

TRADEMARK LAW DEVELOPMENTS 2002:

AN OVERVIEW

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The highlights of the year 2002 in Trademark Law are, in my opinion, easy to identify. They are clearly:

- (1) The prospect that we will have some direction on dilution issues and
- (2) The implementation of the Madrid Protocolfinally!

We have had some interesting decisions and developments in other areas as well which I will discuss, but clearly these are overshadowed by the developments in these two areas.

DILUTION

The dilution statute reads in part:

The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark becomes famous and causes dilution of the distinctive quality of the famous mark, and to obtain such other relief as is provided in this subsection.....

Several Circuits have had the opportunity to interpret this portion of the statute this year and in previous years resulting in a split of the circuits. The main issue resulting in the split is:

I. WHETHER A PLAINTIFF CAN SHOW LIKELIHOOD OF DILUTION TO OBTAIN RELIEF UNDER THE STATUTE OR WHETHER ACTUAL DILUTION IS NECESSARY.

The Supreme Court recently heard arguments in the case *V. Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Circuit. 2001), cert granted, _____ S.Ct. November 12, 2002 on this issue. The case involves a store once called Victor's Secret that sells "adult novelty" items. The owners of the mom-and-pop store claim the name was inspired by Victor Moseley's desire to keep the business secret from a former employer. Nevertheless, the Columbus, Ohio-based lingerie manufacturer Victoria's Secret, which claimed unfair competition and trademark infringement, sued him. The store changed its name to Victor's Little Secret, but when that failed to satisfy Victoria's Secret, the Kentucky store changed its name to Cathy's Little Secret, after the owner's wife.

The Sixth Circuit, agreeing with the Second and Seventh Circuits, had ruled that likely injury is sufficient for injunctive relief. The Sixth Circuit reasoned that requiring actual proof would prevent resort to the statute until after the harm had occurred, and would therefore prevent the harm from ever being compensated because (absent “willfulness”) the statute provides only injunctive relief and not monetary damages. However, the Fourth and Fifth Circuits have required actual proof. See, e.g., *Ringling Bros.-Barnum & Bailey Combined Shows Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999). Section 43(c)(1) of the Federal Trademark Dilution Act (FTDA), enacted in 1995, provides that the owner of a famous mark is entitled to injunctive relief against another person’s or entity’s “commercial use in commerce” of a mark if such use “causes dilution of the distinctive quality of the mark.” Moseley, the Kentucky shop owner, argues that the plain meaning of the statutory language “causes dilution” requires actual proof. Victoria’s Secret, however, argues that the legislative history makes clear that no actual proof is necessary.

II. DILUTION AND FIRST AMENDMENT ISSUES

A fun decision was made in the recent case *Mattel, Inc. v. MCA Records, et al.* (No. 98-56453, 9th Cir. Court of Appeals, July 24, 2002) at the US Court of Appeals, centering around Aqua's (a Danish band) song ‘Barbie Girl.’ Mattel felt that the song had infringed and diluted its Barbie trademark. But the trial judge had found that the song was merely a parody and consumers would not be confused into believing there was any connection.

Aqua produced the song ‘Barbie Girl’, which was marketed by MCA and which became a Top 40 pop hit. Mattel sued under the Lanham Act for trademark infringement and the Ninth Circuit affirmed the district court's granting summary judgment for MCA, both on the infringement and dilution claims, but granted Mattel's motion for summary judgment on MCA's defamation cross-claim where Mattel characterized MCA's actions as piracy. The Court found that the song, which included such lyrics as “I'm a blond bimbo girl, in a fantasy world”, was protected parody that would not mislead the consumer as to its source. The Court also held that while Mattel's trademark was diluted, the FTDA's exception for ‘non-commercial’ speech applied even though the song was commercial, the substance was parody, and the legislative history supported protection of such speech under the First Amendment.

III. DILUTION AND DISTINCTIVENESS

TCPIP Holding Co. v. Haar Communications Inc., 2001 U.S. App. LEXIS 2867 (2d Cir. Feb. 28, 2001). For approximately 30 years, plaintiff operated a chain of retail stores selling children's clothing and accessories under the federally registered trademark THE CHILDREN'S PLACE. Plaintiff’s chain of more than 200 stores enjoyed annual revenues of almost \$300 million. In the fall of 1998, defendant developed the idea of creating an Internet portal for children that would provide information and links about a broad array of child-related products and services. Shortly thereafter, defendant registered the domain name “thechildrensplace.com”. In early 1999, plaintiff sent defendant a cease-and-desist letter demanding that defendant transfer this domain name to plaintiff. Defendant later registered at least 66 more domain names containing variations of the words “children” and “place”. After negotiations to purchase the domain name failed, plaintiff brought suit, alleging claims of trademark infringement, dilution,

and unfair competition, and filed a motion for preliminary injunction. The district court preliminarily enjoined defendant from using 81 different domain names because they were likely to infringe and dilute plaintiff's trademark.

On appeal, the Second Circuit vacated the injunction based on dilution under the FTDA and affirmed the injunction to the extent it was based on trademark infringement as to some but not all of the domain names. Regarding plaintiff's dilution claim, the appeals court held that descriptive marks like plaintiff's mark THE CHILDREN'S PLACE, "which possessed no distinctive quality, or at best a minimal degree, do not qualify for the Act's protection." The court further noted that even assuming that plaintiff's mark had acquired secondary meaning, it would still not qualify for dilution protection. The court viewed the lack of inherent distinctiveness of plaintiff's mark as fatal to plaintiff's dilution claim. "The mark's deficiency in inherent distinctiveness is not compensated by the fact that [plaintiff's] mark has achieved a significant degree of consumer recognition." As to whether plaintiff's mark was "famous" under the FTDA, the Second Circuit interpreted the Act to confer protection on marks "only if they carried a substantial degree of fame". Accordingly, the court vacated the preliminary injunction to the extent it was based on dilution. The court concluded, however, that the injunction was properly granted on plaintiff's trademark infringement claim as to nine domain names that were virtually identical to plaintiff's mark. Because of the weak, descriptive nature of plaintiff's mark, however, the court held that the injunction was inappropriate as to any domain names that differed somewhat from plaintiff's mark (e.g., achildplace.com, yourchildsplace.com, mychildsplace.com, ourchildrensplace.com). Because the district court "failed to consider the narrower scope of protection afforded by the Lanham Act to descriptive marks or the lesser likelihood of confusion that arises in the case of descriptive marks," the appeals court instructed the district court on remand to review all of the domain names at issue other than the nine on which the court affirmed the injunction, to determine whether to issue a preliminary injunction based on the principles articulated in the Second Circuit's decision. Finally, the Second Circuit rejected defendant's claim that its actions constituted fair use, i.e., it was using the domain names at issue only in their ordinary descriptive sense to describe defendant's goods or services as permitted in 15 U.S.C. § 1115(b)(4). The court explained that the fair-use provision applies only where the name is used descriptively "otherwise than as a mark". Defendant's use of the domain name "thechildrensplace.com" as the "address, or name, of its web site" was use "otherwise than as a mark", and was thus not a descriptive use.

New York Stock Exchange, Inc. v. New York, New York Hotel, 293 F.3d 550 (2nd Cir. 2002). The New York Stock Exchange's trademarked logo consisting of its building's facade is sufficiently distinctive for federal dilution protection against its being recreated by a Las Vegas casino, the U.S. Court of Appeals for the Second Circuit ruled.

While the court did find that most of the New York Stock Exchange (NYSE) trademarks lacked inherent distinctiveness for dilution protection under Lanham Act 43(c)(1), it did find that the trier of fact (judge or jury) might find the combination of the particular architecture with the NYSE name to be arbitrary. The court therefore affirmed the district court's summary judgment holding for all claims except the federal and state dilution claims.

The Appeals Court held that the district court was correct regarding state law dilution for blurring, but not for tarnishment. There are two types of dilution: blurring (where the defendant uses or modifies the plaintiff's trademark to identify the defendant's goods and services, raising the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff's product) and tarnishment (where a trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context).

The court agreed with the district court in its decision regarding blurring, but did not agree with its decision regarding tarnishment. The court found that the parody of the name would be sufficient to prevent a likelihood of blurring. However, even if the connection between the two companies is only humorous, the court found that the NYSE has a reputation of integrity and transparency in the trading conducted on its floor. Therefore, the court found that a reasonable trier of fact could find that New York, New York casino's use of the NYSE marks might injure the NYSE reputation. The court therefore remanded the case to the district case for further proceedings regarding the remaining issues.

IV. LIKELIHOOD OF CONFUSION, DILUTION AND FAME

The U.S. Court of Appeals for the Federal Circuit has held that the fame of the opposer's mark, plays a dominant role in the likelihood of confusion analysis, and may be outcome-determinative. *Bose Corp. v. QSC Audio Prods., Inc.*, 2002 U.S. App. LEXIS 11749 (June 14, 2002). The Court also held that fame may be established as a matter of law based on circumstantial evidence, e.g., length of use, sales and advertising figures, and media coverage, and that direct evidence of fame, e.g., surveys, is not required.

The opposer owns a federal registration for the mark for ACOUSTIC WAVE for loudspeaker systems. The applicant filed an application to register the mark POWER WAVE for amplifiers. An opposition ensued and the U.S. Trademark Trial and Appeal Board (TTAB) awarded judgment in favor of the applicant.

The Federal Circuit reversed, finding that the Board erred in determining that there was no likelihood of confusion. The Court held that the Board had failed to give sufficient weight to the fame of the opposer's mark. "Fame of an opposer's mark," the Court explained, "plays a dominant role in the process of [determining whether there is a likelihood of confusion]." The Court further held that fame could be established, as a matter of law, by circumstantial evidence—direct evidence is not required. "Direct evidence of fame, for example from widespread consumer polls, rarely appears in contests over likelihood of confusion. Instead, our cases teach that the fame of a mark may be measured indirectly, among other things, by the volume of sales and advertising expenditures of the goods traveling under the mark, and by the length of time those indicia of commercial awareness have been evident."

The Court rejected the argument that the opposer's mark, ACOUSTIC WAVE, was not famous because it was used in tandem with the opposer's famous house mark, BOSE, and that it did not possess separate trademark significance. "Whether or not a product mark, (i.e., ACOUSTIC WAVE), always used with a house mark, (i.e., BOSE), possesses a separate trademark significance depends on the manner of use and the commercial impression engendered

by that use.” The Court found that the record, which included evidence of media coverage that had been given to the product mark ACOUSTIC WAVE apart from the house mark BOSE and evidence of "considerable" advertising that decoupled the product mark ACOUSTIC WAVE from the house mark BOSE, constituted "overwhelming evidence" of the independent trademark significance of the opposer's mark ACOUSTIC WAVE.

Ty Inc. v. Ruth Perryman, No. 02-1771 (7th Cir., October 4, 2002). The Seventh Circuit Court of Appeals held that a reseller of “Beanie Babies” did not violate the Federal Trademark Dilution Act when she used plaintiff Ty, Inc.’s “Beanies” trademark in the title and domain name of her web site. The majority of the toys offered for sale at the website were used “Beanie babies” manufactured by Ty.

Ty makes Beanie Babies, which are stuffed beanbag toys. Perryman sells second-hand stuffed animals, including Beanie Babies, via the Internet and uses the address "bargainbeanies.com" to so do. Perryman argued that the term "beanies" had become generic and that in any event, the injunction was overbroad.

The court began by explaining that consumer confusion was not a factor here because Perryman was not a competing producer of beanbag toys. In addition, her website disclaimed any affiliation with Ty. But what the court found decisive was the fact that Perryman was selling the very product to which the trademark sought to be defended against her "infringement" was attached. Clearly, one cannot sell a branded product without using its brand name. Ty's claims were especially strained because of its marketing strategy. Ty deliberately produced a quantity of each Beanie Baby that failed to clear the market at the low price it charged for the goods. A byproduct of this approach was the creation of a secondary market. Perryman was the middleman in this secondary market. The secondary market could not operate efficiently if sellers who served it could not use the term "Beanies" in advertising. Federal dilution laws did not provide a basis for Ty to impede sellers in the aftermarket from marketing the trademarked goods. In light of this, the injunction had to be reformulated, but the prohibition against using "Beanie" in connection with any non-Ty goods could stand.

V. TTAB ON THE SCOPE OF THE DILUTION STATUTE AND REGISTRABILITY OF A MARK

The Trademark Trial and Appeal Board (TTAB) issued its first substantive decision involving dilution in *The Toro Company v. Torohead, Inc.* (TTAB December 12, 2001), which could significantly impact the number of oppositions and cancellations brought under the dilution statute in the future. The Toro Company (opposer) is the owner of several registrations for the mark TORO that cover various types of lawn care machines and related products. The applicant, Torohead, Inc. applied, based on intent to use, for the mark TOROMR & Design for “very low reluctance, thin film magnetic reading and writing heads for sale to OEM manufacturers of high performance computer disk drives”. The Toro Company opposed registration of the applicant’s mark on the basis of likelihood of confusion, as well as, more notably, violation of the Dilution Statute 15 U.S.C. §1125(c).

In determining that an intent to use application could be the subject of a dilution claim, the TTAB looked at the legislative history of the dilution statute. The TTAB found that since

Congress intended to provide for resolution of dilution issues before the Board, it must have intended for owners of famous marks to seek relief *before* actual dilution damage had been suffered in the marketplace.

Most importantly, however, the TTAB held that for dilution to be applicable a mark must “be not only famous, but also be so distinctive that the public would associate the term with the owner of the famous mark, even when it encounters the term apart from the owner’s goods and services, i.e. devoid of its trademark context.” In deciding this, the Board looked back at the legislative history and the language of the statute that mentions both the terms “famous” and “distinctiveness” and concludes that these terms, while overlapping, are separate concepts, both of which *must* be present for a mark to be entitled to the broad scope of protection provided by the Federal Trademark Dilution Act. The Board noted that there was no evidence of how effective opposer’s advertising had been, no “widespread recognition” of opposer’s mark and no “direct evidence of consumer recognition of the mark as pointing uniquely to opposer”. Thus, it found that The Toro Company had failed to present sufficient evidence that consumers associate its mark *in any context* with The Toro Company and, therefore, that its mark was not sufficiently distinctive to be accorded protection under the Dilution Act. What does the Board find persuasive?

- (1) Recognition by the other party
- (2) Intense Media attention and
- (3) Surveys

VI. TRADEMARK SURVEYS AND LIKELIHOOD OF CONFUSION

The U.S. Court of Appeals for the Ninth Circuit has held that a survey demonstrating actual consumer confusion may be sufficient to prove a likelihood of confusion as a matter of law. *Thane International, Inc. v. Trek Bicycle Corp.*, 2002 U.S. App. LEXIS 18344 (9th Cir. Sept. 6, 2002).

The plaintiff owns the federally registered trademark TREK for bicycles. The defendant is using the mark ORBITREK for a stationary exercise machine. After the plaintiff sued the defendant for trademark infringement, the district court awarded summary judgment in favor of the defendant, reasoning that no reasonable jury could find a likelihood of confusion between the parties’ marks.

The Ninth Circuit reversed and remanded for trial. The court stated that "evidence of actual confusion constitutes persuasive proof that future confusion is likely". Here, the plaintiff had offered an "extensive survey evidence of actual confusion". According to the plaintiff’s survey, more than 25 percent of the relevant consumer group was confused into believing that the plaintiff was connected with the defendant on account of the defendant’s use of ORBITREK. Notwithstanding the defendant’s criticism of the survey, the court drew all inferences from the survey in favor of the plaintiff on the defendant’s summary judgment motion, holding that the survey alone could be sufficient evidence on which a jury could find a likelihood of confusion. "If a party produces evidence from which a reasonable jury could surmise that an appreciable

number of people are confused about the source of the product, then it is entitled to a trial on the likelihood of confusion."

VII. INVESTIGATION TO ENSURE DOMAIN NAME IS NOT INFRINGING AND BAD FAITH

A domain name registrant's failure to conduct a reasonable investigation to ensure that its domain name does not infringe another's trademarks rights constitutes evidence of bad faith under the Anticybersquatting Consumer Protection Act (ACPA). *Eurotech, Inc. v. Cosmos European Travels Aktiengesellschaft*, Civ. No. 01-1689-A, 2002 U.S. Dist. LEXIS 13615 (E.D. Va. July 24, 2002).

The defendant, Cosmos, owns numerous incontestable trademark registrations in several countries for the mark COSMOS for use in connection with travel services. The plaintiff, Eurotech, registered the domain name cosmos.com and began using the domain name in connection with a travel information website. Eurotech did not conduct a trademark search to determine whether the mark COSMOS already was registered or in use as a trademark or trade name. Cosmos filed a complaint pursuant to the Internet Corporation for Assigned Names and Numbers (ICANN) procedures with the World Intellectual Property Organization (WIPO), which ordered Eurotech to transfer the domain name to Cosmos. Eurotech appealed the holding by filing a declaratory judgment action in the U.S. District Court for the Eastern District of Virginia. Cosmos counterclaimed, alleging trademark infringement, unfair competition and violation of the ACPA.

The U.S. District Court for the Eastern District of Virginia granted summary judgment to Cosmos and ordered Eurotech to transfer the domain name. In addition to finding the balance of the enumerated ACPA "bad faith" factors weighed in favor of its holding, the court also stressed the importance of examining whether the "larger picture" is consistent with a finding of bad faith. In this regard, the court held that Eurotech's failure to conduct a reasonable investigation to ensure that the domain name was non-infringing further supported a finding of bad faith. Had Eurotech performed a simple trademark search, it easily would have ascertained that Cosmos had registered the mark COSMOS for use in connection with the travel industry and had spent millions of dollars promoting that mark.

VIII. COMPARISON OF DESCRIPTION OF GOODS REQUIRED TO DETERMINE WHETHER CONFUSION IS LIKELY

The U.S. Court of Appeals for the Federal Circuit has held that it is an error for the TTAB to fail to consider the description of goods in an opposer's registration against the description of goods in the applicant's application to determine whether confusion is likely in an inter partes proceeding. *Hewlett Packard Co. v. Packard Press, Inc.*, 2002 U.S. App. LEXIS 3300 (March 1, 2002).

The opposer, Hewlett Packard, owns trademark registrations for HEWLETT PACKARD for, among other things, consultation services in the field of computer and data processing products, data processing and data storage systems and computers. The applicant, Packard Press,

filed a trademark application for PACKARD TECHNOLOGIES for data and information processing and electronic transmission of data and documents via computer terminals. An opposition ensued and the TTAB awarded judgment in favor of the applicant on the ground that Hewlett Packard had failed to offer evidence that the parties' respective products and services were related. The TTAB refused to consider the description of goods and services in Hewlett Packard's registrations and the applicant's application as evidence on the issue of relatedness.

The Federal Circuit reversed and remanded with instructions to enter judgment in favor of Hewlett Packard as a matter of law. In so doing, the federal court held that it was legal error for the TTAB to fail to consider, as evidence of relatedness, the descriptions in Hewlett Packard's registrations and the applicant's application. "Because it must consider each *DuPont* factor for which it has evidence of record, the Board erred when it declined to compare the services described in [Applicant's] application with the goods and services described in [Opposer's] registrations." Based on its independent review of the record, the Federal Court then held that the goods and services as described in Opposer's registrations were related as a matter of law to the services as described in Applicant's application.

IX. ATTORNEYS' FEES IN TRADEMARK CASES

In *Tamko Roofing Products Inc. v. Ideal Roofing Co., Ltd.*, 61 U.S.P.Q. 2d 1865 (1st Cir. 2002) the First Circuit ruled that Attorneys' fees are recoverable without proof of "bad faith."

The Court ruled that a district court could determine that a trademark action constituted an "exceptional case" sufficient to award attorneys' fees under the Lanham Act even without proof of "bad faith" by the defendant. (Traditionally, proof of "bad faith" was required in order for a district court to award attorneys' fees to the party prevailing in a case brought under the Lanham Act.) The court found that the Legislative history of Section 35(a) of the Lanham Act reflected an intent to permit the award of attorneys' fees upon proof that the defendant's actions were voluntary and intentional and without proof of fraud or bad faith.

X. CREATING A WEB SITE LINK DOES NOT CONSTITUTE "COMMERCIAL USE" UNDER THE LANHAM ACT

In *Ford Motor Co. v. 2600 Enterprises*, 177 F.Supp. 2d 661 (E.D. Mich. 2001), the district court found that the plaintiff's use of the word "Ford" in programming code to create a hyperlink between the defendant's "****generalmotors.com" domain name and plaintiff's official "ford.com" Web site did not constitute "commercial use" of Ford's mark. Hence, the defendant's actions did not constitute infringement under the Lanham Act - i.e., trademark dilution, trademark infringement, or unfair competition.

XI. COMPUTER FIRM'S USE OF NISSAN.COM WAS NOT IN BAD FAITH UNDER THE ANTICYBERSQUATTING ACT.

In *Nissan Motor Co. v. Nissan Computer Corp.*, 246 F.3d 675 (9th Cir. 2002) the U.S. District Court for the Central District of California (Los Angeles) found that a computer firm's

use of the domain name nissan.com did not constitute bad faith under the Anticybersquatting Act. The court noted the following factors negated a finding of liability:

- (1) The computer's firm business name was Nissan Computer (named after its founder, Uzi Nissan);
- (2) The firm used Nissan as its business name since 1991; and
- (3) The firm had legitimately used the domain name since 1994. The court found that the traditional factors which point to bad faith were missing, i.e., clear evidence that the defendant registered the domain name with an intent to either ransom it to the trademark holder or to deprive a competitor of the domain name.

XII. INCONTESTIBLE TRADEMARK - DESCRIPTIVE VS. GENERIC

Incontestable Trademark Is Not Protectable If It Is Weak Or Generic

In *Entrepreneur Media Inc. v. Smith*, 279 F.3d 1135 (9th Cir. 2002) the plaintiff used the word "entrepreneur" for a magazine on entrepreneurship. Plaintiff had a trademark for ENTREPRENEUR, which was registered in 1987 and had attained incontestable status. The plaintiff sued a small public relations firm, which used as its firm's name: EntrepreneurPR. The firm also used the domain name "entrepreneurpr.com" and issued a publication called "Entrepreneur Illustrated".

The district court found in favor of the plaintiff and awarded summary judgment, money damages and issued a preliminary injunction. The Ninth Circuit reversed in part. The court found that although the mark ENTREPRENEUR was incontestable, it was not a strong mark because there was widespread use of the word. Thus,

"the common and necessary uses of the word 'entrepreneur' provide strong evidence that EMI [plaintiff] cannot have the exclusive right to use the word 'entrepreneur' in any mark identifying a printed publication addressing subjects related to entrepreneurship. ... Moreover, that the marketplace is replete with products using a particular trademarked word indicates not only the difficulty in avoiding its use but also, and directly, the likelihood that consumers will not be confused by its use."

The Ninth Circuit affirmed summary judgment as to the defendant's use of "Entrepreneur Illustrated," but remanded the case back to the district court for trial.

Based on this reasoning, as well as consideration of the other *Sleekcraft* case factors, the Ninth Circuit reversed the lower court's finding of trademark infringement based on Smith's use of "EntrepreneurPR" and entrepreneurpr.com. However, the Ninth Circuit upheld the lower court's finding of infringement in favor of EMI for Smith's use of "Entrepreneur" in Entrepreneur Illustrated, based on the "strong visual similarity" of the marks, and based on the fact that the term "Illustrated" in Smith's mark was in small letters and was partially obstructed

thus making “entrepreneur” the dominant word in the infringing mark. In summary, therefore, where the term used is different from the term registered and the term is one of necessity used by others, confusion of even an incontestable mark is avoided when the precise registered term is not used by the later user of a trademark.

Incontestable Trademark That Is Merely Descriptive Is Enforceable

In *Te-Ta-Ta Truth Foundation v. World Church of the Creator*, 2002 U.S. App. LEXIS 14890 (7th Cir. July 25, 2002), the U.S. Court of Appeals for the Seventh Circuit has held that an incontestable federal trademark that is merely descriptive may be enforced against a third party. The plaintiff owned an incontestable federal trademark registration for CHURCH OF THE CREATOR, and the defendant was using the mark WORLD CHURCH OF THE CREATOR. The district court awarded summary judgment in favor of the defendant on the plaintiff’s trademark infringement claim on the ground that the plaintiff’s mark was generic.

The Seventh Circuit reversed and remanded with instructions to enter judgment in favor of the plaintiff. The court reversed the district court’s determination that the plaintiff’s mark was generic, instead holding that the mark was merely descriptive of the plaintiff’s services. The court explained that a mark is generic (and thus unenforceable) when, according to contemporary usage, it has become the name of a product or class of products. The only evidence that the defendant offered that illustrated the plaintiff’s mark was generic was dictionary definitions of the individual words in the plaintiff’s mark. But, as the court put it, “That won’t cut the mustard, because dictionaries reveal a range of historical meanings rather than how people use a particular phrase in contemporary culture”. Contemporary usage did not demonstrate that the plaintiff’s mark was the name of a single religion or a class of religions. Further, the court reasoned that affording protection to the plaintiff’s mark would not hinder available options for other sects to distinguish themselves. Thus, the court awarded judgment in favor of the plaintiff as a matter of law.

XIII. NOMINATIVE USE OF A TRADEMARK IS IMMUNE FROM INFRINGEMENT/DILUTION CLAIM

In *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002), the Court of Appeals for the Ninth Circuit affirmed summary judgment in favor of Terri Welles, a former “Playmate of the Year” (1981). Ms. Welles operated her own Web site and referred to herself as “PMOY ’81” on her Web site and also used similar metatags. The court found that Ms. Welles’ use of the Playboy mark was “nominative” because it satisfied a three-part test previously set forth in *New Kids On the Block v. New American Publishing, Inc.*, 971 F.2d 302 (9th Cir. 1992). The three-part test states that use is nominative and permissible if:

- (1) The product or service is not readily identifiable without use of the mark;
- (2) Only so much of the mark is used as reasonably necessary to identify the product or service; and

- (3) The user does nothing to suggest sponsorship or endorsement by the trademark holder. The court found in favor of Ms. Welles on all three parts of the test.

XIV. TRADE DRESS/CONFIGURATIONS

In *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc.*, 280 F.3d 619 (6th Cir. 2002), Abercrombie's catalog was protectable as trade dress, but clothing design and in-store presentation were not.

The Sixth Circuit found that trade dress protection was available to the Abercrombie catalog and related in-store design aspects. The Sixth Circuit found that the following elements were all protectable as trade dress: (1) the actual design of Abercrombie's clothes; (2) the design of the Abercrombie catalog (which was created to cultivate a certain image); and (3) certain features of Abercrombie's in-store presentation. The appellate court noted that the fact that these elements were consistent with Abercrombie's marketing campaign did not preclude trade dress protection. However, the court found that the defendant's catalog was not confusingly similar to the plaintiff's.

Herman Miller, Inc. v. Palazzetti Imports and Exports, Inc., 60 USPQ2d 1633 (6th Cir. 2001). Evidence of secondary meaning within a small, but very well defined, group of people that form the consuming public is sufficient to support a claim for trade dress protection under §43 (a) of the Lanham Act. The Court in this case found that the manufacturer of a distinctive lounge chair and ottoman showed evidence of secondary meaning within the narrow group of people that comprise the consuming public in the modern furniture market that was sufficient to raise a genuine issue of material fact, therefore precluding summary judgment of no infringement.

This case involves the officially licensed manufacturer of the "Eames" lounge chair and ottoman and a furniture company that marketed reproductions of modern classic furniture popularized between 1950 and 1980. The Herman Miller company began manufacturing the chair known as the "potato chip chair" in 1956 and has manufactured it continuously since. Since 1956 Herman Miller, Inc. has sold over 100,000 chairs and ottomans. The defendant in this case sold reproductions of the chair made in Italy.

As a preliminary matter, the Court set forth the requirements for trade dress protection for product designs based on the U.S. Supreme Court decision in *Wal-Mart Stores, Inc. v. Samara Brothers*, 529 U.S. 205 (2000). In order to support a trade dress claim based on product design, the plaintiff must demonstrate the secondary meaning of the design. Inherent distinctiveness of the design will no longer suffice. The Sixth Circuit Court in the *Herman Miller* case decided that since the basis for the trade dress claim was the actual lounge chair and ottoman, the claim for protection was based on product design rather than product packaging. Therefore, the Court's analysis focused on whether the question of secondary meaning has been established.

In order to determine if the chair has acquired secondary meaning, the Sixth Circuit Court utilized the seven-factor test set out by the Supreme Court in *TrafFix Devices v. Marketing*

Displays, Inc., 121 S. Ct. 1255 (2001). The seven factors set forth by the U.S. Supreme Court in *TrafFix* are:

- 1) Direct consumer testimony;
- 2) Consumer surveys;
- 3) Exclusivity, length and manner of use;
- 4) Amount and manner of advertising;
- 5) Amount of sales and number of customers;
- 6) Established place in the market; and
- 7) Proof of intentional copying. No single factor is determinative and not every factor must be proven in every case.

In the *Herman Miller* case, the Sixth Circuit Court determined that plaintiff had produced sufficient evidence of secondary meaning, especially enough to defeat a summary judgment motion. The key evidence cited by the court included:

- 1) Books, articles, and an encyclopedia listing specifically indicating Herman Miller as the source of the “Eames” lounge chair and ottoman;
- 2) Evidence of defendant’s intentional copying;
- 3) Unsolicited media attention regarding the relationship between Herman Miller and the “Eames” chair;
- 4) The existence of a secondary market specifically for the Herman Miller “Eames” lounge chairs; and

Articles warning consumers of knock-offs of the Herman Miller “Eames” chair and ottoman.

XV. TRADEMARK REGISTRATION ALONE NOT SUFFICIENT TO RAISE MATERIAL ISSUE TO DEFEAT SUMMARY JUDGMENT ON ISSUE OF FUNCTIONALITY

In *Tie Tech, Inc. v. Kinedyne Corp.*, 2002 U.S. App. LEXIS 13911 (9th Cir. July 11, 2002), the U.S. Court of Appeals for the Ninth Circuit Court affirmed that product configurations that are wholly functional are not entitled to trademark protection. The registration of a trademark, by itself, is not sufficient to create a factual issue to survive summary judgment.

Tie Tech manufactures a product that is designed for emergency use in cutting through wheelchair webbing systems used in vehicles. The U.S. Patent and Trademark Office (PTO) registered the entire configuration and arbitrary embellishment of the product as a trademark. Kinedyne, a competitor of Tie Tech, redesigned its own "web-cutter" so that the resulting product is virtually indistinguishable from Tie Tech’s product. Tie Tech sued Kinedyne for trademark infringement.

The district court entered summary judgment in favor of Kinedyne, holding that Tie Tech's product configuration is functional and, thus, not protected by trademark. On appeal, Tie Tech argued, first, that the mere fact of trademark registration alone should have been sufficient to create a material issue of fact to defeat summary judgment; and, second, that it presented sufficient evidence of non-functionality beyond the registration to warrant reversal. The Ninth Circuit rejected both of Tie Tech's contentions.

An essential element in an infringement action is the validity of the mark. Although the registration of the mark gave Tie Tech a presumptive advantage on the issue of validity, when Kinedyne rebutted the presumption of validity through undisputed facts proving functionality, the registration lost its evidentiary significance. Likewise, Tie Tech failed to point to any evidence of distinctiveness of its design other than those elements essential to its effective use. The Ninth Circuit likewise rejected Tie Tech's argument that, while the individual parts making up the product are functional, the overall appearance of the product was non-functional and deserving of protection.

XVI. PERSONAL JURISDICTION AND THE WEB

In *Neogen Corp. v. Neo Gen Screening, Inc.*, 282 F.3d 883 (6th Cir. 2002) the Sixth Circuit held that an out-of-state company that provides blood-testing services to Michigan residents through advertising on its Web site was subject to personal jurisdiction in Michigan under that state's "long-arm" statute. The court found that although the defendant's Web site was primarily "passive", the defendant had purposely availed itself of the suit in Michigan because the defendant provided passwords to Michigan residents to access test results and the defendant sold 14 tests in one year to Michigan residents.

XVII. USE IN COMMERCE AND THE WEB

In *Cable News Network L.P., L.L.L.P. v. cnnnews.com*, 177 F.Supp. 2d 506 (E.D. Va. 2001), a Chinese company registered the domain name cnnnews.com, which it used in connection with a Chinese website offering news services and other information targeting Chinese-speaking individuals worldwide. Although the text of the website was primarily in the Chinese language, the site also included a significant amount of English-language content. Upon learning of this website, the plaintiff, Cable News Network, L.P. (CNN), brought an in rem suit under the Anticybersquatting Consumer Protection Act (ACPA) against the domain name, including claims for trademark infringement and trademark dilution.

The domain name registrant argued that the cnnnews.com domain name was not substantially "used in commerce" under the Lanham Act because the domain name registration contract was with a domain name registrar located in China, and that the site sells products only to Chinese citizens and, therefore, does not target United States citizens. The court rejected each of these arguments, finding that .com is essentially an American top-level domain (TLD) administered by an American domain name registry, that CNN is a famous trademark in the United States and internationally and that the site targets Chinese-language speakers globally, including Chinese speakers in the United States. The court held that these circumstances combined to affect American commerce under the Lanham Act.

Weighing the elements of each of CNN's causes of action, the court granted summary judgment to CNN on its trademark infringement claim under the ACPA. The court denied CNN's trademark dilution claim, however, holding that CNN was unable to demonstrate actual economic harm as is required under Fourth Circuit dilution law

XVIII. NAKED LICENSING

In *Barcamerica Trust v. Tyfield Importers*, 289 F.3d 589 (9th Cir. 2002), a wine trademark owner's occasional, informal tasting of the wine and reliance on the reputation of a deceased "world-famous winemaker," did not constitute an exercise of quality control over a licensee sufficient to defeat a finding that the owner had abandoned its mark through uncontrolled licensing; the owner had engaged in "naked" licensing of its mark and thus had forfeited its rights in the mark. The case involved the mark LEONARDO DA VINCI for use on wines. Barcamerica owned a registration for the mark and licensed it to Renaissance Vineyards. The license did not contain any quality control provisions. The trademark owner however, informally tasted the wine from time to time and relied on the reputation of a "world famous winemaker". In a dispute with an importer of the wine bearing the mark, a claim of abandonment based on naked licensing was the principal issue. The court held that the trademark owner did not meet its substantial burden of proving exercise of quality control. The Court found that the trademark owner "played no meaningful role in holding the wine to a standard of quality – good, bad or otherwise" This resulted in abandonment of the mark.

MADRID PROTOCOL

The long-anticipated Madrid Protocol Implementation Act finally became law on November 2, 2002, when President Bush signed the Act into law as part of the Department of Justice Reauthorization Act. The Protocol is a treaty that provides an international system of registering trademarks, and is administered by the World Intellectual Property Organization (WIPO). United States trademark owners now will be able to take advantage of this cost-saving method of securing broad trademark protection around the world.

The accession by the United States to the Madrid Protocol makes it possible for U.S.-based trademark owners to extend their protection to other countries more easily and at less cost. In addition, the membership may help to stimulate foreign business investment by making it easy for others to seek intellectual property protection in the United States.

The Madrid Protocol system of International Registrations does not replace the current national trademark registration system or the registration requirements of its members. Instead, the Protocol allows trademark owners to file a single application in their home country, called a "basic" registration, and then designate extension of the application or registration in some or all of the member countries at a reduced fee. The national trademark office of each elected country has a 12-month examination period in which to issue an initial refusal, which may be extended up to 18 months (or longer if an opposition is filed). If the national trademark office does not act within this allotted time period, the International Registration will take effect in that country. International Registrations have the same force and effect as national registrations.

Trademark owners will need to be aware of some significant changes in the clearance and prosecution of trademark applications under the domestic registration system and abroad. First, when searching a potential trademark prior to use or registration in the United States, it will be necessary to search the international register for potential conflicting rights. Finally, Madrid Protocol registrations may be assigned in their entirety or in part by designated country, but only to third parties domiciled or established in a country that is also a member of the Madrid Protocol.

I. ADVANTAGES OF THE PROTOCOL

a. REDUCED FEES

The filing fee to WIPO's International Bureau is 653 Swiss Francs (currently U.S. \$450.00) for up to three classes (based upon the International Classification System of the Nice Agreement) of goods and services, 73 Swiss Francs (U.S. \$50.00) for each additional class, and 73 Swiss Francs (U.S. \$50.00) for each country designated in the application, except where the country has designated an individual fee. These reduced fees represent a significant cost savings when compared to the filing and issuance fees charged for national applications and registrations. Additionally, United States trademark owners now will be able to prosecute international applications through a single agent rather than engaging local agents in each country, unless an Office action is received in a particular country.

b. SIMPLIFIED RENEWAL PROCEDURES

Registration of a mark under the Madrid Protocol results in one registration with a life of ten years and a single renewal date, no matter how many designated countries are selected. To renew the registration, one renewal fee of approximately U.S.\$100 is paid to WIPO. This simplified renewal procedure will result in significant cost savings to the trademark owner in both renewal and attorneys' fees previously associated with the monitoring and renewal of international trademarks.

c. EXPANDED BASIS FOR INTERNATIONAL REGISTRATION

An international registration has the significant advantage of allowing the registrant to designate additional countries after registration, upon the payment of the additional required fees. However, the registration in that country will have priority from the date of election only, and will expire ten years from the date of the original international registration.

d. LANGUAGE OF THE APPLICATION CAN BE ENGLISH OR FRENCH

An application under the Madrid Protocol may be filed and prosecuted in English or French; thus, translations into the local language of the designated country will not be required. Trademark owners save time, money, and potential problems that may arise with the translation of unique terms.

e. INTERNATIONAL REGISTRATION CAN BE TRANSFORMED TO NATIONAL APPLICATIONS

The loss of basis of an international registration can be fixed by “transforming” international registration to national application with priority date of international registration.

II. DISADVANTAGES OF THE MADRID PROTOCOL

a. INTERNATIONAL REGISTRATION CANNOT EXCEED GOODS AND SERVICES CLAIMED IN THE BASIC APPLICATION

The United States Patent and Trademark Office (“USPTO”) has strict requirements for narrow specificity in goods and services descriptions compared to many other countries. Therefore, international registrations based on United States applications and registrations likely will be much narrower than either the scope of international registrations based on other countries’ laws or registrations that could be obtained by filing applications directly with national trademark offices with a broader description. Trademark owners should undertake a cost-benefit analysis -- at least for their most important brands -- of whether the national filing system or the Madrid Protocol system is the most advantageous.

b. MODIFIED CENTRAL ATTACK

International Registrations are wholly dependent upon their basic application or registration for a five-year “central attack” period. Therefore, if the basic application or registration is canceled or refused, the action will extend automatically to the International Registration. For United States owners, this attack period essentially leaves all registrations open to attack until the basic registration has passed the five-year bar of incontestability. Thus, for marks that may be considered vulnerable in the United States based on its law but not elsewhere (i.e. by reason of descriptiveness), the national registration system may be preferable.

c. NATIONAL EXAMINATION

Madrid Protocol applications will continue to undergo review by the designated countries pursuant to their national laws. As a result, additional attorneys fees and local agent fees may be incurred in connection with responses to the rejection of an application, or opposition or cancellation actions.

d. TRANSFORMATION COSTS

Transformed applications will require payment of national application fees.

e. UNANTICIPATED COSTS OF PROSECUTION POSSIBLE

Applicants also should keep in mind that although the initial filing and attorneys fees for international applications may be reduced substantially, the designated countries will examine

the application individually according to their national laws. The prosecution costs are likely to be equivalent to costs under national procedures. This could result in substantial unanticipated costs.

The USPTO has at least one year to prepare and implement the appropriate rules and procedures for operating under the Protocol from the time Congress passed the implementing legislation.

OTHER PTO DEVELOPMENTS

I. NEW ELECTRONIC BULK MAILING SYSTEM

Recently, the Department of Commerce's United States Patent and Trademark Office (USPTO) began using a new electronic bulk mailing system to process bulk mail. The USPTO is the first federal agency to decide to use this new service and trademarks will be the first organization to test it. Standard size postcards rather than letters in envelopes will now be sent to trademark customers to reduce expenses for the USPTO.

"Electronic government is a cornerstone of the President's Management Agenda. This enhancement to our trademark processing system is another step closer to our goal of a fully electronic trademark operation by the end of this fiscal year," noted Director Rogan, Under Secretary of Commerce for Intellectual Property.

II. ELECTRONIC FILING

Also of note, electronic filing of trademark applications in October 2002 exceeded paper filing for the first time. Fifty-two percent of the new trademark applications were filed electronically and 48 percent of all new applications were filed on paper.

III. ELECTRONIC PRELIMINARY AMENDMENT FORM

On April 30, 2002, the Trademark Operation posted an electronic Preliminary Amendment form on the [TEAS \(Trademark Electronic Application System\)](#) web site. By using this new web-based TEAS form, customers can submit a Preliminary Amendment prior to examination. Upon receipt of the electronically submitted preliminary amendment, the prosecution history will automatically be updated to show "TEAS Preliminary Amendment received".