, no reasonable jury could conclude that Louis Vuitton's Monogram Multicolore mark has been diluted. *First*, for the reasons stated above, the marks are not similar even when viewed in market conditions and considering similarity from an initial interest or post-sale perspective.[161] Similar to the dilution claim brought under the Lanham Act, I continue to assess the state law dilution claim notwithstanding the holding that the marks are not similar as a matter of law.[162]

Second, as set forth earlier, Louis Vuitton and Dooney & Bourke overlap in their consumer bases, and there is no evidence demonstrating any lack of sophistication of the consumers that comprise those bases. Instead, the evidence shows that these consumers are discerning and knowledgeable with respect to the handbag market.

Third, there is some evidence that might suggest that Dooney & Bourke "adopted its mark hoping to benefit commercially from association with

[161] Because "[o]ne of the factors to be considered for determining likelihood of dilution is also a factor in likelihood of confusion analysis for trademark claims under the Lanham Act" – *i.e.*, similarity of the marks – the Court assesses this factor "in a similar fashion as [it has done] under the Lanham Act." *Vuitton II*, 454 F.3d at 119.

[162] *See Savin Corp.*, 391 F.3d at 455 ("A prerequisite to a finding of dilution is that the marks are substantially similar.") (quotation marks omitted).

the senior mark."[163] However, this evidence is de minimis and this factor is not dispositive but is just one of the factors for courts to weigh when assessing likelihood of blurring.

Fourth, while the similarity of the products covered – *i.e.*, handbags and accessories – and the renown of the senior mark favor Louis Vuitton, the Court must balance all of the factors.[164] Balancing those factors, it is clear that, given the dissimilarities between the marks, the general sophistication of the consumers, and the de minimis nature of the proffered evidence on predatory intent, there is no genuine issue of material fact that remains to be resolved by the fact-finder. Because there is no diminution of the capacity of Louis Vuitton's mark to serve as a unique identifier of its source, Dooney & Bourke is granted summary judgment on the state law dilution claim as well.

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163 *Mead Data Cent.*, 875 F.2d at 1037 (citations omitted).

164 As I previously stated in *Vuitton I*, the renown of defendant's mark is largely irrelevant to the analysis here. "Ordinarily, renown of the junior user's mark weighs in the senior user's favor, under the theory that the junior mark might overwhelm the senior mark. But where, as here, the marks are not substantially similar, let alone identical, the concept of a junior user makes little sense and lacks relevance to the issue of dilution by blurring." *Vuitton I*, 340 F. Supp. 2d at 453 n.210.

V. CONCLUSION

For the reasons set forth above, defendant's motion for summary judgment is granted in its entirety. The Clerk of the Court is directed to close the motion [document no. 269] and this case.

SO ORDERED:

Shira A. Scheindlin
U.S.D.J.

Dated: New York, New York
May 28, 2008

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DECISION IN JOHNSON & JOHNSON

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FROM:	Rachel Wainer Apter, Law Clerk	
DATE:	May 14, 2008	
RE:	Johnson & Johnson v. The American National Red Cross, et al., 07 Civ 7061 (JSR)	
PAGES:	34 (including cover)	
MESSAGE:	Please see attached	

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JOHNSON & JOHNSON and JOHNSON & JOHNSON CONSUMER COMPANIES, INC.,

Plaintiffs,

-v-

THE AMERICAN NATIONAL RED CROSS, et al.,

Defendants.

07 Civ. 7061 (JSR)

OPINION AND ORDER

JED S. RAKOFF, U.S.D.J.

Section 706 of the federal criminal code, 18 U.S.C. § 706, provides:

> Whoever wears or displays the sign of the Red Cross or any insignia colored in imitation thereof for the fraudulent purpose of inducing the belief that he is a member of or an agent for the American National Red Cross; or
>
> Whoever, whether a corporation, association or person, other than the American National Red Cross and its duly authorized employees and agents and the sanitary and hospital authorities of the armed forces of the United States, uses the emblem of the Greek red cross on a white ground, or any sign or insignia made or colored in imitation thereof or the words 'Red Cross' or 'Geneva Cross' or any combination of these words --
>
> Shall be fined under this title or imprisoned not more than six months, or both.
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> This section shall not make unlawful the use of any such emblem, sign, insignia or words which was lawful on the date of enactment of this title.

18 U.S.C. § 706. The instant case presents the question of whether the American National Red Cross itself violated this provision when, beginning in 2005, it licensed four companies to manufacture and sell products displaying the Red Cross name and emblem. The answer is, No.

By way of background, on September 5, 2007 plaintiffs Johnson & Johnson and Johnson & Johnson Consumer Companies, Inc. (collectively, "J&J") filed an Amended Complaint against the American National Red Cross (more commonly called the American Red Cross, here abbreviated as "ARC") and against ARC's four licensees, Learning Curve International, Inc. ("Learning Curve"), Magla Products, LLC ("Magla"), Water-Jel Technologies, Inc. ("Water-Jel") and First Aid Only, Inc. ("FAO"). The Amended Complaint alleged eight causes of action (or "Counts"): (1) tortious interference by all defendants with plaintiffs' prospective economic advantage; (2) tortious interference by ARC with plaintiffs' existing contractual relations; (3) unfair competition by all defendants; (4) promissory estoppel against ARC; (5) unlawful dilution by all defendants of plaintiffs' federally protected trademark rights; (6) unlawful dilution by all defendants of plaintiffs' trademark rights under New York law; (7) breach of contract by FAO; and (8) breach of contract by Water-Jel. On September 20, 2007, defendant ARC filed three counterclaims against J&J alleging: (1) violation by J&J of 18 U.S.C. § 706; (2) cancellation of J&J's trademark; and (3) unfair competition by J&J. Codefendants Water-Jel, Magla, Learning Curve and FAO filed counterclaims against J&J alleging: (1) invalidity of J&J's trademark and (2) cancellation of J&J's trademark.

By Order dated November 5, 2007 and Memorandum Order dated January 2, 2008, the Court dismissed Count 4 (promissory estoppel) and limited Count 1 (tortious interference with prospective economic advantage) to interference with J&J's business relationships with four retailers: Target, Wal-Mart, Walgreens, and CVS. The parties

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then filed the summary judgment motions that are the subject of this Opinion and Order. Specifically, J&J moved for partial summary judgment in its favor on aspects of Counts 1, 2, 3, 5 and 6 and for summary judgment dismissing all of defendants' counterclaims in their entirety. All defendants moved for summary judgment dismissing Counts 1, 2, 3, 5 and 6 of the Amended Complaint, and ARC also moved for summary judgment in its favor on its first and second counterclaims.[1] For the reasons stated below, all of the motions are denied except for the portion of J&J's motion seeking dismissal of ARC's three counterclaims and the portion of defendants' motion seeking dismissal of Counts 1, 3, 5 and 6 of the Amended Complaint.

The Court turns first to J&J's motion for partial summary judgment on counts 1, 2, 3, 5, and 6. Specifically, J&J "moves for summary judgment that ARC has acted illegally in authorizing third parties to sell branded red cross products through commercial channels of trade, and that ARC's codefendants are acting illegally in doing so." See Plaintiff's Memorandum of Law in Support of Motion for Summary Judgment ("Pl. Mem.") at 3.[2] The illegality, J&J argues, consists of violations of (a) Section 706 (supra), (b) ARC's federal charter, and © the international agreement known as the Geneva

[1] The defendants also moved to strike the expert report of Kenneth B. Germain submitted by plaintiffs. For the reasons stated hereafter, this motion is denied as moot.

[2] Plaintiff has failed to explain, and it is unclear to the Court, how the alleged illegality impacts Count 2.

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Convention.[3] The relevant provisions of these various laws are best considered chronologically.

As is well known, the Geneva Convention first came into existence as the result of the efforts of Henry Dunant, a Swiss businessman, to foster international humanitarian treaties designed to protect those engaged in assisting the wounded on battlefields. To this end, the first Geneva Convention, promulgated in 1864 (and ratified by the United States in 1882), provided that "[a] distinctive and uniform flag shall be adopted for hospitals, ambulances and evacuations . . . The flag . . . shall bear a red cross on a white ground." See Convention for the Amelioration of the Wounded in Armies in the Field, Aug. 22, 1864, art. 7, 22 Stat. 940, 944; Appendix II In Support of J&J's Motion for Summary Judgment ("App. II"), Tab 22.

The first Geneva Convention also contemplated that rescue groups utilizing the red cross symbol would be established in every country ratifying the Convention. In the case of the United States, Clara Barton, in 1881, incorporated the predecessor of the ARC. Defendants' Statement of Material Undisputed Facts Pursuant to Local Civil Rule 56.1 ("Def. 56.1") ¶ 4; Plaintiffs' Response to

[3] J&J's now concedes that genuine disputes of fact preclude J&J's obtaining partial summary judgment on its further claim that ARC's conduct also violated the regulations of the International Committee of the Red Cross ("ICRC"). See Plaintiff's Reply Memorandum of Law in Support of J&J's Motion for Summary Judgment ("Pl. Rep.") at 17 ("ARC has raised a factual issue about whether the ICRC Regulations last revised in 1991 are binding on ARC, and so the Court should not rely on them now").

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Defendants' Statement of Undisputed Facts ("Pl. 56.1 Response") ¶ 4. Then, in 1900, Congress federally chartered the American National Red Cross (ARC). See An Act to Incorporate the American National Red Cross, and for Other Purposes, 31 Stat. 277, 279 (1900) (the "Charter Act"); Appendix I in Support of J&J's Motion for Summary Judgment ("App. I"), Tab 1.

The Charter Act provided that ARC would have the right "to have and to use, in carrying out its purposes hereinafter designated . . . a Greek red cross on a white ground," i.e., the emblem described in the first Geneva Convention. The designated purposes of the organization were, inter alia, to furnish volunteer aid to the sick and wounded in times of war in accordance with the Geneva Convention, to continue and carry on a system of national and international relief in times of peace so as to mitigate suffering caused by famine, fire, flood, etc., and "generally to promote measures of humanity and the welfare of mankind." Id. ARC was also given the power generally to "do all such acts and things as may be necessary to carry into effect the provisions of this Act and promote the purposes of said organization," id., and was designated as the organization authorized to act in matters of relief under the Geneva Convention. Lastly, the Act provided:

> [I]t shall be unlawful for any person within the jurisdiction of the United States to falsely and fraudulently hold himself out as, or represent or pretend himself to be a member of or an agent for the American National Red Cross for the purpose of soliciting, collecting, or receiving money or material; or for any person to wear or display the sign of the red cross . . . for the fraudulent purpose of inducing the belief that he is a member of or an agent for the American National Red Cross.

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Id.

The Charter Act was amended by Congress in 1905. The powers and purposes of the organization remained largely the same, but, among other changes, the following language was added to the above-quoted prohibition: "[n]or shall it be lawful for any person or corporation, other than the Red Cross of America, not now lawfully entitled to use the sign of the Red Cross, hereafter to use such sign or any insignia colored in imitation thereof for the proposes of trade or as an advertisement to induce the sale of any article whatsoever." An Act To Incorporate the American National Red Cross, 33 Stat. 599, 601 (1905); App. I, Tab 2.

In 1906, a second Geneva Convention was promulgated, and it was ratified by the United States in 1907. Article 23 of the Convention provided that "[t]he emblem of the red cross on a white ground and the words Red Cross or Geneva Cross may only be used, whether in time of peace or war, to protect or designate sanitary formations and establishments, the personnel and materiel protected by the convention." See Convention for the Amelioration of the Condition of the Wounded in Armies in the Field, July 6, 1906, art. 23, 35 Stat. 1885, 1896-97; App. II, Tab 23 (emphasis in original). Article 27 of the Convention provided that "[t]he signatory powers whose legislation may not now be adequate engage to take or recommend to their legislatures such measures as may be necessary to prevent the use, by private persons or by societies other than those upon which this convention confers the right thereto, of the emblem or name of the Red Cross or Geneva Cross, particularly for commercial purposes

by means of trade-marks or commercial labels." Art. 27, 35 Stat. at 1897-98; App II, Tab 23.

Of particular importance, Congress again amended the Charter Act in 1910, replacing a portion of the prior language of prohibition with the following:

> It shall be unlawful for any person, corporation, or association other than the American National Red Cross and its duly authorized employees and agents and the army and navy sanitary and hospital authorities of the United States for the purpose of trade or as an advertisement to induce the sale of any article whatsoever or for any business or charitable purpose to use . . . the emblem of the Greek Red Cross on a white ground, or any sign or insignia made or colored in imitation thereof, or of the words 'Red Cross' or 'Geneva Cross' or any combination of these words: Provided, however, That no person, corporation, or association that actually used . . . the said emblem, sign, insignia, or words for any lawful purpose prior to [January 5, 1905] shall be deemed forbidden by this Act to continue the use thereof for the same purpose and for the same class of goods.

An Act to Amend an Act Entitled "An Act to Incorporate the American National Red Cross" Approved January 5, 1905, 36 Stat. 604 (1910); App. I, Tab 3 (emphasis in original). The Charter Act, on its face, imposed no limitations on the use that ARC could make of the Red Cross emblem and words. Moreover, the above-quoted language strongly suggested that, among other things, ARC could use the Red Cross logo and words "for the purpose of trade or as an advertisement to induce the sale of any article whatsoever or for any business or charitable purpose," since such uses were only forbidden to others. However, the concluding proviso, in recognition of the fact that certain companies, including J&J, had long before used the Red Cross emblem for commercial purposes, "grandfathered" such users, exempting them from the prohibition on use of the Red Cross emblem.

Still another Geneva Convention was signed in 1929. The Geneva Convention of 1929 maintained, in substance, the language of Article 23 of the Geneva Convention of 1906 and added "[m]oreover, the volunteer aid societies provided for under Article 10 may, in conformity with their national legislation, employ the distinctive emblem for their humanitarian activities in time of peace." See Convention of Geneva of July 27, 1929 For the Amelioration of the Condition of the Wounded and Sick of Armies in the Field, July 27, 1929, Art. 24, 47 Stat. 2074, 2091-92; App. II, Tab 25. The Convention of 1929 amended Article 27 of the Convention of 1906 by providing that governments whose legislation was not adequate to enforce the treaty would undertake to recommend legislation to prevent all use by private persons or societies not authorized under the Convention of the emblem and name Red Cross, "whether for commercial or other purposes." Art. 28, 47 Stat. at 2092-93; App. II, Tab 25.

In 1948, the prohibition on use by non-grandfathered third parties contained in the Charter Act was moved from that Act to Title 18 of the United States Code and enacted essentially in its current form, as set forth at the start of this Opinion. The relevant provision prohibits anyone other than the ARC from "us[ing]" the Red Cross emblem and words, except for such "use" as was lawful prior to the act. At oral argument of the instant motions, both sides agreed that such changes as were made between the wording of the prohibition contained in the 1910 version of the Charter Act and the wording of the prohibition set forth in section 706 of the Criminal Code were only matters of "phraseology" and that the substance of the prohibition remained the same. See transcript 1/4/08 at 27-28, 62. Thus it was still the case that, so far as Section 706 was concerned, no prohibition of any kind was placed on ARC's use of the Red Cross emblem and name and that, by clear implication from the wording of the Charter Act of 1910, this included uses "for the purpose of trade or as an advertisement to induce the sale of any article whatsoever or for any business or charitable purpose."

The various forms of the Geneva Convention referenced above were superseded by another Geneva Convention, promulgated in 1949 and subsequently ratified by virtually every nation in the world. Article 44 of that Convention, still in effect today, provides in pertinent part that:

> With the exception of the cases mentioned in the following paragraphs of the present Article, the emblem of the Red Cross on a white ground and the words "Red Cross" or "Geneva Cross" may not be employed, either in time of peace or in time of war, except to indicate or to protect the medical units and establishments, the personnel and material protected by the present Convention . . . The National Red Cross Societies . . . shall have the right to use the distinctive emblem conferring the protection of the Convention only within the framework of the present paragraph.
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> Furthermore, National Red Cross . . . Societies may, in time of peace, in accordance with their national legislation, make use of the name and emblem of the Red Cross for their other activities which are in conformity with the principles laid down by the International Red Cross Conference.

Geneva Convention for the Amelioration of the Condition of the Wounded and Sick in Armed Forces in the Field, Aug. 12, 1949, art. 44, 6.3 U.S.T. 3114, 3144; App. II, Tab 26.

As for the Charter Act, it was most recently amended by Congress in 2007. The only change relevant here added the purpose "to conduct

other activities consistent with the foregoing purposes" to the list of purposes discussed above. See The American National Red Cross Governance Modernization Act of 2007, P.L. 110-26, 121 Stat. 103, 106 (2007); App. II, Tab 13.

With this legislative history in mind, the Court turns to J&J's contention that section 706, the Charter Act, and the Geneva Convention of 1949 were all violated when, beginning in 2005, ARC entered into licensing agreements with the four codefendants to manufacture and sell products displaying the Red Cross emblem and words (collectively, the "logo"). The ARC contract with FAO, effective July 1, 2007, is typical. It reads: "Licensee is in the business of manufacturing, marketing, distributing and selling to companies workplace emergency preparedness and first aid products and desires to obtain from Red Cross a license to use the Logo in connection with the marketing, distributing and selling" of these products, and "Red Cross is willing to grant Licensee a nonexclusive license to use the Logo in connection with the marketing, distribution and sale to companies of" such products. See Workplace Emergency Preparedness and First Aid Agreement, Exhibit 133 to Declaration of Jonathan L. Abram in Support of Defendants' Motion for Summary Judgment dated November 21, 2007 ("Abram Decl."). The contract further provides that FAO will submit to ARC, for ARC's review and written approval, a sample of any product to be produced, and "[a]ll Products offered for sale must confirm in all respects to the Sample approved by Red Cross." Id. § 4.1. ARC reserves the "sole and absolute right to disapprove" any sample product submitted.

"Approval or disapproval lies solely in Red Cross' discretion, and any Sample not approved in writing will be deemed unlicensed and will not be manufactured, sold, displayed or used in any manner." Id. § 4.2. FAO is solely responsible for the manufacture, production, sale and distribution of the products, and is free to sell the products at any price it chooses. Id. §§ 10.1.4, 2.3. However, ARC may require "in its sole and absolute discretion," that FAO include with the product ARC promotional materials, first-aid information, coupons for ARC first-aid classes, and notices relating to ARC's financial benefit from the products. Id. § 5.3. Lastly, FAO agrees that its use of the logo "shall inure to Red Cross's benefit," and that the good will associated with the logo belongs exclusively to ARC. Id. §§ 6.1, 6.6. Based on the above-quoted language, ARC argues that the licensees are acting as ARC's agents, at least for purposes of using the Red Cross logo, while J&J argues that no such agency is created. But on the view the Court takes of the matter, as elaborated infra, this debate is irrelevant to the motions at hand.

Pursuant to the various licensing agreements, products containing the Red Cross logo have been sold at Target, Wal-Mart, Walgreens and CVS. Plaintiffs' Rule 56.1 Statement of Undisputed Facts in Support of Their Motion for Summary Judgment ("Pl. 56.1") ¶ 32; Defendants' Response to Plaintiffs' Rule 56.1 Statement of Undisputed Facts ("Def. 56.1 Response") ¶ 32. Counsel have provided the Court with samples of a number of the products so branded. The hand sanitizer manufactured by Water-Jel is illustrative. The front panel of the package is labeled with the Red Cross emblem next to the words "American Red Cross." Beneath the emblem it reads "Be Red Cross Ready." The bottom of the front panel reads "Official Licensed Product of the American Red Cross" and "Water-Jel will pay 5% of the purchase price of this product to the American Red Cross." One side of the package reads "Clean hands may help prevent illness . . . The American Red Cross, a humanitarian organization led by volunteers, provides relief to victims of disasters and helps people prevent, prepare for and respond to life's emergencies. The Red Cross relies on donations of time, money and blood to fulfill its lifesaving mission. To learn more about the American Red Cross visit: www.redcross.org."

As already noted, section 706, on its face, does not prohibit ARC from making any use whatever of the Red Cross emblem and words. Its predecessor, the prohibition provision of the 1910 Charter Act, implicitly emphasized this breadth by prohibiting use by anyone else (except the grandfathered users) "for the purpose of trade or as an advertisement to induce the sale of any article whatsoever or for any business or charitable purpose"; and here, in section 706, there is no limitation of any kind placed on the purposes for which ARC may use the Red Cross emblem and words. Entering into a license agreement is a standard business arrangement undertaken "for the purposes of trade" and "to induce the sale of any article," and therefore does not contravene section 706. The fact that the ultimate purpose of these licensing activities is a "charitable purpose" -- i.e., to raise funds that ARC, a not-for-profit organization, can utilize for its charitable endeavors -- only

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further emphasizes their legitimacy under Section 706.

Although, as J&J emphasizes, representatives of the ARC, in testimony before Congress and elsewhere, have sometimes minimized their intent to make commercial use of the Red Cross logo, this is of no moment where the statute itself imposes no limitation on commercial use. When the statutory language is plain and unambiguous, no resort to legislative history can change its meaning. See Exxon Mobil Corp. v. Allapattah Servs., Inc., 545 U.S. 546, 567 (2005).[4]

For over a century, in fact, ARC has entered into a number of arrangements to use the Red Cross emblem and words in an ostensibly commercial context -- including, of particular relevance here, entering into licensing agreements that utilize the logo.[5] As early as 1904, ARC entered into an agreement that granted First Aid Supply of the Red Cross, a corporation doing business in New Jersey, the right to use the Red Cross emblem and the words "Under the auspices and for the benefit of the American National Red Cross" on an emergency chart, emergency box, and medical and surgical dressings and supplies made and sold by First Aid Supply, in return for First

[4] In addition, most of the legislative history on which J&J relies occurred after 1910, when the scope of the usage permitted ARC had already been fixed.

[5] While J&J does not contest that 706 itself does not prohibit ARC's commercial use of the Red Cross emblem and words, see infra, it goes to great lengths to try to suggest that many of ARC's seemingly commercial ventures did not, so far as any available evidence is concerned, actually realize a profit or even actually come to fruition. This is wholly irrelevant if, as J&J concedes, the statute does not prohibit such activity.

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Aid Supply's promise to pay ARC a commission of 2-10% on each piece sold. Abram Decl., Exhibit 16. Similarly, in 1913, J&J itself wrote a letter to ARC offering to manufacture first aid kits that would contain J&J goods but would be labeled with the Red Cross emblem and would state that they were manufactured by J&J on behalf of ARC. The letter acknowledged that products using the ARC logo were being manufactured by a J&J competitor at the time. Id., Exhibit 106; Def. 56.1 ¶ 111; Pl. Response 56.1 ¶ 111.

More recently, with ARC's apparent authorization, the 1987 Travel Horchow catalogue included the "official automobile first aid kit of the American Red Cross" for $50.00. Abram Decl., Exhibit 93. Also in the late 1980's, ARC licensed a company called Akla to manufacture and sell an ARC first aid kit. Def. 56.1 ¶ 91; Pl. Response 56.1 ¶ 91. In the 1990's, ARC partnered with a number of companies to put the Red Cross emblem on watches, Tiffany & Co. items, scarves, jewelry, and bottles of water. Def. 56.1 ¶ 97; Pl. Response 56.1 ¶ 97. And for many years now, pursuant to agreements with ARC, various manufacturers have placed the Red Cross emblem on blood bags, packaging, and other items distributed in the medical field. Def. 56.1 ¶ 26, 31; Pl. Response 56.1 ¶ 26, 31; Declaration of Gregory Ballish in Support of Defendants' Motion for Summary Judgment dated Nov. 19, 2007 ("Ballish Decl.") ¶¶ 4-5.

As noted, J&J does not dispute that, whatever the prohibition allegedly imposed on the ARC by the Charter Act and the Geneva Convention (see infra), Section 706 does not prohibit ARC itself from making commercial use of the Red Cross emblem and words. See

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transcript 1/4/08 at 32-33, 39-40. J&J contends, however, that the use of the Red Cross logo by the four codefendants nonetheless violates the statute because the statute prohibits use of the Red Cross emblem and words by anyone other than the grandfathered users and the "American National Red Cross and its duly authorized employees and agents" (emphasis supplied), and the four codefendants are (in J&J's view) mere licensees. But this argument -- as well as the defendants' opposing argument that the four licensees qualify as "agents" of the ARC for certain purposes -- misapprehends the point of the statutory language concerning employees and agents. As a corporation, the ARC can only act through employees and/or agents, and the statutory reference to "authorized employees and agents" is in that respect simply classic corporate "boilerplate" that recognizes this fact; but its inclusion is especially important in the case of a charitable institution like ARC that frequently makes use of unpaid volunteer agents to carry out its mission. The reference to "employees and agents" thus says nothing about scope of the uses permitted ARC, or whether ARC, through its employees or agents, can license others to use its logo.

The real question then is whether the permission the statute gives to ARC to use its logo for any purpose, including commercial purposes, inherently contemplates that such uses will entail subsequent or subordinate uses by others in order to carry out the uses permitted to ARC. It could hardly be otherwise, for surely every business use, or for that matter charitable use of the Red Cross emblem and words by ARC inevitably involves some subsequent

"use" by a third party. Thus, even the ultimate purchasers of a product bearing the Red Cross emblem or words, whether sold to the purchaser by ARC, a licensor, a retailer, or whomever, will in some sense make "use" of the Red Cross emblem and words. No reasonable interpretation of the statute prohibits such use, or any other use that follows in the ordinary course, once ARC, through its employees or agents, has lawfully authorized the initial business use.

J&J argues that the ultimate purchaser of a product would not be implicated by the criminal law in any event because the consumer would not make use of the emblem "for the purpose of trade or as an advertisement to induce the sale of any article whatsoever or for any business or charitable purpose," i.e., the purposes prohibited to third parties by provisions of the 1910 Charter Act that served as a direct predecessor to Section 706. See Plaintiffs' Memorandum of Law in Opposition to Defendants' Motion for Summary Judgment ("Pl. Opposition") at 4. However, ultimate consumers quite aside, J&J's interpretation would criminalize not only the licensing agreements that, as noted above, ARC has been entering into for more than a century, but also a host of other familiar and traditional ARC activities.

For example, ARC, like other charities, has for decades entered into so-called "cause marketing" arrangements, by which distributors of commercial products or services, in order to make use of ARC's goodwill for their mutual benefit, state in their advertising that each time a consumer purchases one of their products, the distributor will donate a stated sum of money to ARC. Yet, according to J&J's

interpretation of the criminal prohibition, these distributors are, by using the Red Cross name and emblem, breaking the criminal law, as is ARC in entering into such arrangements, because the distributors are not ARC's employees or agents. The doubtfulness of this interpretation is well illustrated by the ironic fact that in 1986 J&J itself entered into a cause-marketing promotional agreement with ARC. Pursuant to that agreement, J&J agreed to donate to ARC five cents for every J&J coupon redeemed, and to provide promotional materials for the program stating: "Help Johnson & Johnson support the American Red Cross. For each purchase with the coupon below, Johnson & Johnson will donate five cents to the American Red Cross." See Def. 56.1 ¶ 135-136; Pl. 56.1 Response ¶ 135-136; Letter of Agreement dated October 1, 1986, Exhibit 128 to Abram Decl.[6]

Even more telling, J&J concedes that ARC can lawfully contract (as it does) with manufacturers and suppliers to supply it with the

[6] Since section 706 is a criminal statute, it is also worth noting that in September 1978, ARC Secretary John L. Currin wrote a letter to United States Attorney General Griffin Bell requesting guidance on the meaning of 18 U.S.C. § 706. Abram Decl., Ex. 86. Mr. Currin explained that ARC "would like to have the approval of the Department of Justice . . . to use and, on a highly selective basis, to permit the use of its name and emblem in peacetime by non-Red Cross organizations." Id. at 2. In an attached memo, ARC gave a number of examples of proposed uses of the Red Cross Emblem, including: (1) a distributor of commercial products wants to state in its advertising that for each product sold, the distributor will donate to ARC a specific sum of money (a "cause marketing" arrangement); and (2) producers of written materials on first aid wish to acknowledge publicly that their materials have been reviewed and authenticated by ARC. Id., Exhibit 86, "Use of the Red Cross Name and Emblem," at 4-5. In response, the Department of Justice opined that neither of these uses violated section 706 (although the Department came to this conclusion on a somewhat different theory than that set forth above). Id., Exhibit 87.

water bottles, blankets, and other such items bearing the Red Cross logo that ARC uses for its disaster relief activities. See Pl. Opposition at 3-4. Yet this is inconsistent with J&J's own interpretation of the statute, for suppliers are neither employees nor agents of ARC: they are third parties who make "use" of the Red Cross emblem and words, pursuant to ARC's permission, just like the licensed defendants in this case. In both situations the third parties undertake such "use" in order to make a profit; but they may do so, under section 706, because in both cases ARC has authorized the use, in the former case so that it can obtain branded goods for its own distribution and in the latter case so that it can realize royalties from the licensed sales. In both cases, ARC itself is engaging in a use the statute permits, and the subsequent uses of the Red Cross emblem and words by the parties with whom ARC contracts, not to mention those still further down the usage chain, cannot be held to violate 706 without thereby rendering nugatory the permission granted ARC for the initial use.

Turning to the ARC Charter, nothing on its face prohibits the activities here in issue; and, as a congressional act that not only stands in pari materia with section 706, but was itself the source of the prohibition contained therein, it should be given the same interpretation.

The prohibitions set forth in the Geneva Convention of 1949 -- the one presently in force -- present an arguably closer question. Article 44 of that Convention (the Article most directly on point) provides that national Red Cross societies may, "in accordance with

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their national legislation, make use of the name and emblem of the Red Cross for their other activities which are in conformity with the principles laid down by the International Red Cross Conference." Geneva Convention for the Amelioration of the Condition of the Wounded and Sick in Armed Forces in the Field, Aug. 12, 1949, art. 44, 6.3 U.S.T. 3114, 3144; App. II, Tab 26. The parties, as noted supra, have unresolved disputes about which "principles laid down by the International Red Cross Conference" are here applicable, as well as about what they mean. But the reference to "national legislation" arguably implies that it is that legislation which sets the outer boundaries of which uses are permitted.

The official commentary to this language is also somewhat Janus-like. It states:

> The emblem must retain its high significance and prestige in all circumstances, and any practice likely to lower it in the eyes of the public must be scrupulously avoided. To take only one example, Red Cross organizations, to raise funds, have sometimes sold objects bearing the red cross. Such practices are likely to lessen, in varying degrees, the standing of the emblem, and are therefore prejudicial to the good name of the Red Cross as a whole. . . . Every portrayal of the red cross reinforces or weakens, to a certain extent, the spiritual significance of the sign, in its highest connotation of disinterested aid to the suffering. The new Convention has granted Red Cross organizations wide prerogatives in regard to the use of the sign. Conscious of the honour, as well as the responsibilities, which this implies, they must jealously watch over what has been entrusted to them. What hope is there of successfully resisting commercial interests which make unscrupulous use of the prestige attaching to the emblem, if those directly interested, and its natural guardians, use it recklessly and bring it into disrepute[?]

Commentary to Art. 44, 6.3 U.S.T. 3114, 3144, App. II, Tab 33. However, a fair reading of this commentary, in the Court's view, is that use of the Red Cross logo to raise funds, while strongly

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discouraged, is not in fact prohibited, even if the author of the commentary thinks it is deserving of a scolding.[7]

On balance, then, the Court concludes that ARC's activities here in issue do not violate the Geneva Convention. More fundamentally, however, even if ARC's activities here in issue could be read to violate the Geneva Convention or the ARC Charter or the regulations of the ICRC, such violations would not constitute a basis for granting the summary judgment that J&J here seeks or, conversely, would not raise a barrier to granting the defendants' cross-motion. To understand why this is so requires examining individually each of the five causes of action as to which J&J seeks partial summary judgment in its favor and as to which the defendants seek summary judgment dismissing the claims: i.e., Counts 1, 2, 3, 5, and 6.

As to Count 1, the New York tort of interference with prospective economic advantage requires a plaintiff to prove that "(1) it had a business relationship with a third party; (2) the defendant knew of that relationship and intentionally interfered with it; (3) the defendant acted solely out of malice, or used dishonest, unfair, or improper means; and (4) the defendant's interference caused injury to the relationship." Kirch v. Liberty Media Corp., 449 F.3d 388, 400 (2d Cir. 2006) (internal quotation marks omitted). In Carvel Corp v. Noonan, 818 N.E.2d 1100, 1103 (N.Y. 2004) the New York Court of Appeals held that, with regard to the third element of

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[7] A further commentary relied on by J&J, see Pl. Rep. at 16, actually refers to a different paragraph of Article 44 of the Convention not here relevant.

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the tort, "as a general rule, the defendant's conduct must amount to a crime or an independent tort." The Court recognized one exception, where the defendant "engages in conduct for the sole purpose of inflicting intentional harm on plaintiffs," id. (internal quotation marks omitted), but declined to decide whether "there can ever be other instances of conduct which, though not a crime or tort in itself, was so culpable . . . that it could be the basis for a claim of tortious interference with economic relations." Id. at 1103-04 (internal quotation marks omitted). Instead, the Court indicated, without deciding, that "wrongful" means might potentially include physical violence, fraud or misrepresentation, civil suits and criminal prosecutions, and economic pressure. Id. at 1104.

In this case, for the reasons discussed supra, defendants' actions do not violate the criminal prohibition contained in 18 U.S.C. § 706. They also do not violate the Red Cross's congressional charter or the Geneva Convention, but even if such activities did violate the Charter, or the Geneva Convention, or the ICRC regulations, none of these putative violations constitutes a crime or independent tort under New York law, and under any fair reading of the New York precedents, none would constitute the "wrongful" or "culpable" means otherwise required by New York courts to sustain a claim for tortious interference with prospective economic advantage. Nor is there any evidence that the defendants have begun selling Red Cross branded goods in commerce "for the sole purpose of inflicting

intentional harm on" J&J. Accordingly, Count 1 must be dismissed.[8]

Skipping Count 2 for the moment and turning instead to Count 3, which charges the common law tort of unfair competition, New York law has "long recognized two theories of common-law unfair competition: palming off and misappropriation." ITC Ltd. v. Punchgini, Inc., 9 N.Y.3d 467, 476 (2007). Palming off consists of the sale of the goods of one manufacturer as those of another. Id. Misappropriation consists of the taking advantage in bad-faith of "the results of the skill, expenditures and labors of a competitor[.]" Id. at 477 (internal quotation marks omitted). See also Saratoga Vichy Spring Co. v. Lehman, 625 F.2d 1037, 1044 (2d Cir. 1980).

In this case, J&J has introduced no evidence of palming off or misappropriation. Although J&J argues that ARC's alleged violations of section 706, the Charter Act, and the Geneva Convention constitute an "illegal practice" under Roy Export Co. Establishment of Vaduz, Liechtenstein v. Columbia Broad. Sys., Inc., 672 F.2d 1095, 1105 (2d Cir. 1982), and are evidence of bad faith, the Court has already held, supra, that no such violations occurred. Moreover, even if they had, or even if there had been violations of the ICRC regulations, or, as J&J also argues, even if there were other badges of bad faith, see Pl. Opposition at 28, the claim would still have to

[8] This holding obviates the need for the Court to reach ARC's alternative argument that J&J's claim for tortious interference with prospective economic advantage must be dismissed because J&J has failed to introduce any evidence of injury to its relationship with the four retailers to whom this claim is limited: Wal-Mart, Walgreens, CVS and Target.

be dismissed because J&J has introduced no evidence to suggest that any of the defendants are attempting to palm-off their own products as J&J's products, or that ARC placed the Red Cross emblem on these products in order to take wrongful advantage of J&J's name or goodwill or in an effort to misappropriate the labors and expenditures of J&J.

Roy Export explained that the essence of the tort of unfair competition is "endeavoring to reap where (one) has not sown[,] . . . taking the skill, expenditures and labors of a competitor, and misappropriati(ng) for the commercial advantage of one person . . . a benefit or property right belonging to another." Id. at 1105 (internal quotations marks and citations omitted). In this case, it is clear beyond genuine dispute that ARC and the other codefendants are attempting to profit from ARC's own good will and reputation, not J&J's. Therefore, Count 3 must be dismissed.

With regard to Counts 5 and 6 for trademark dilution under, respectively, federal and state law, summary judgment must also be granted to defendants. The Trademark Dilution Revision Act of 2006, 15 U.S.C. § 1125(c)(1) provides: "Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury."[9] Pursuant to the Act, "a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." Id. § 1125(c)(2)(A). As the Second Circuit has explained, "the element of fame is the key ingredient" to a claim of federal trademark dilution, and should be addressed by a district court before reaching other issues. Savin Corp v. Savin Group, 391 F.3d 439, 449-450 (2d Cir. 2004).

Section 360-1 of the New York General Business Law states: "Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services." N.Y. Gen. Bus. Law § 360-1. In order to state a claim under this section, a plaintiff must show that (1) its trademark "is of truly distinctive quality or has acquired secondary meaning" and (2) "there is a likelihood of dilution." MasterCard Int'l Inc. v. Nader 2000 Primary Comm., Inc., 2004 WL 434404, *9 (S.D.N.Y. Mar. 8, 2004) (internal quotation marks omitted). Only "extremely strong marks" are entitled to protection under the statute. Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc., 973 F.2d 1033, 1049 (2d Cir. 1992) (internal quotation marks

[9] The Act, effective October 6, 2006, amends the Federal Trademark Dilution Act of 1996, 109 Stat. 985 (1996).

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omitted). In addition, "secondary meaning" requires a showing that, "through exclusive use and advertising by one entity, a name or mark has become so associated in the mind of the public with that entity or its product that it identifies the goods sold by that entity and distinguishes them from goods sold by others." Allied Maint. Corp v. Allied Mech. Trades, Inc., 42 N.Y.2d 538, 545 (1977).

Both causes of action therefore require J&J to show that the Red Cross name and emblem are truly distinctive as a marker of J&J's goods.[10] At least with regard to use, by the codefendants here, of the Red Cross name and emblem, by or at the behest of ARC and as a reference to the ARC, such a showing is impossible. ARC has used the name and emblem for more than 100 years. In addition to the uses discussed above, it is undisputed that ARC has used the emblem for decades for such purposes as to identify workers, volunteers, shelters and first aid supplies provided by ARC to victims of floods, hurricanes and other disasters, Def. 56.1 ¶ 22-23; Pl. 56.1 Response ¶ 22-23; on materials, textbooks, and other items provided to those enrolled in its first aid, water safety, babysitting and CPR classes, Def. 56.1 ¶ 24; Pl. 56.1 Response ¶ 24; and to mark locations where blood drives take place and on blood supply packaging, Def. 56.1 ¶ 26; Pl. 56.1 Response ¶ 26. Further still, ARC's right to use the

[10] J&J argues that because its mark was registered more than five years ago, it is entitled to a presumption of inherent distinctiveness under 15 U.S.C. § 1065. See Savin Corp. v. Savin Group, 391 F.3d 439, 451 (2d Cir. 2004). Even if this were true, the argument is unavailing because the 2006 Act requires that a mark be "famous," not merely inherently distinctive. See 15 U.S.C. § 1125(c)(1) & (c)(2)(A); 4 McCarthy on Trademarks and Unfair Competition 24:104 at 24-279 - 24-280 (2007).

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emblem has been specifically granted by Congress in the original Charter Act of 1900, which gave ARC the right "to have and to use, . . . a Greek red cross on a white ground," i.e., the Red Cross emblem. See 31 Stat. at 279; App. I, Tab 1. The current criminal prohibition prohibits the use of the Red Cross name or emblem by any corporation, association or person, "other than the American National Red Cross and its duly authorized employees and agents and the sanitary and hospital authorities of the armed forces of the United States," 18 U.S.C. § 706, which, as held above, includes the uses here in issue.

J&J's own right to use the name and emblem is protected by the "grandfather clause," which provides "this section shall not make unlawful the use of any such emblem, sign, insignia or words which was lawful on the date of enactment of this title." Id. However, a grandfathered user cannot use federal trademark dilution law to trump the dominant use for the emblem granted by Congress to ARC. See generally Radzanower v. Touche Ross & Co., 426 U.S. 148, 153 (1976). In addition, there is no evidence in the record to suggest that members of the general consuming public see the Red Cross name and emblem as a designation of J&J's products rather than as a designation of ARC or the international Red Cross. Because ARC has used the name and emblem for over 100 years and has been granted exclusive use of the name and emblem by Congress, J&J cannot seriously argue that the words "Red Cross" and the Red Cross emblem serve as an exclusive designation of J&J products.[11] Therefore,

[11] Even J&J concedes that its dilution claims depend on its arguments of the illegality of defendants' actions under 18

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counts 5 and 6 for trademark dilution must be dismissed.

Returning now to count 2, the claim against ARC for tortious interference with contractual relations, the Court concludes that defendants' motion for summary judgment must be denied.[12] Under New York law, the elements of a claim for tortious interference with contractual relations are that: (1) a valid contract exists; (2) defendant had knowledge of the contract; (3) defendant intentionally and improperly procured the breach of the contract; and (4) the breach resulted in damage to plaintiff. Finley v. Giacobbe, 79 F.3d 1285, 1294 (2d Cir. 1996). ARC argues that summary judgment must be granted because there is no evidence that ARC had knowledge of J&J's settlement agreements with Water-Jel and FAO. "To establish inducement of breach of contract, New York law requires, inter alia, that the alleged inducer have knowledge at the time of inducement of the contract in issue." 800America, Inc. v. Control Commerce, Inc., 202 F. Supp. 2d 288, 289 (S.D.N.Y. 2002).

Here, while the direct evidence of such knowledge may be thin, a reasonable juror could infer such knowledge from ARC's regular practice of monitoring Patent Office applications for unauthorized uses of the red cross. Declaration of Phyllis Wallitt Submitting

U.S.C. § 706, which the Court has now rejected. Pl. Opposition at 29.

[12] As for plaintiffs' own summary judgment motion, even though J&J stated in its notice of motion that it was moving for partial summary judgment on Count 2 (among other counts), it has failed to explain, and the Court cannot discern, what its theory of summary judgment -- relating to defendants' alleged violation of section 706, ARC's Charter, and the Geneva Convention -- has to do with Count 2.

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Exhibits dated Dec. 5, 2007 ("Wallitt Decl."), Exhibit 95 at 12-13 and Exhibit 106 at 18. Such monitoring would have put ARC on notice of FAO's and Water-Jel's respective applications to use the Red Cross emblem, and that inquiry, in turn, would then likely have revealed J&J's agreements with FAO and Water-Jel not to oppose the registrations if certain changes were made (the very agreements in issue in Count 2). See id., Exhibits 85 and 94.

In addition, certain other circumstantial evidence supports this inference. For example, an email dated October 18, 2006 from Jennifer Niyangoda of ARC to the CEO of FAO, Richard James, stated: "First Aid Only is not allowed to use your logo in red, according to our legal counsel. The bandages included in the product have your logo in red." Id., Exhibit 87. Mr. James responded "All FAO products used in these kits will have the FAO logo in blue, green or purple . . . no red or orange. As agreed, the red is being phased out." Id., Exhibit 88. Mr. James testified that the "agreement" he was referring to was the FAO agreement with J&J. Id., Exhibit 89 at 257-59.

While ARC also argues that there is no evidence that, in entering into ARC's contracts with FAO and Water-Jel, ARC thereby intended to induce FAO and Water-Jel to breach their contracts with J&J "intentionally and improperly," such issues of intent are classically reserved to the jury in all but the most clear-cut cases. See Distasio v. Perkin Elmer Corp., 157 F.3d 55, 61 (2d Cir. 1998) ("[s]ummary judgment should be used sparingly when . . . state of mind or intent are at issue") (internal quotation marks omitted).

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Accordingly, ARC's motion for summary judgment dismissing Count 2 must be denied.

The Court turns finally to the defendants' various counterclaims. ARC's three counterclaims allege that J&J violated section 706, engaged in unfair competition, and registered a trademark consisting of an insignia or coat of arms of the United States in violation of 15 U.S.C. § 1052(b). All three of these counterclaims thus depend on allegations that J&J impermissibly exceeded its grandfathered rights.

As previously noted, the criminal prohibition on use of the Red Cross emblem and words included in the 1910 Charter Act contained an exception for so called "grandfathered" users: "Provided, however, That no person, corporation, or association that actually used . . . the said emblem, sign, insignia, or words for any lawful purpose prior to [January 5, 1905] shall be deemed forbidden by this Act to continue use thereof for the same purpose and for the same class of goods." 36 Stat. 604; App. I, Tab 3 (emphasis omitted). Although the "phraseology" was changed when the prohibition was moved to the U.S. Criminal Code,[13] both parties agree that the criminal prohibition has remained the same, in substance, since 1910. See transcript 1/4/08 at 27-28, 62. Therefore, the relevant question is whether J&J is currently using the emblem "for the same purpose and for the same class of goods" as it was before 1905.

[13] The grandfather clause of 18 U.S.C. § 706 reads: "This section shall not make unlawful the use of any such emblem, sign, insignia or words which was lawful on the date of enactment of this title."

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Noting that such "grandfather" clauses are to be construed narrowly, see O-M Bread, Inc. v. U.S. Olympic Comm., 65 F.3d 933, 936-37 (Fed. Cir. 1995), ARC claims that a number of J&J's current uses of the Red Cross emblem exceed its grandfathered rights because they do not create the same commercial impression as, and are not legally equivalent to, J&J's pre-1905 uses. See O-M Bread, 65 F.3d at 936-38; Wet Seal Inc. v. FD Mgmt. Inc., 82 U.S.P.Q.2d 1629, 1635-1637 (2007); Am. Paging Inc. v. Am. Mobilphone Inc., 13 U.S.P.Q.2d 2036, 2038-39 (1989). In particular ARC objects to (1) J&J's use of a red cross emblem with the words "Johnson and Johnson Emergency First Aid Kit" and "Johnson and Johnson All-Purpose First Aid Kit" written inside it on first aid kits, see Abram Decl., Exhibit 148; Def. 56.1 ¶ 175; Pl. 56.1 Response ¶ 175; (2) J&J's 2006 registration of a trademark, which it currently uses, composed of a red cross emblem with the words "First Aid" and "Johnson & Johnson" written next to it, id., Exhibit 154; Def. 56.1 ¶ 176; Pl. 56.1 Response ¶ 176; (3) J&J's use of a red cross emblem with the words "Johnson & Johnson" adjacent to it and the words "Hospital Products for Home Care" beneath them, id., Exhibit 162; Def. 56.1 ¶ 179; Pl. 56.1 Response ¶ 179; and (4) J&J's sale of "emergency preparedness kits" marked with a red cross emblem, that contain, among other things, light sticks and refrigerator magnets.

However, the Court finds that none of these uses of the red cross emblem creates a different commercial impression than J&J's pre-1905 uses. Before 1905, J&J used the red cross emblem on medicines and pharmaceutical preparations, dental, medicinal and

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surgical appliances, and cosmetics and toilet preparations. See Declaration of Ravi V. Sitwala Submitting Exhibits dated Nov. 21, 2007 ("Sitwala Decl."), Exhibits 7-11. With regard to J&J's current use of a red cross emblem with words written inside it, J&J sold a first aid manual that was marked with a red cross emblem with the letters "J&J" written inside before 1905. Id., Exhibit 11. In addition, a product called Surgeon's Green Soap was marked with a large red cross with the words "Quality Guaranteed Johnson & Johnson" written inside, id., and, J&J's 1899 price list was labeled with the same image on the back cover. Id., Exhibit 8. The Supplemental 1905 price list includes both an Accident Case and Accident Cabinet that contain first aid manuals marked with a red cross emblem with the letters "J&J" written inside. Id., Exhibit 12.

As to J&J's registration and use of a red cross emblem with the words "First Aid", "Johnson & Johnson", and "Hospital Products for Home Care" written next to it, these too are legally equivalent to a number of J&J's pre-1905 uses. For example, J&J's factory accident case contained a first aid manual that was marked with a red cross emblem and the words "Johnson's First Aid Manual" above it. Id., Exhibit 11. A first aid handbook in the household accident case was labeled with a red cross emblem placed between the words "First" and "Aid." Id. J&J's first aid packets were labeled with images of red crosses on two corners and the words "Johnson's First Aid for Wounds" written between them. Id. J&J's many pre-1905 uses of a red cross emblem with these and other words written next to, above, beneath and around the symbol preclude any argument that J&J's current use of the

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emblem in connection with the words "First Aid," "Johnson & Johnson" or "Hospital Products for Home Care" creates a different commercial impression or exceeds J&J's grandfathered rights.

Finally, as to J&J's sale of an "emergency preparedness kit" that contains light sticks and refrigerator magnets, although the products inside the kit are somewhat different from those sold prior to 1905, the kit itself is part of the same class of goods as all of J&J's first aid kits and accident cases sold prior to that time. If ARC were correct that J&J could only sell kits containing exactly the same products as those sold prior to 1905, "J&J would be constrained to continue forever selling kits that contain such antiquated products as cat gut ligatures and kidney plasters." Pl. Rep. at 19. Accordingly, J&J's motion for summary judgment in its favor on ARC's three counterclaims is granted, ARC's corresponding motion for summary judgment in its favor on ARC's first and second counterclaims is denied, and the three counterclaims are hereby dismissed.

As for J&J's motion for summary judgment dismissing the codefendants' two counterclaims for trademark invalidity pursuant to 28 U.S.C. § 2201 and cancellation of trademark under 15 U.S.C. § 1119 and 15 U.S.C. § 1064(3), this motion is premised entirely on the premise that if the codefendants' use of the emblem is illegal under 18 U.S.C. § 706, "then the codefendants do not have standing to assert these counterclaims." Pl. Mem. at 39. Because, however, the Court has concluded that the codefendants' use of the emblem is not illegal under 18 U.S.C. § 706, this argument is moot and the motion

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must be denied.[14]

In sum, the Court hereby grants the portion of plaintiffs' summary judgment motion that seeks dismissal of the three counterclaims brought by defendant American National Red Cross and hereby grants the portion of defendants' summary judgment motion that seeks dismissal of Counts 1, 3, 5 and 6 of the Amended Complaint. In all other respects, the parties' respective summary judgment motions are hereby denied. Counsel are instructed to jointly call Chambers at 2 p.m. on May 16, 2008 to schedule a prompt date for trial of the remaining claims, i.e. Counts 2, 7, and 8 of the Amended Complaint and the two counterclaims of the codefendants.

JED S. RAKOFF, U.S.D.J.

Dated: New York, New York
May 14, 2008

[14] Similarly, defendants' motion to strike the expert report of Kenneth B. Germain must be denied as moot. In the report, Mr. Germain opines on (1) whether the license agreements between ARC and the four codefendants are typical trademark license agreements; (2) whether the license agreements initially created agency relationships between ARC and the codefendants; and (3) whether the confirmatory amendments created agency relationships between ARC and the codefendants -- but all of this relates to an interpretation of the "agent" language of 18 U.S.C. § 706 that the Court has now rejected, and so the opinions are irrelevant.