TRADEMARK LAW
AN OPEN-SOURCE CASEBOOK

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VERSION 4.0

Introduction

Trademark lawyers often tell the story in one form or another of the Coca-Cola lawyer who spoke in 1986 of the value of the company's goodwill as symbolized by its brand: "The production plants and inventories of The Coca-Cola Company could go up in flames overnight. Yet, on the following morning there is not a bank in Atlanta, New York, or anywhere else, that would not lend this Company the funds necessary for rebuilding, accepting as security only the inherent good will in its trademarks 'Coca-Cola' and 'Coke.'"[1] The story was and remains no exaggeration. In 2016, Interbrand estimated the value of the Coca-Cola brand to be $73.1 billion[2]—as against fixed assets in 2016 of approximately $10.6 billion.[3]

APPLE, GOOGLE, COKE, MICROSOFT, SAMSUNG, TOYOTA, MCDONALDS, LOUIS VUITTON, NIKE, PEPSI, FACEBOOK, VISA, CITI, STARBUCKS, MASTERCARD. Instantly recognizable by a very large proportion of humanity, these are among the most valuable and influential signs in the world, rivalling in significance many religious and national symbols. They are only the most notorious of the millions of brand names that populate the modern marketplace. Trademark law regulates these brand names, from the multi-billion dollar global brands to the name of the local shop down the street. Without trademark protection, many would cease to exist.

In this introductory chapter, we first review the early history of trademarks and trademark law, including the first great Supreme Court trademark case, the so-called *Trade-Mark Cases*. We then critically consider the varied policy justifications for trademark protection. We conclude by briefly situating trademark law within the larger scheme of intellectual property law.

A. The History of U.S. Trademark Law

1. The Origins of Trademarks and Trademark Law

In the excerpt that follows, Mark McKenna surveys the origins of American trademark law from seventeenth-century English case law up through nineteenth-century American case law. Some of the cases he mentions may seem far removed in their facts and reasoning from the present-day world of the global internet and multi-billion dollar brands. But as you will see, the early history of trademark law implicates questions that continue to concern courts and trademark law policymakers. What is the proper rationale for trademark protection? Are trademark rights simply a form of pernicious monopoly rights? Is trademark law intellectual property law or is it unfair competition law? What should qualify for

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[1] *Quoted in* Thomas D. Drescher, *The Transformation and Evolution of Trademarks—From Signals to Symbols to Myth*, 82 TRADEMARK REP. 301, 301-02 (1992).

[2] *See* Interbrand, Best Global Brands 2016 (2016), http://interbrand.com/best-brands/best-global-brands/2016/ranking/cocacola/.

[3] The Coca-Cola Company, Balance Sheet, http://www.nasdaq.com/symbol/ko/financials?query=balance-sheet.

trademark protection? What role should intent or "bad faith" play in the determination of liability for trademark infringement? Should consumers have standing to sue when they are confused by one company's use of a mark similar to another company's mark?

Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1849-62 (2007) (some footnotes altered or omitted)

II. A SECOND LOOK AT EARLY TRADEMARK PROTECTION

[1] Use of markings to identify and distinguish one's property dates to antiquity, and regulations regarding use of those marks almost as long…. Because nineteenth-century American courts explicitly drew on English law…, a full account necessarily begins in England.

A. Medieval Marks as Liabilities

[2] Scholars have identified a number of ways in which individuals and producers historically used distinguishing marks. Most basically, merchants used marks to demonstrate ownership of physical goods, much in the way that ranchers use cattle brands to identify their cattle. Use of marks to indicate ownership of goods was particularly important for owners whose goods moved in transit, as those marks often allowed owners to claim goods that were lost. Producers relied on identifying marks, for example, to demonstrate ownership of goods recovered at sea.[4]

[3] Marks also were quite important to the operation of the guild system in medieval England. Local guilds often developed reputations for the quality of their products. When they did, the names of the towns or regions in which those guilds operated became repositories of goodwill. To maintain that goodwill, guilds needed to be able to restrict membership and identify and punish members who produced defective products. Guilds therefore required their members to affix distinguishing marks to their products so they could police their ranks effectively.[5]

[4] Importantly, guilds required members to display their marks for the purpose of developing and maintaining the collective goodwill of the guild; marks were *not* used for the purpose of establishing individual producer goodwill. Indeed, intraguild competition was strictly forbidden. Moreover, guild regulations were not motivated primarily by a concern for consumers. Even in the cutlers' trade, where

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[4] Owners also carved identifying marks into the beaks of swans they were allowed to own by royal privilege. *See* FRANK I. SCHECHTER, THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS 35-37 (1925)

[5] Not coincidentally, these mandatory marks also made it possible for the Crown to regulate conduct, particularly in the printing industry, where the Crown policed heresy and piracy. *See id*. at 63-77.

marks seem to have been viewed most analogously to modern trademarks,[6] regulation was intended not for the protection of purchasers, but for "guidance of those exercising control or working in rivalry."[7] In fact, though it is not clear how often mark owners sought enforcement of their marks during this period, whatever enforcement mark owners did pursue seems to have been motivated by their concern about being held responsible for products they did not make.

B. English Trademark Cases

[5] Commentators often cite the 1618 case of *Southern v. How*[8] as the first English case dealing with replication of another's identifying mark. According to Popham's report of that case,

> an action upon the case was brought in the Common Pleas by a clothier, that whereas he had gained great reputation for his making of his cloth, by reason whereof he had great utterance to his great benefit and profit, and that he used to set his mark to his cloth, whereby it should be known to be his cloth: and another clothier perceiving it, used the same mark to his ill-made cloth on purpose to deceive him, and it was resolved that the action did well lie.[9]

[6] There are, however, good reasons to doubt the reliability of Popham's report, as Frank Schechter ably demonstrated in his seminal work *The Historical Foundations of the Law Relating to Trade-Marks*. Popham's is only one of five known reports of the case,[10] and the other reports do not corroborate Popham's account of the clothier's case. Some of the reports contain no reference at all to the clothier's case,[11] and at least one of the reports suggests that it was the deceived customer who brought the action rather than the merchant.[12] Nevertheless, much to the

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[6] There are some examples in the cutlers' trade of the government treating marks as property that could be passed by will and of owners advertising to suppress piracy. *See id*. at 119-20.

[7] *Id*. at 120 (quoting Robert Eadon Leader, History of the Cutlers of Hallamshire 110 (1906)).

[8] (1618) Pop. 143, 79 Eng. Rep. 1243 (K.B.).

[9] *Southern*, (1618) Pop. at 144, 79 Eng. Rep. at 1244

[10] The other reports were (1659) Bridg.J. 125, 123 Eng. Rep. 1248 (C.P.); (1659) Cro. Jac. 468, 79 Eng. Rep. 400 (K.B.); (1676) 2 Rolle 5, 81 Eng. Rep. 621 (K.B.); and (1676) 2 Rolle 26 (K.B.), 81 Eng. Rep. 635. The report attributed to Popham, moreover, was not even reported by Popham himself but was included in the section of his collection titled "Some Remarkable Cases Reported by other Learned Pens since his death." (1682) Pop. 1, 1, 79 Eng. Rep. 1125, 1125.

[11] *See* (1659) Bridg.J. at 125-28, 123 Eng. Rep. at 1248-50; 2 Rolle at 5-6, 81 Eng. Rep. at 621-23.

[12] Croke's Report stated: "Dodderidge cited a case to be adjudged 33 Eliz. in the Common Pleas: a clothier of Gloucestershire sold very good cloth, so that in London

detriment of trademark law's conceptual development, Popham's characterization of *Southern* played a prominent role in early English law. In fact, several English judges deciding trademark cases in the eighteenth and nineteenth centuries relied on Popham's report of the case for the proposition that cases based on use of another's mark could be brought as actions on the case, sounding in deceit.

1. Trademarks in Courts of Law and Equity

[7] The first reported English decision clearly involving a claim based on use of a party's trademark was the court of equity's 1742 decision in *Blanchard v. Hill*.[13] The plaintiff in that case, a maker of playing cards, sought an injunction

> to restrain the defendant from making use of the Great *Mogul* as a stamp upon his cards, to the prejudice of the plaintiff, upon a suggestion, that the plaintiff had the sole right to this stamp, having appropriated it to himself, conformable to the charter granted to the cardmakers' company by King Charles the First.[14]

[8] The factual context of *Blanchard* is particularly noteworthy; the plaintiff was seeking protection of a mark for playing cards pursuant to a royal charter, and charters granting exclusive rights to cardmakers had been at the center of a long political struggle between Parliament and the Crown. Marks played an important role in the contested charter scheme because cardmakers were required to use their seals so that exclusivity could be enforced,[15] a fact that clearly colored the court's view of the case….

[9] The *Blanchard* decision, however, should not be read as a categorical condemnation of claims based on use of a competitor's mark. Rather, Lord Hardwicke was focused on cases in which the plaintiff's claim of exclusive rights emanated from a monopoly granted by royal charter. In fact, his decision in *Blanchard* specifically distinguished the plaintiff's claim in that case from the clothier's claim referenced in Popham's report of *Southern*. Unlike the plaintiff in *Blanchard*, who claimed the exclusive right to use his Mogul mark without qualification, the clothier in *Southern* based his case on the defendant's "fraudulent

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if they saw any cloth of his mark, they would buy it without searching thereof; and another who made ill cloths put his mark upon it without his privity; and an action upon the case was brought *by him who bought the cloth*, for this deceit; and adjudged maintainable." (1659) Cro. Jac. at 471, 79 Eng. Rep. at 402 (emphasis added). The second of Rolle's Reports, 2 Rolle 28, 81 Eng. Rep. at 637, is somewhat ambiguous, but that report also suggests it may have been the purchaser who brought the case.

[13] (1742) 2 Atk. 484 (Ch.), 26 Eng. Rep. 692

[14] *Id*. at 484, 26 Eng. Rep. at 692-93.

[15] *See* The Case of Monopolies, (1603) 11 Co. Rep. 84b, 88b, 77 Eng. Rep. 1260, 1266 (K.B.) (calling the playing card monopoly granted by Queen Elizabeth under her royal prerogative an "odious monopoly").

design, to put off bad cloths by this means, or to draw away customers from the other clothier."[16] When the defendant intended to pass off its goods as those of the plaintiff, Lord Hardwicke implied, an injunction might well be appropriate.

[10] Despite the initial reluctance of courts of equity to recognize exclusive rights in trademarks and Lord Hardwicke's clear suggestion that claimants pursue such claims at law, the first reported trademark decision by an English common law court was the 1824 decision in *Sykes v. Sykes*.[17] In that case, the court upheld a verdict for the plaintiff against defendants who marked their shot-belts and powder-flasks with the words "Sykes Patent" in imitation of the plaintiff's use of the same mark for its shot-belts and powder-flasks.[18] After specifically noting that the plaintiff's sales had decreased after the defendants began selling their identically labeled products, the court concluded that the defendants had violated the plaintiff's rights by marking their goods so as "to denote that they were of the genuine manufacture of the plaintiff" and "[selling] them to retail dealers, for the express purpose of being resold, as goods of the plaintiff's manufacture."[19]

[11] A number of common law cases following the *Sykes* decision recognized claims in similar circumstances, imposing liability when a producer sought to pass off its goods as those of a competitor.[20] Those cases generally were brought as actions on the case, in the nature of deceit.[21] Yet one must be careful not to read those cases through modern lenses—despite the form of action, courts in these early cases invariably described the defendant as having practiced fraud *against the plaintiff*.[22]

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[16] *Blanchard*, 2 Atk. at 485, 26 Eng. Rep. at 693.

[17] (1824) 3 B. & C. 541, 107 Eng. Rep. 834 (K.B.). There are some accounts of an earlier decision in a case called *Cabrier v. Anderson*, apparently tried before Lord Mansfield in 1777, in which the court awarded the plaintiff damages of £100 under a statute of William III when the defendant put plaintiff's name on defendant's watches. *See* Schechter, *supra* note 23, at 137-38. There are no published reports of the case, though contemporary press accounts claimed that the case was "'remarkable ... and the first of its kind."' *Id*. at 137 (quoting St. James Chronicle, Dec. 4, 1777).

[18] *Sykes*, 3 B. & C. at 543, 107 Eng. Rep. at 835.

[19] *Id*.

[20] *See, e.g.,* Blofeld v. Payne, (1833) 4 B. & Ad. 410, 411-12, 110 Eng. Rep. 509, 510 (K.B.).

[21] *See, e.g.*, Edelsten v. Edelsten, (1863) 1 De. G.J. & S. 185, 199, 46 Eng. Rep. 72, 78 (Ch.) (stating that in actions for trademark infringement "[a]t law the proper remedy is by an action on the case for deceit: and proof of fraud on the part of the Defendant is of the essence of the action").

[22] *See Blofeld*, 4 B. & Ad. at 412, 110 Eng. Rep. at 510 (upholding the verdict for the plaintiff and holding that the defendant's use of envelopes resembling those of plaintiff's, and containing the same words, was a "fraud against the plaintiff").

[12] Like their counterparts in courts of law, courts of equity became more solicitous of trademark claims in the first part of the nineteenth century. Of particular significance, courts very early on concluded that, where a claimant could demonstrate an exclusive right to use a particular mark, equity would intervene to protect a property interest and evidence of fraudulent intent was not necessary….

[13] As Lord Westbury said in *Leather Cloth Co. v. American Leather Cloth Co*.[23] rejecting any contention that courts of equity based their jurisdiction on fraud,[24]

> The true principle, therefore, would seem to be, that the jurisdiction of the Court in the protection given to trade marks rests upon property, and that the Court interferes by injunction, because that is the only mode by which property of this description can be effectually protected.[25]

Significantly, Lord Westbury reached this conclusion after noting that, even when a party held out his goods as those of another, the other had no right to complain unless the act caused him some pecuniary loss or damage.[26] "Imposition on the public, occasioned by one man selling his goods as the goods of another, cannot be the ground of private right of action or suit."[27] The court in *Levy v. Walker*[28] was even more explicit that the protection of trademarks was intended to protect producers and not primarily for the benefit of consumers: "The Court interferes solely for the purpose of protecting the owner of a trade or business from a fraudulent invasion of that business by somebody else. It does not interfere to prevent the world outside from being misled into anything."[29]

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C. Early American Trademark Jurisprudence

1. Trademark Law Targets Dishonest Trade Diversion

[14] As noted above, I read the decisions of the English common law courts and courts of equity as reflecting the same fundamental concern. In both types of cases, courts were singularly focused on the harm to a producer from improper diversion of its trade, and they worked with existing forms of action to remedy that harm. American courts had the same focus when they began deciding trademark cases,

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[23] (1863) 4 De G.J. & S. 137, 141, 46 Eng. Rep. 868 (Ch).

[24] *Id*. at 141, 46 Eng. Rep. at 870.

[25] *Id*. at 142, 46 Eng. Rep. at 870.

[26] *Id*. at 140, 46 Eng. Rep. at 870.

[27] *Id*. at 141, 46 Eng. Rep. at 870.

[28] (1878) 10 Ch.D. 436.

[29] *Id*. at 448.

and they repeatedly made clear that the purpose of trademark law was to protect a party from illegitimate attempts to divert its trade.[30]

[15] In *Coats v. Holbrook*,[31] for example, the court said that a person is not allowed to imitate the product of another and "thereby attract to himself the patronage that without such deceptive use of such names ... would have inured to the benefit of that other person."[32]

[16] [...] Moreover, ... American courts concluded very early on that this protection in many cases was based on a property right,[33] following essentially the approach of English courts of equity.

2. Trademarks and Unfair Competition

[17] Because the purpose of trademark protection traditionally was to prevent trade diversion by competitors, it has long been regarded as a species of the broader law of unfair competition, and even more broadly, as part of the law governing other fraudulent (and unfair) business practices. This view of trademark protection as a species of unfair competition was not, as some have suggested,[34] a post hoc conflation of two branches of the law. From the very beginning, trademark cases and those only "analogous" to trademark cases were grounded in the same fundamental principle—that no person has the right to pass off his goods as those of another….

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[30] Like its English predecessor, American trademark law was predominantly a product of judicial decision. Prior to the Act of July 8, 1870, ch. 230, 16 Stat. 198, 210, statutory protection, to the extent it existed, was at the state level and highly trade-specific. Massachusetts, for example, specifically regulated the use of marks on sailcloth. *See* Schechter, *supra* note 23, at 130-32. The Supreme Court declared the first two attempts at federal trademark legislation unconstitutional. *See* The Trade-Mark Cases, 100 U.S. 82, 99 (1879) (invalidating the trademark legislation of 1870 and the Act of Aug. 14, 1876, ch. 274, 19 Stat. 141 (which imposed criminal sanctions against one who fraudulently used, sold or counterfeited trademarks)). Even after Congress began legislating again in this area, however, trademark law remained fundamentally a creature of common law. Indeed, the Lanham Act, ch. 540, 60 Stat. 427 (1946), is widely noted to have generally codified common law.

[31] 7 N.Y. Ch. Ann. 713 (1845).

[32] *Id*. at 717.

[33] *See, e.g.*, The Trade-Mark Cases, 100 U.S. 82, 92 (1879); Blackwell v. Armistead, 3 F. Cas. 546, 548 (C.C.W.D. Va. 1872) (No. 1474); Derringer v. Plate, 29 Cal. 292, 294-95 (1865); Avery & Sons v. Meikle & Co., 4 Ky. L. Rptr. 759, 764-65 (1883);

[34] *See, e.g.*, Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 572 (2006). (arguing that courts' shift to recognizing goodwill as the relevant property interest helped "to unify, at the level of general principle, the distinct but closely related torts of trademark infringement and unfair competition").

[18] At some point in the late nineteenth century, American courts began to use the term "unfair competition" slightly differently. Those courts divided the universe of distinguishing marks into "technical trademarks," which were protected in actions for trademark infringement, and "trade names," which could only be protected in actions for unfair competition. Arbitrary or fanciful terms applied to particular products were considered technical trademarks,[35] while surnames, geographic terms, descriptive terms were considered trade names.[36] ….

[19] In practice, cases of trademark infringement and those of unfair competition differed primarily in terms of what the plaintiff had to prove. Use of another's technical trademark was unlikely to have a legitimate explanation and could be condemned categorically. Trademark infringement plaintiffs therefore did not have to prove intent. Use of another's trade name, on the other hand, may have had an innocent purpose, such as description of the product's characteristics or its geographic origin. As a result, in contrast to trademark infringement plaintiffs, unfair competition claimants had to prove that the defendant intended to pass off its products as those of the plaintiff.

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Comments and Questions

1. *"Technical trademarks", "trade names", and intent*. In addressing the role of intent in late nineteenth century American unfair competition law, McKenna cites *The Restatement (Third) of Unfair Competition*. The *Restatement* explains:

> In both England and the United States [in the late nineteenth century], the property conception of trademark rights extended only to certain designations. When the defendant imitated a designation that was clearly distinctive of the plaintiff's goods, the natural inference that the defendant intended to deceive prospective purchasers eventually led to a conclusive presumption of fraud. Thus, in the case of words or other symbols invented by the plaintiff or arbitrary designations that had no apparent relation to the plaintiff's goods except as an indication of source, the courts began to protect the plaintiff's "property" interest in the mark without regard to the presence of any fraudulent intent. Such marks were characterized as "trademarks," and cases involving the unauthorized use of these marks were designated as actions for "trademark infringement." The focus of the inquiry thus shifted from an

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[35] *See* Restatement (Third) of Unfair Competition § 9 (1995); *see also* 1 McCarthy, *supra* note 13, § 4:4, at 4-4 (defining technical trademarks as marks that were "fanciful, arbitrary, distinctive, non-descriptive in any sense and not a personal name").

[36] Trade names then cumulatively can be thought to comprise what we now think of as indicators which lack inherent distinctiveness and are protectable only with evidence of secondary meaning.

> analysis of the defendant's conduct to a consideration of the nature of the plaintiff's right. Less distinctive marks that had nevertheless come to be recognized by prospective consumers as indications of source were called "trade names." Although not recognized as "property" in the same sense as technical "trademarks," protection for "trade names" remained available through the action for "unfair competition," with its historical emphasis on the fraudulent character of the defendant's conduct.
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> [] The initial emphasis on fraud and property rights has generally given way to a more explicit analysis of the propriety of the defendant's conduct as a means of competition, and the technical distinctions between the actions for trademark infringement and unfair competition have now been abandoned.

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9, cmt. d (1995).

2. *Production marks*. As the McKenna excerpt explains, local guilds required production marks not just to aid in asserting their monopoly but also to fix liability for poorly-made goods that might tarnish the reputation of the guild. An early example of quality enforcement—and of trademark adjudication—comes to us in the remarkable story of the fourteenth-century bladesmith John Odinsay. Odinsay was accused of making a sword that broke during combat when one Sir Peter Harpdon used it to defend himself from highway brigands (led by Geoffrey Tete Noir) while travelling through Bordeaux in 1345. Sir Peter recovered from his wounds in that skirmish and went on to fight next to the Black Prince in the Battle of Crecy in 1346. But upon his return to London, he pursued the matter of the broken sword. The hallmark suggested that Odinsay had made it (and the penalties for such faulty craftsmanship would have ruined Odinsay and his family), but the mark turned out to be a forgery. The London bladesmiths' guild discovered that several of its members' marks were being forged, perhaps by smiths in nearby cities. *See* Thomas D. Drescher, *The Transformation and Evolution of Trademarks—From Signals to Symbols to Myth*, 82 TRADEMARK REPORTER 301, 313-18 (1992).

2. The Trade-Mark Cases

The Supreme Court's 1879 opinion in the *Trade-Mark Cases* is the first great Supreme Court opinion on trademarks (often written at the time as "trade-marks" or "trade marks", which latter usage British English still prefers to this day). It arose out of three criminal cases in which the defendants challenged the constitutionality of the federal trademark law in effect at the time.

Trade-Mark Cases, 100 U.S. 82 (1879)

MR. JUSTICE MILLER delivered the opinion of the court.

[1] The three cases whose titles stand at the head of this opinion are criminal prosecutions for violations of what is known as the trade-mark legislation of Congress. The first two are indictments in the southern district of New York, and the last is an information in the southern district of Ohio. In all of them the judges of the

circuit courts in which they are pending have certified to a difference of opinion on what is substantially the same question; namely, are the acts of Congress on the subject of trade-marks founded on any rightful authority in the Constitution of the United States?

[2] The entire legislation of Congress in regard to trade-marks is of very recent origin. It is first seen in sects. 77 to 84, inclusive, of the act of July 8, 1870, entitled 'An Act to revise, consolidate, and amend the statutes relating to patents and copyrights.' 16 Stat. 198. The part of this act relating to trade-marks is embodied in chap. 2, tit. 60, sects. 4937 to 4947, of the Revised Statutes.

[3] It is sufficient at present to say that they provide for the registration in the Patent Office of any device in the nature of a trade-mark to which any person has by usage established an exclusive right, or which the person so registering intends to appropriate by that act to his exclusive use; and they make the wrongful use of a trade-mark, so registered, by any other person, without the owner's permission, a cause of action in a civil suit for damages. Six years later we have the act of Aug. 14, 1876 (19 Stat. 141), punishing by fine and imprisonment the fraudulent use, sale, and counterfeiting of trade-marks registered in pursuance of the statutes of the United States, on which the informations and indictments are founded in the cases before us.

[4] The right to adopt and use a symbol or a device to distinguish the goods or property made or sold by the person whose mark it is, to the exclusion of use by all other persons, has been long recognized by the common law and the chancery courts of England and of this country, and by the statutes of some of the States. It is a property right for the violation of which damages may be recovered in an action at law, and the continued violation of it will be enjoined by a court of equity, with compensation for past infringement. This exclusive right was not created by the act of Congress, and does not now depend upon it for its enforcement. The whole system of trade-mark property and the civil remedies for its protection existed long anterior to that act, and have remained in full force since its passage.

[5] There propositions are so well understood as to require neither the citation of authorities nor an elaborate argument to prove them.

[6] As the property in trade-marks and the right to their exclusive use rest on the laws of the States, and, like the great body of the rights of person and of property, depend on them for security and protection, the power of Congress to legislate on the subject, to establish the conditions on which these rights shall be enjoyed and exercised, the period of their duration, and the legal remedies for their enforcement, if such power exist at all, must be found in the Constitution of the United States, which is the source of all powers that Congress can lawfully exercise.

[7] In the argument of these cases this seems to be conceded, and the advocates for the validity of the acts of Congress on this subject point to two clauses of the Constitution, in one or in both of which, as they assert, sufficient warrant may be found for this legislation.

[8] The first of these is the eighth clause of sect. 8 of the first article. That section, manifestly intended to be an enumeration of the powers expressly granted

to Congress, and closing with the declaration of a rule for the ascertainment of such powers as are necessary by way of implication to carry into efficient operation those expressly given, authorizes Congress, by the clause referred to, 'to promote the progress of science and useful arts, by securing for limited times, to authors and inventors, the exclusive right to their respective writings and discoveries.'

[9] As the first and only attempt by Congress to regulate the *right of trade-marks* is to be found in the act of July 8, 1870, to which we have referred, entitled 'An Act to revise, consolidate, and amend the statutes relating to *patents* and *copyrights*,' terms which have long since become technical, as referring, the one to inventions and the other to the writings of authors, it is a reasonable inference that this part of the statute also was, in the opinion of Congress, an exercise of the power found in that clause of the Constitution. It may also be safely assumed that until a critical examination of the subject in the courts became necessary, it was mainly if not wholly to this clause that the advocates of the law looked for its support.

[10] Any attempt, however, to identify the essential characteristics of a trade-mark with inventions and discoveries in the arts and sciences, or with the writings of authors, will show that the effort is surrounded with insurmountable difficulties.

[11] The ordinary trade-mark has no necessary relation to invention or discovery. The trade-mark recognized by the common law is generally the growth of a considerable period of use, rather than a sudden invention. It is often the result of accident rather than design, and when under the act of Congress it is sought to establish it by registration, neither originality, invention, discovery, science, nor art is in any way essential to the right conferred by that act. If we should endeavor to classify it under the head of writings of authors, the objections are equally strong. In this, as in regard to inventions, originality is required. And while the word *writings* may be liberally construed, as it has been, to include original designs for engravings, prints, &c., it is only such as are *original*, and are founded in the creative powers of the mind. The writings which are to be protected are *the fruits of intellectual labor*, embodied in the form of books, prints, engravings, and the like. The trade-mark may be, and generally is, the adoption of something already in existence as the distinctive symbol of the party using it. At common law the exclusive right to it grows out of its *use*, and not its mere adoption. By the act of Congress this exclusive right attaches upon registration. But in neither case does it depend upon novelty, invention, discovery, or any work of the brain. It requires no fancy or imagination, no genius, no laborious thought. It is simply founded on priority of appropriation. We look in vain in the statute for any other qualification or condition. If the symbol, however plain, simple, old, or well-known, has been first appropriated by the claimant as his distinctive trade-mark, he may by registration secure the right to its exclusive use. While such legislation may be a judicious aid to the common law on the subject of trade-marks, and may be within the competency of legislatures whose general powers embrace that class of subjects, we are unable to see any such power in the constitutional provision concerning authors and inventors, and their writings and discoveries.

[12] The other clause of the Constitution supposed to confer the requisite authority on Congress is the third of the same section, which, read in connection with the granting clause, is as follows: 'The Congress shall have power to regulate commerce with foreign nations, and among the several States, and with the Indian tribes.'

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[13] If [a law's] main purpose be to establish a regulation applicable to all trade, to commerce at all points, especially if it be apparent that it is designed to govern the commerce wholly between citizens of the same State, it is obviously the exercise of a power not confided to Congress.

[14] We find no recognition of this principle in the chapter on trade-marks in the Revised Statutes. We would naturally look for this in the description of the class of persons who are entitled to register a trade-mark, or in reference to the goods to which it should be applied.… But no such idea is found or suggested in this statute. Its language is: 'Any person or firm domiciled in the United States, and any corporation created by the United States, or of any State or Territory thereof,' or any person residing in a foreign country which by treaty or convention affords similar privileges to our citizens, may be registration obtain protection for his trade-mark. Here is no requirement that such person shall be engaged in the kind of commerce which Congress is authorized to regulate. It is a general declaration that anybody in the United States, and anybody in any other country which permits us to do the like, may, by registering a trade-mark, have it fully protected…. The remedies provided by the act when the right of the owner of the registered trade-mark is infringed, are not confined to the case of a trade-mark used in foreign or inter-state commerce.

[15] It is therefore manifest that no such distinction is found in the act, but that its broad purpose was to establish a universal system of trade-mark registration, for the benefit of all who had already used a trade-mark, or who wished to adopt one in the future, without regard to the character of the trade to which it was to be applied or the residence of the owner, with the solitary exception that those who resided in foreign countries which extended no such privileges to us were excluded from them here.

….

[16] While we have, in our references in this opinion to the trade-mark legislation of Congress, had mainly in view the act of 1870, and the civil remedy which that act provides, it was because the criminal offences described in the act of 1876 are, by their express terms, solely referable to frauds, counterfeits, and unlawful use of trade-marks which were registered under the provisions of the former act. If that act is unconstitutional, so that the registration under it confers no lawful right, then the criminal enactment intended to protect that right falls with it.

[17] The questions in each of these cases being an inquiry whether these statutes can be upheld in whole or in part as valid and constitutional, must be answered in the negative; and it will be

So certified to the proper circuit courts.

3. The Statutory Development of U.S. Trademark law and the Lanham Act of 1946

Rep. Fritz Lanham, 1880-1965
(D-Texas, 1919-1947)

Excerpt from Restatement (Third) of Unfair Competition § 9 (1995)

[1] *e. Trademark legislation.* The federal government and each of the states have enacted legislation protecting trademarks. The statutes generally provide a mechanism for the registration of trademarks, describe the types of marks that may be registered, and specify the procedural and substantive advantages afforded to the owner of a trademark registration. The statutes, however, do not ordinarily preempt the protection of trademarks at common law.

[2] Although several states had earlier enacted legislation to prevent the fraudulent use of trademarks, the first federal trademark statute was not enacted until 1870. This initial attempt at federal protection proved short-lived, however, when in 1879 the Supreme Court in the *Trade-Mark Cases*, 100 U.S. (10 Otto) 82 (1879), held that the statute had been unconstitutionally grounded on the patent and copyright clause of the Constitution. A second federal statute was enacted in 1881, but in reaction to the *Trade-Mark Cases*, registration under the act was limited to marks used in commerce with foreign nations and the Indian tribes. The first modern federal trademark registration statute was the Trademark Act of 1905, grounded on the commerce clause. In a continuation of the distinction that had developed at common law between technical "trademarks" and "trade names," the Act of 1905 limited registration to fanciful and arbitrary marks, except for marks that had been in actual use for 10 years preceding passage of the statute.

[3] To clarify and strengthen the rights of trademark owners, the Act of 1905 was replaced by the Trademark Act of 1946 (effective July 5, 1947), 15 U.S.C.A. §§ 1051-1127, commonly known as the Lanham Act. The Lanham Act is generally declarative of existing law, incorporating the principal features of common law

trademark protection. However, among the major innovations of the Lanham Act were the adoption of a constructive notice rule that effectively expanded the geographic scope of trademark rights, and an attempt to provide a measure of security to trademark owners in the form of "incontestable" rights in certain trademarks. The Lanham Act in § 43(a) also added a general proscription against false designations and representations that has come to serve as a federal law of deceptive marketing.

[4] Statutes in every state also provide for the registration of trademarks. In 1949 the United States (now International) Trademark Association prepared a Model State Trademark Bill patterned after the federal registration system. The Model Bill, revised in 1964 and 1992, provides the basis for much of the current state legislation.

From Edward S. Rogers, *The Lanham Act and the Social Function of Trademarks*, 14 LAW & CONTEMP. PROBS. 173, 180-83 (1949)

….

[1] The prospect of getting anything through Congress in 1937 was not encouraging. Our committee[, the Trade Mark Committee of the Patent Section of the American Bar Association,] kept notes and I had a scrapbook in which I stuck ideas that came in from all sorts of places. More as a matter of convenience than anything else, I cast those notes and ideas in the form of a draft statute.

[2] In the winter of 1937 the Commissioner of Patents asked me to come to Washington to see him. He said he had had a conference with Fritz Lanham, who was chairman of the subcommittee of the House Patent Committee dealing with trademarks, and asked me to see Mr. Lanham, which I did. Mr. Lanham said that a large number of piecemeal amendments to the 1905 Act had been proposed and that he had been studying the Act and couldn't make head or tail of it; that if it were amended piecemeal it would make incomprehensible what had hitherto been merely obscure. So he asked if anywhere around there was a skeleton draft of a new act that could be used as a sort of clotheshorse to hang things on. I told him I had such a draft and he asked me to leave it with him, which I, of course, was glad to do.

[3] I supposed that Mr. Lanham was just going to study this memorandum and skeleton—it was hardly more than that—and begin to hold hearings. I was surprised when, on January 19, 1938, he introduced it as H.R. 9041.

[4] Immediately bar associations appointed committees which did thoughtful and conscientious work, with the result that we now have a new Trade-Mark Act. Since the last Act was passed in 1905 and the new Act in 1946—forty-one years later—I suspect we are going to have to live with the Lanham Act for a long time.

….

[5] Whenever there was a hearing before any committee on the trade-mark bill, sooner or later there appeared zealous men from the Department of Justice who raised all manner of objections. They asserted that trade-marks are monopolistic and any statutory protection of them plays into the hands of big business and should be discouraged. In vain it was pointed out that what is now big business started as

little business—that trade-marks are not, like patents and copyrights, a government grant of an exclusive right, that trade-marks are visible reputation and symbols of good will, that trade-marks are the antithesis of monopoly, and that to protect them is to insure the one whose goods or services they distinguish against fraud and misrepresentation.

[6] No progress seemed to be made with the Department's representatives, who were against not only the protection of trade-marks but trade-marks as an institution….

Comments and Questions

1. *The Long Road to the Lanham Act*. In his influential treatise, J. Thomas McCarthy records the fate of legislative efforts through the war years leading to the Lanham Act of 1946:

> Hearings on the bill and the various forms in which it was reintroduced were held in March 1938, March 1939, June 1939, and passed the House and Senate in 1939 and 1940. However, the Senate moved to reconsider the bill on June 23, 1940 and it was returned to the calendar and died. In the 77th Congress a reintroduced bill passed the Senate in 1941 and the House in 1942, but the bill died upon being referred back to Committee in 1942. Hearings were held in the 78th Congress in 1943 and 1944, but the bill was not passed. Finally, the 1945 version of the bill (H.R. 1654) was passed by the 79th Congress.

MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 5.4 (2015). If we date the Lanham Act from its first draft in 1937 (or indeed back to the so-called Vestal Bill of 1931), then the Act is nearly 80 years old. This may help to explain the existence of certain especially abstruse statutory sections that the student will confront through the course of studying U.S. trademark law.

4. Recent Statutory Developments

The Lanham Act has been amended numerous times since its July 5, 1947 effective date. Listed here are some of the more important amendments, many of which we will refer to through the course of this casebook.

1962 The limiting phrase "purchasers as to the source of origin of such goods or services" was deleted from Lanham Act § 32. 1962 Pub. L. No. 87-772, 76 Stat. 769. This arguably significantly broadened the scope of anti-infringement protection under the Act.

1975 The following sentence was added to Lanham Act § 35: "The court in exceptional cases may award reasonable attorney fees to the prevailing party." 1975 Pub. L. No. 93-600, 88 Stat. 1955.

1975 Congress finally changed the name of the "Patent Office" to the "Patent and Trademark Office." 1975 Pub. L. No. 93-596, 88 Stat. 1949.

1982 The Court of Customs and Patent Appeals became the Court of Appeals for the Federal Circuit. Pub. L. 97-164, 96 Stat. 25.

1984 The Trademark Counterfeiting Act of 1984 was enacted, 1984 Pub. L. No. 98-473, 98 Stat. 1837, amending Lanham §§ 34, 35, and 36, and establishing criminal trademark anti-counterfeiting penalties in 18 U.S.C. § 2320.

1988 The Trademark Law Revision Act of 1988 (TLRA) was enacted, effective November 16, 1989. Pub. L. No. 100-667, 102 Stat. 3935. The TLRA established the "intent-to-use" basis for registration and federal statutory "constructive use" for purposes of priority. It also significantly rewrote Lanham Act § 43(a).

1996 The Federal Trademark Dilution Act (FTDA), enacted and effective January 16, 1996, established a federal cause of action for anti-dilution protection in Lanham Act § 43(c). Pub. L. No. 104-98, 109 Stat. 985. The FTDA has been replaced by the Trademark Dilution Revision Act of 2006.

1996 The Anticounterfeiting Consumer Protection Act of 1996 further enhanced procedures to combat and penalties for trademark counterfeiting. Pub. L. No. 104-153, 110 Stat 1386. The Act also introduced statutory damages for counterfeiting.

1999 The Anticybersquatting Consumer Protection Act (ACPA) established Lanham Act § 43(d) to combat the cybersquatting of domain names confusingly similar to or dilutive of trademarks. Pub. L. No. 106-113, 113 Stat. 1501.

2003 The Madrid Protocol Implementation Act (MPIA), enacted Nov. 2, 2002 and effective Nov. 2, 2003, established Lanham Act §§ 60-74. 116 Stat. 1758, 1913 Pub. L. No. 107-273. With the MPIA, the U.S. became a member of the Madrid System of international trademark registration.

2006 The Trademark Dilution Revision Act of 2006 (TDRA) significantly rewrote Lanham Act § 43(c). Pub. L. No. 109-312, 120 Stat. 1730. It replaced the FTDA of 1996.

2008 The Prioritizing Resources and Organization for Intellectual Property Act of 2008 (PRO-IP Act) enhanced civil damages and criminal penalties for trademark counterfeiting. Pub. L. No. 110-313, 122 Stat. 3014.

Comments and Questions

1. *"The Last Best Place."* One of the stranger moments in the history of U.S. trademark legislation involves the phrase "The Last Best Place." Between 2001 and

2004, a Nevada business named Last Best Beef, LLC filed eight applications at the PTO to register the phrase "The Last Best Place" in connection with various goods and services. In 2005, Congress passed and the President signed into law an appropriations bill with a rider that consisted of the following language: "Notwithstanding any other provision of this Act, no funds appropriated under this Act shall be used to register, issue, transfer, or enforce any trademark of the phrase 'The Last Best Place.'" Upon learning of this statutory command in an appropriations bill that covered the PTO, the PTO suspended all consideration of Last Best Beef's trademark applications and no further applications for the phrase have since been filed. What? In 1988, a Montana writer had entitled an anthology of Montana-oriented poetry and prose "The Last Best Place." The phrase was soon taken up by Montana businesses and state government. In 2005, Montana Senator Conrad Burns attached the rider to the appropriations bill on the ground that the phrase "belongs to the State of Montana." *See* John L. Welch, *Montana Senator Again Blocks "LAST BEST PLACE" Registrations*, The TTABlog, Feb. 27, 2009, http://thettablog.blogspot.com/2009/02/montana-senator-max-baucus-announced.html. *See also The Last Best Beef, LLC v. Dudas*, 506 F.3d 333 (4th Cir. 2007) (not seeing a problem with any of this).

B. The Policy Justifications for Trademark Protection

Probably the most oft-quoted passage from the *Trade-Mark Cases* is the paragraph in which the Supreme Court compared trademarks to the two other most significant forms of intellectual property, copyrights and patents (paragraph 11 in the excerpt above). Consider whether what Justice Miller wrote in 1879 about the development of brand names is still accurate today:

> The ordinary trade-mark has no necessary relation to invention or discovery. The trade-mark recognized by the common law is generally the growth of a considerable period of use, rather than a sudden invention. It is often the result of accident rather than design, and when under the act of Congress it is sought to establish it by registration, neither originality, invention, discovery, science, nor art is in any way essential to the right conferred by that act. If we should endeavor to classify it under the head of writings of authors, the objections are equally strong. In this, as in regard to inventions, originality is required. And while the word writings may be liberally construed, as it has been, to include original designs for engravings, prints, &c., it is only such as are original, and are founded in the creative powers of the mind. The writings which are to be protected are the fruits of intellectual labor, embodied in the form of books, prints, engravings, and the like. The trade-mark may be, and generally is, the adoption of something already in existence as the distinctive symbol of the party using it. At common law the exclusive right to it grows out of its use, and not its mere adoption. By the act of Congress this exclusive right attaches upon registration. But in neither case does it depend upon novelty, invention, discovery, or any work of the brain. It requires no fancy of imagination,

> no genius, no laborious thought. It is simply founded on priority of appropriation.

Id. at 94.

By 1942, the Court was describing trademarks and the role of trademark law in different terms. In *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co*., 316 U.S. 203 (1942), Justice Frankfurter explained:

> The protection of trade-marks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.

Id. at 205.

By the 1980s, American courts were describing trademarks and trademark law in yet different terms, terms which still resonate today. Reflecting the rise of the Chicago School economic analysis of law, Judge Easterbrook described the economic benefits of trademarks and trademark protection in *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d. 1423 (7th Cir. 1985):

> Trademarks help consumers to select goods. By identifying the source of the goods, they convey valuable information to consumers at lower costs. Easily identified trademarks reduce the costs consumers incur in searching for what they desire, and the lower the costs of search the more competitive the market. A trademark also may induce the supplier of goods to make higher quality products and to adhere to a consistent level of quality. The trademark is a valuable asset, part of the "goodwill" of a business. If the seller provides an inconsistent level of quality, or reduces quality below what consumers expect from earlier experience, that reduces the value of the trademark. The value of a trademark is in a sense a "hostage" of consumers; if the seller disappoints the consumers, they respond by devaluing the trademark. The existence of this hostage gives the seller another incentive to afford consumers the quality of goods they prefer and expect.

Id. at 1429-30.

Which description of trademarks most accurately reflects their characteristics in the present day? Are they often adopted, in the terms of the *Trade-Mark Cases*, as "the result of accident rather than design"? Can we say of the development of trademarks, as of the legal conditions leading to their protection, that "no fancy of imagination, no genius, no laborious thought" is required? Or is it rather that, through the development of a brand name, "[t]he owner of a mark...mak[es] every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol"? Is the consumer in some sense a victim of these machinations of the trademark owner, who through the "commercial magnetism" of the trademark "induces the purchaser to select what he wants, or what he has been led to believe he wants"? Or is it finally not consumers who are victims of the trademark, but the trademark who is a "hostage" of consumers, whom it serves by enabling them to find what they desire and to insist on "the quality of goods they prefer and expect"?

The Economic Justification for Trademark Protection

These differing accounts of the trademark and trademark law are probably all more or less true, depending on the trademark, product, and consumer at issue. But it is well-accepted that the last account, based on the economic analysis of law, is currently by far the dominant account of trademark law. In *Qualitex Co. v. Jacobson Products Co., Inc*., 514 U.S. 159 (U.S. 1995), Justice Breyer cited, among other sources, William Landes & Richard Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267, 271-272 (1988), in support of the following statement of the purposes of trademark law:

> [T]rademark law, by preventing others from copying a source-identifying mark, reduces the customer's costs of shopping and making purchasing decisions, for it quickly and easily assures a potential customer that this item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. The law thereby encourages the production of quality products, and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale.

Id. at 163-64 (citations omitted).

The current orthodox view of trademarks, then, is that they (1) minimize consumer search costs, and (2) provide incentives to producers to produce consistent levels of product quality. This latter benefit of trademarks is especially important for certain types of products. In general, products may be understood to possess three types of characteristics: "search" characteristics, such as color or price, which can be inspected prior to purchase; "experience" characteristics, such as taste, which can only be verified through use of the product; and "credence" characteristics, such as durability, which can only be confirmed over time. *See*

Phillip Nelson, *Advertising as Information*, 82 J. POL. ECON. 729 (1974). For products such as medicine, automobiles or high-technology goods, the readily-apparent "search" characteristics of which say little about the quality of the product, consumers may rely heavily on the trademark attached to the product in making their purchasing decision. It follows that in a market without reliable source-identification for such products, producers would have little incentive to invest in the production of products of high quality. This is because they would likely be undercut by competitors who would offer cheaper products of lower quality. *See* George A. Ackerlof, *The Market for "Lemons": Quality Uncertainty and the Market Mechanism*, 84 Q.J. OF ECON. 488 (1970).

As indications of quality, trademarks signify and allow firms to develop commercial *goodwill*, which for many firms may be by far their most valuable asset. The concept of goodwill encompasses the reputation of the firm and its products and the probability, based on this reputation, that consumers will continue to patronize the firm in the future. A nineteenth-century court described goodwill in these terms:

> When an individual or a firm or a corporation has gone on for an unbroken series of years conducting a particular business, and has been so scrupulous in fulfilling every obligation, so careful in maintaining the standard of goods dealt in, so absolutely honest and fair in all business dealings that customers of the concern have become convinced that their experience in the future will be as satisfactory as it has been in the past, while such customers' good report of their own experience tends continually to bring new customers to the same concern, there has been produced an element of value quite as important—in some cases, perhaps far more important—than the plant or machinery with which the business is carried on.

Washburn v. National Wall-Paper Co., 81 F. 17, 20 (2d Cir. 1897).

Criticisms of the Economic Justification for Trademark Protection

Yet the example of Coca-Cola and brands like it may lead many readers to doubt the sufficiency of the economic account of trademark law, focused as it is on search costs and incentives to produce quality goods. After all, many trademarks, such as COKE, do more than merely indicate the source of the goods to which they are affixed, and strictly speaking, some trademarks don't even do that. A t-shirt bearing the trademark ARSENAL is not intended to indicate and is not read by consumers to indicate that Arsenal soccer players knitted the shirt themselves. The trademark primarily functions instead as a "badge of support for or loyalty or affiliation to the trademark proprietor." Arsenal Football Club Plc v. Matthew Reed, Case C-206/01, [2003] ETMR 19, ¶ 15. This same function may be attributed to many trademarks, and not simply to high-fashion marks such as POLO or PRADA, but also to more mundane marks such as PEPSI or FORD, whose owners have quite consciously sought to build "consumption communities"[37] around these brands. *See Int'l Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 918 (9th Cir. 1980) (recognizing that "[w]e commonly identify ourselves by displaying emblems expressing allegiances. Our jewelry, clothing, and cars are emblazoned with inscriptions showing the organizations we belong to, the schools we attend, the landmarks we have visited, the sports teams we support, the beverages we imbibe"). In such situations, the mark itself is often the primary product characteristic that the consumer wishes to acquire, and the underlying material good, if any, is merely a means of conveying that characteristic[38] and an alibi for the consumption of that characteristic. We typically think of a trademark as supplementary in relation to the goods to which it is affixed, as something added to preexisting goods. But certain doctrines in trademark law may make sense only if one appreciates that for certain brands, this relation is reversed. The brand is prior and the physical goods are supplementary to it, supporting and enhancing the brand's value, so that a firm (for example, a fashion house) may first design a brand and then produce or license goods consistent with that brand.

Even when the consumer is interested in the quality of the material good, the trademark may contribute to deleterious "artificial product differentiation," as when consumers pay a premium for branded versions of pharmaceuticals when lower-cost generic versions are required by government regulation to meet exactly the same quality standards as the more expensive branded versions. This argument, which associates trademarks with the purported evils of some forms of advertising, first gained significant influence with the publication in 1933 of the economist Edward Chamberlin's book *The Theory of Monopolistic Competition*, which systematically formulated the artificial product differentiation view.[39] Chamberlin's work proved to especially influential in mid-twentieth century trademark commentary[40] and is reflected to some degree in Justice Frankfurter's discussion of trademarks in *Mishawaka Rubber*. Other courts sometimes picked up on Chamberlin's ideas. *See, e.g.*, *Smith v. Chanel, Inc.*, 402 F.2d 562, 567 (2d Cir. 1968)

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[37] DANIEL J. BOORSTIN, AMERICANS: THE DEMOCRATIC EXPERIENCE 145 (1974).

[38] For further discussion of the trademark "merchandising right," see Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461 (2005).

[39] *See also* JOAN ROBINSON, THE ECONOMICS OF IMPERFECT COMPETITION 89 (1933).

[40] *See generally* Glynn S. Lunney, *Trademark Monopolies*, 48 EMORY L.J. 367, 367-69 (1999) (discussing the influence of Chamberlin's work on trademark commentary). *See also* Sherwin Rosen, *Advertising, Information, and Product Differentiation*, *in* ISSUES IN ADVERTISING: THE ECONOMICS OF PERSUASION 161-91 (David G. Tuerck ed., 1978) (summarizing the artificial product differentiation view). *See generally* Beverly W. Pattishall, *Trademarks and the Monopoly Phobia*, 50 MICH. L. REV. 967 (1952) (criticizing the artificial product differentiation view).

(proposing that, through the trademark, "economically irrational elements are introduced into consumer choices; and the trademark owner is insulated from the normal pressures of price and quality competition. In consequence the competitive system fails to perform its function of allocating available resources efficiently.").

In recent decades, however, mainstream economic thought has grown increasingly hostile towards, even dismissive of, the argument that, as Landes and Posner characterize it, trademarks "promote social waste and consumer deception" through "the power of brand advertising to bamboozle the public and thereby promote monopoly."[41] Instead, economists have come to view trademarks and advertising in a much more positive light. *See* George Stigler, *The Economics of Information*, 69 J. POL. ECON. 213 (1961). The consensus view now is that advertising cheaply conveys information to consumers, particularly with respect to "experience goods." *See* Phillip Nelson, *Advertising as Information*, 82 J. POL. ECON. 729 (1974). Advertising also signals that the advertiser believes its goods to be of sufficiently high quality to benefit from advertising. "The higher quality brand will, other things being equal, have a comparative advantage in acquiring more customers by advertising—since it will retain a larger fraction of them on repeat sales." *See* Jack Hirshleifer, *Where Are We in the Theory of Information?*, 63 AM. ECON. REV. PROC. 31, 38 (1973).[42]

Despite the current consensus in economic and legal thought that advertising serves important informational functions in markets, criticisms of branding and advertising remain influential in popular thought. *See, e.g.*, NAOMI KLEIN, NO LOGO: TAKING AIM AT BRAND BULLIES (2000); JULIET B. SCHOR, BORN TO BUY: THE COMMERCIALIZED CHILD AND THE NEW CONSUMER CULTURE (2005). For readers sympathetic to these criticisms, two questions arise with respect to trademarks and trademark law. First, is it fair to apply general criticisms of advertising to trademarks specifically? Though trademarks are usually central to most forms of advertising, aren't trademarks themselves mere informational devices? Second, and related, how, if at all, can trademark law be modified to limit such alleged harms as artificial product differentiation or the "bamboozl[ing]" of the public? Stated differently, how can trademark law continue to promote the ability of marks to *inform* consumers without also promoting the ability of marks to *persuade*? How practically speaking can trademark law minimize persuasion but still preserve information?[43] Any serious criticism of the role that trademark law plays in

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[41] Landes & Posner, *supra*, at 276-77.

[42] *See also* Mark Lemley, Th*e Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1690 (1999) (paraphrasing, though not necessarily endorsing, this theory as "In effect, 'we advertise, and therefore we must sell a good of sufficiently high quality that we can afford this high-cost expenditure.'").

[43] *See* Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020 (2005).

perpetuating status consumption or introducing "economically irrational elements" into purchasing decisions should be able to answer these questions. Perhaps limiting the scope of trademark rights or the kinds of commercial signifiers that can be protected as trademarks would lessen the persuasive impact of strong brands. But it may be that minor modifications to trademark law will not help to ameliorate the effects of deeply-engrained consumption practices, and efforts to reform these practices will be more effective if undertaken elsewhere.

Opponents of overly expansive trademark rights (and defendants in trademark cases) may find more traction by appealing to what is arguably the true overarching goal of trademark law, one which subsumes the goals of lowering consumer search costs and incentivizing consistent levels of product quality. Trademark law's overarching goal is to foster competition, primarily by enabling the efficient communication of information in the marketplace. When trademark law overprotects, it impedes the optimal flow of information to consumers, tends to give undue market power to incumbents, and can significantly disrupt the efficient operation of the patent and copyright systems (a possibility which we will address in a moment). The argument from competition speaks the language of mainstream economics, but often does so in favor of limiting rather than expanding trademark property rights.

Comments and Questions

1. *Trademark law and "property*." Critics of the expansion in the subject matter and scope of trademark protection in recent decades often accuse the law of having lost its purportedly traditional focus on consumer protection and having instead embraced a property-rights rationale for trademark protection. Elsewhere in the article excerpted above in Part A, McKenna directly challenges this view:

> [T]rademark law was not traditionally intended to protect consumers. Instead, trademark law, like all unfair competition law, sought to protect producers from illegitimate diversions of their trade by competitors. Courts did focus on consumer deception in these cases, but only because deception distinguished actionable unfair competition from mere competition, which was encouraged. In fact, courts denied relief in many early trademark cases despite clear evidence that consumers were likely to be confused by the defendant's use. Invariably they did so because the plaintiff could not show that the defendant's actions were likely to divert customers who otherwise would have gone to the plaintiff.
>
> Moreover, American courts protected producers from illegitimately diverted trade by recognizing property rights. This property-based system of trademark protection was largely derived from the natural rights theory of property that predominately influenced courts during

> the time American trademark law developed in the nineteenth century….
>
> Critics cannot continue simply to claim that modern law is illegitimate because it does not seek to protect consumers. Because it never really did.

Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1841, 1916 (2007). For an alternative reading of the history of American trademark law, see Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547 (2006).

C. Trademark Law Within the Larger Scheme of Intellectual Property Law

As the excerpt above from the *Trade-Mark Cases* suggests, when seen from the perspective of trademark law, copyright law and patent law can appear to be closely similar to each other and quite different from trademark law—so much so that it is not unreasonable to ask why trademark is grouped with patent and copyright under the rubric of "intellectual property law" rather than separated out as some hybrid of competition law and intellectual property law. As the table at the conclusion of this section summarizes, both copyright and patent are based on the Intellectual Property Clause of the Constitution, which empowers Congress "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. art. I, § 8, cl. 8. The Constitution thus requires copyright and patent to promote innovation, human creativity, or more generally, human "Progress," with patent focusing primarily on incentivizing the invention of new technologies, such as new pharmaceuticals, better machines, or more efficient methods of manufacture, and copyright focusing on incentivizing the production of "works of authorship," such as novels, music, and motion pictures.

Inventions and works of authorship share important characteristics that make intellectual property protections useful. Both tend to be expensive to develop, but once developed, they are relatively inexpensive to reproduce in copies. It can cost $1 billion to develop a successful pharmaceutical and bring it to market and potentially only a few dollars per copy to manufacture it. The consumption of inventions and works of authorship also tends to be "non-rivalrous." A potentially unlimited number of people can benefit equally from the same idea or listen each to his or her own copy of the same recording of the same musical work. Finally, without recourse to prohibitions established by law, it is often exceedingly difficult to exclude people from and thus charge a price for the benefit of an invention or work of authorship. This condition has only intensified with improvements in reproduction and distribution technologies, whether they take the form of ever more flexible assembly lines, automated manufacture, 3D printing, or the reproduction of digital files on a home computer or the internet.

To address these problems, patent law and copyright law provide limited terms of protection to qualifying works, with patent's term significantly shorter in duration than copyright's. In essence, the public makes a bargain with inventors and authors. To incentivize them, we give them exclusive rights in their innovations so that they can recoup the costs of and perhaps profit from their innovating activity, but in exchange, we eventually claim their innovations for the public domain, where these innovations become free for all, including subsequent inventors and authors, to use.

In contrast to copyright and patent law, trademark law is based not on the Intellectual Property Clause, but the Commerce Clause. Its goal is not to promote the progress of "Science and useful Arts" but rather to promote fair and efficient competition. Its term of protection is unlimited in time provided that the trademark owner continues to use the trademark in commerce. And the utilization of trademarks is arguably rivalrous. If two firms share the same trademark for the same type of product in the same marketplace, the utility of both trademarks will be severely diminished.

For all of the differences among copyright, patent, and trademark law, note that these separate regimes of intellectual property law can simultaneously protect the same thing. For example, a logo might qualify for both copyright and trademark protection. A particular product feature, such as the shape of a mobile phone, might qualify for trademark protection and design patent protection. A particular furniture design might qualify for trademark protection, design patent protection, and copyright protection as well.

These overlapping regimes of exclusive rights can create significant problems in intellectual property law, some of which we will engage later in this casebook. For example, what should happen when the term of copyright protection in a particular work of authorship expires, but that expression also functions as a trademark? Should trademark law allow the Walt Disney Company to continue to assert exclusive rights in images of Mickey Mouse after its copyright in those images has expired? More significantly, should companies be able to assert trademark rights in product features that also qualify for utility patent protection, or at least that perform some mechanical function in addition to serving as designations of source?

Comments and Questions

1. *Do We Want to Incentivize* More *Trademarks*? We generally seek through patent and copyright law to incentivize the production of more patentable inventions and more copyrightable works of authorship. Should we similarly design trademark law to incentivize the production of more trademarks? Is there anything intrinsically valuable about trademarks? Do more trademarks indicate or themselves constitute "Progress"?

	Trademark Law	Copyright Law	Utility Patent Law	Design Patent Law
Protectable Subject Matter	Designations of commercial source, including brand names, logos, product packaging, and product configurations	Works of authorship, including literary, musical, sculptural, graphic, and architectural works, motion pictures, computer software, and sound recordings	Inventions, including processes, machines, manufactured articles, and compositions of matter	Ornamental designs for articles of manufacture
Constitutional Basis	Commerce Clause	Intellectual Property Clause	Intellectual Property Clause	Intellectual Property Clause
Statutory Basis	Lanham Act, 15 U.S.C. § 1051 et seq.	Copyright Act, 17 U.S.C. §101 et seq.	Patent Act, 35 U.S.C. § 101 et seq.	Patent Act, , 35 U.S.C. § 101 et seq.
Basic Requirements for Protection	Distinctive of source; used in commerce; not functional	Fixed in a tangible medium of expression; originality	Novel, non-obvious, and useful	Ornamental, novel, and non-obvious
Term of Protection	Registration lasts 10 years; perpetually renewable as long as the mark is distinctive and used in commerce	Life of the author plus 70 years; for works for hire, 95 years from date of publication	20 years from filing date of patent application	15 years from grant of patent
How Rights Are Acquired	“Common law” rights through use in commerce; registered rights through registration at PTO	Through fixation; registration not required	Patent application at PTO	Patent application at PTO

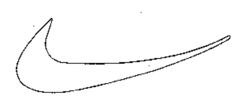
I. Establishing Trademark Rights

In order to qualify for trademark protection under U.S. federal law, a trademark must meet three basic requirements: (1) the trademark must be "distinctive" of the source of the goods or services to which it is affixed, (2) the trademark must not be disqualified from protection by various statutory bars to protection, the most significant of which is that the trademark not be "functional," and (3) the trademark must be used in commerce.

Note what is missing from this list of basic requirements for trademark protection. First, in order to qualify for protection under the Lanham Act, a trademark does not need to be registered at the PTO (though, as we will discuss in Part I.D, there are significant benefits to registration). Lanham Act § 32, 15 U.S.C. § 1114, protects *registered* marks from unauthorized uses that are likely to cause consumer confusion as to the true source of the unauthorized user's goods. Lanham Act § 43(a), 15 U.S.C. § 1125(a), does the same for *unregistered* marks. (And Section 43(c), 15 U.S.C. § 1125(c), protects both registered and unregistered marks from trademark dilution). As a matter of tradition, trademark lawyers sometimes refer to unregistered mark protection under § 43(a) as "common law" protection of trademarks even though this protection is based on statutory federal law.

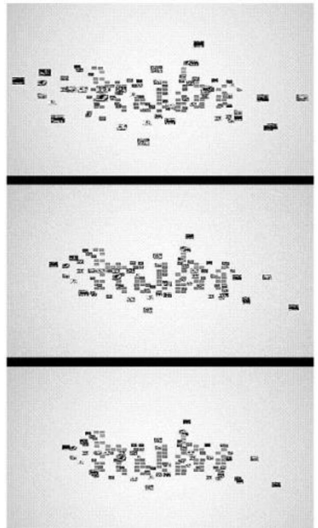
Second, a protectable trademark need not manifest itself in any particular form.[1] Consider the extraordinary variety of forms that trademarks (here, all registered) may take:

- Words: APPLE for computers (U.S. Reg. No. 1,078,312, Nov. 29, 1977); AMAZON for online retailing services (U.S. Reg. No. 2,832,943, April 13, 2004); NIKE for athletic shoes (U.S. Reg. No. 978,952, Feb. 19, 1974).
- Phrases: JUST DO IT for clothing (U.S. Reg. No. 1,875,307, Jan. 24, 1995).
- Two-dimensional still images: a "'wing' design" for sports bags (U.S. Reg. No. 1145473, Jan. 6, 1981)

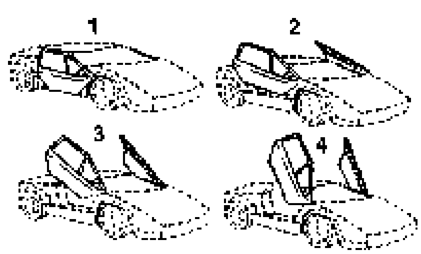


- Two-dimensional moving images: for online entertainment services, "[t]he mark consists of a moving image mark, consisting of an animated sequence showing a series of rectangular video screens of varying sizes, that fly inward in whirlwind fashion, as if from the viewer's location, toward the center of the viewer's screen, where they coalesce into the word 'HULU'. The drawing represents three (3) stills (freeze frames) from the animated sequence." (U.S. Reg. No. 4,129,188, Aug. 3, 2010).

[1] *See* Jerome Gilson & Anne Gilson LaLonde, *Cinnamon Buns, Marching Ducks, and Cherry-Scented Racecar Exhaust: Protecting Nontraditional Trademarks*, 95 TRADEMARK REP. 773 (2005).



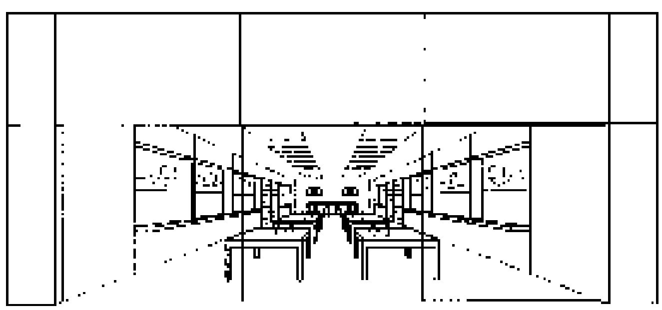
- Colors: the color canary yellow for adhesive stationary notes (U.S. Reg. No. 2,390,667, Oct. 3, 2000); the color brown for parcel delivery services (U.S. Reg. No. 2,131,693, Jan. 27, 1988).
- Sounds: Tarzan's yell for toy action figures (U.S. Reg. No. 2,210,506, Dec. 15, 1998); for canned and frozen vegetables where the mark consists of "the sound of a deep, male, human-like voice saying 'Ho-Ho-Ho' in even intervals with each 'Ho' dropping in pitch" (U.S. Reg. No. 2,519,203, Dec. 18, 2001).
- Scents: for office supplies where the mark consists of a vanilla scent (U.S. Reg. No. 3,143,735, Sept. 12, 2006).
- Textures: for wines where "[t]he mark consists of a velvet textured covering on the surface of a bottle of wine" (U.S. Reg. No. 3,155,702, Oct. 17, 2006).[2]
- Motions: for automobiles where "[t]he mark consists of the unique motion in which the door of a vehicle is opened. The doors move parallel to the body of the vehicle but are gradually raised above the vehicle to a parallel position." (U.S. Reg. No. 2,793,439, Dec. 16, 2003).



[2] *See* Christina S. Monteiro, *A Nontraditional Per-Spectrum: The Touch of Trademarks*, INTA BULL., June 15, 2010, at 4.

- Buildings exteriors: the design of a building for restaurant services (U.S. Reg. No. 1,045,614, Aug. 3, 1976).

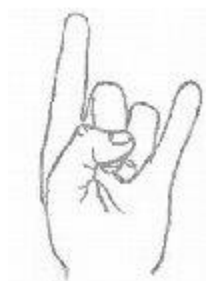
- Building interiors: for retail consumer electronics services, "the mark consists of the design and layout of a retail store. The store features a clear glass storefront surrounded by a paneled facade consisting of large, rectangular horizontal panels over the top of the glass front, and two narrower panels stacked on either side of the storefront. Within the store, rectangular recessed lighting units traverse the length of the store's ceiling. There are cantilevered shelves below recessed display spaces along the side walls, and rectangular tables arranged in a line in the middle of the store parallel to the walls and extending from the storefront to the back of the store. There is multi-tiered shelving along the side walls, and a oblong table with stools located at the back of the store, set below video screens flush mounted on the back wall. The walls, floors, lighting, and other fixtures appear in dotted lines and are not claimed as individual features of the mark; however, the placement of the various items are considered to be part of the overall mark." (U.S. Reg. No. 4,277,914, Jan. 22, 2013).



- Product shapes: for mobile phones, where "the mark consists of the configuration of a rectangular handheld mobile digital electronic device with rounded corners." (U.S. Reg. No. 3,457,218, July 1, 2008).

- Product packaging: for soft drinks, "[t]he mark consists of a three dimensional configuration of a version of the Coca Cola Contour Bottle, rendered as a two-liter bottle, having a distinctive curved shape with an inward curve or pinch in the bottom portion of the bottle and vertical flutes above and below a central flat panel portion." (U.S. Reg. No. 4,242,307, Nov. 13, 2012).

- Hand gestures: for "decorative decals" and "shirts," where "[t]he mark consists of the representation of a human hand with the index and small fingers extended upward and the thumb closed over the middle and ring fingers." (U.S. Reg. No. 4,535,612, May 27, 2014)



The reader may be surprised to see that trademark rights can cover such a wide array of subject matter. This Part covers how these various marks have managed to qualify for trademark protection and why various other marks have failed to qualify. Section I.A devotes a great deal of attention to what is by far the most important requirement for trademark protection: that the trademark be "distinctive." Section I.B then turns to the various statutory bars to protection, including the functionality bar, which disqualify marks from protection under the Lanham Act. Section I.C seeks to make sense of the "use in commerce" requirement for trademark protection. Section I.D reviews why it is worthwhile to register a mark at the PTO and how the registration process works. Section I.E addresses the geographic scope of the protection of registered and unregistered marks.

A. Trademark Distinctiveness

Lanham Act § 45; 15 U.S.C. § 1127

> The term "trademark" includes any word, name, symbol, or device, or any combination thereof… used by a person… to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

The § 45 definition of the term "trademark" emphasizes that a protectable trademark must be distinctive of source — it must "identify and distinguish… goods… and… indicate the source of the goods." Note that in order to qualify for protection, a trademark need not indicate the precise manufacturing source of the goods. For example, the trademark TIDE for laundry detergent need not indicate in exactly which factory the particular bottle of laundry detergent was made or that Proctor & Gamble ultimately owns the TIDE brand. Instead, consumers need only know that all products bearing the same trademark originate in or are sponsored by a single, albeit "unknown" or "anonymous," source.[3] This is sometimes known as the "anonymous source" theory of trademark protection.

A trademark will qualify as distinctive if either (1) it is "inherently distinctive" of source or (2) it has developed "acquired distinctiveness" of source. A mark is inherently distinctive if "its intrinsic nature serves to identify a particular source." *Wal-Mart Stores, Inc. v. Samara Bros., Inc*., 529 U.S. 205 210 (2000) (alterations omitted). The underlying assumption is that as a matter of consumer literacy, consumers will almost instantly recognize, even when they encounter the mark for the first time, that an inherently distinctive mark is a designation of source. After all, how else would a modern consumer make sense of the word "apple" as used in the sale of electronics that have nothing to do with apples? Inherently distinctive marks "almost *automatically* tell a customer that they refer to a brand," *Qualitex Co. v. Jacobson Products Co., Inc*., 514 U.S. 159 162-63 (1995) (emphasis in original), and "immediately … signal a brand or a product 'source.'" *Id*. at 163.

Marks that lack inherent distinctiveness may nevertheless qualify as distinctive if they have developed "acquired distinctiveness," otherwise known as "secondary meaning." Over time, consumers may come to identify what might have seemed merely a description of the good or service (e.g., "American Airlines") or merely a decoration on a product (e.g., three stripes on the side of an athletic shoe) as a designation of the source of that product. Indeed, consumers may come to identify the configuration of the product itself as a signifier of its source.

Here in Section I.A, we will spend considerable time reviewing how courts determine if a commercial sign qualifies as inherently distinctive or as possessing acquired distinctiveness. Before proceeding, two things should be kept in mind. First, some of the opinions below address the registrability of the marks at issue at the PTO while other opinions address the protectability under § 43(a) of marks that have never been registered. Recall that registration is not a prerequisite for trademark protection under the Lanham Act. Many significant trademark cases over past decades have involved unregistered marks. The important point for our

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[3] *See* McCarthy § 3.9 ("[T]he "source" identified by a trademark need not be known by name to the buyer. It may be anonymous in the sense that the buyer does not know, or care about, the name of the corporation that made the product or the name of the corporation which distributes it. But the buyer is entitled to assume that all products carrying the same trademark are somehow linked with or sponsored by that single, anonymous source.").

purposes in this subsection is that the basic doctrine relating to the registrability of a mark is essentially the same as the doctrine relating to whether it may be protected regardless of its registration status. We may use opinions from either context to understand the distinctiveness requirement in trademark law.

Second, this subsection will first consider distinctiveness doctrine as it relates to verbal marks, and will then proceed to the more difficult area of distinctiveness doctrine that covers non-verbal marks, such as logos, colors, product packaging, and product configuration (i.e., the shape of the product itself).

1. Inherent Distinctiveness of Source and Acquired Distinctiveness of Source

a. Inherent Distinctiveness of Source

i. The Abercrombie Spectrum

The excerpt below, from *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976), analyzes some of the most fundamental terms and concepts in trademark law. Though *Abercrombie* is now a relatively old opinion, its influence on U.S. and even foreign trademark law cannot be overstated. It is the origin of the "*Abercrombie* spectrum" of trademark distinctiveness, a classification scheme that is used in a wide variety of areas of trademark doctrine.

The essential facts underlying the opinion are as follows. Plaintiff Abercrombie & Fitch Company ("A&F") operated various sporting goods stores in New York City and elsewhere. It had multiple PTO registrations for its trademark SAFARI. Among these was a registration for SAFARI for cotton clothing, a registration for SAFARI for hats, and a registration for SAFARI for shoes. Defendant Hunting World, Incorporated ("HW") began to sell at its New York City store sporting apparel, including hats and shoes, bearing the terms "Safari," "Minisafari," and "Safariland." A&F sued on the ground that HW's conduct would confuse consumers as to the true source of HW's goods. At the core of the case was the question of whether A&F's SAFARI trademark lacked distinctiveness of source on certain of A&F's goods.

As you read the excerpt, consider the following questions:

- To the extent that a mark's categorization somewhere along the *Abercrombie* spectrum bears directly on whether the mark will qualify for trademark protection, which borders between categories do you suspect are especially disputed?
- Where would you classify the trademark "safari" for clothing? for boots? for hats?

Abercrombie & Fitch Co. v. Hunting World, Inc.
537 F.2d 4, 9-11 (2d Cir. 1976)

FRIENDLY, Circuit Judge:

[…]

[1] It will be useful at the outset to restate some basic principles of trademark law, which, although they should be familiar, tend to become lost in a welter of adjectives.

[2] The cases, and in some instances the Lanham Act, identify four different categories of terms with respect to trademark protection. Arrayed in an ascending order which roughly reflects their eligibility to trademark status and the degree of protection accorded, these classes are (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful. The lines of demarcation, however, are not always bright. Moreover, the difficulties are compounded because a term that is in one category for a particular product may be in quite a different one for another,[1] because a term may shift from one category to another in light of differences in usage through time,[2] because a term may have one meaning to one group of users and a different one to others, and because the same term may be put to different uses with respect to a single product.

[3] A generic term is one that refers, or has come to be understood as referring, to the genus of which the particular product is a species. At common law neither those terms which were generic nor those which were merely descriptive could become valid trademarks, see Delaware & Hudson Canal Co. v. Clark, 80 U.S. (13 Wall.) 311, 323, 20 L.Ed. 581 (1872) ("Nor can a generic name, or a name merely descriptive of an article or its qualities, ingredients, or characteristics, be employed as a trademark and the exclusive use of it be entitled to legal protection"). The same was true under the Trademark Act of 1905, Standard Paint Co. v. Trinidad Asphalt Mfg. Co., 220 U.S. 446, 31 S.Ct. 456, 55 L.Ed. 536 (1911), except for marks which had been the subject of exclusive use for ten years prior to its enactment, 33 Stat. 726.[3] While, as we shall see, the Lanham Act makes an important exception with respect to those merely descriptive terms which have acquired secondary meaning, see

[1] To take a familiar example "Ivory" would be generic when used to describe a product made from the tusks of elephants but arbitrary as applied to soap.

[2] See, e.g., Haughton Elevator Co. v. Seeberger, 85 U.S.P.Q. 80 (1950), in which the coined word 'Escalator', originally fanciful, or at the very least suggestive, was held to have become generic.

[3] Some protection to descriptive marks which had acquired a secondary meaning was given by the law of unfair competition. The Trademark Act of 1920 permitted registration of certain descriptive marks which had acquired secondary meaning, see Armstrong Paint & Varnish Works v. Nu-Enamel Corp., 305 U.S. 315, 59 S.Ct. 191, 83 L.Ed. 195 (1938).

§ 2(f), 15 U.S.C. § 1052(f), it offers no such exception for generic marks. The Act provides for the cancellation of a registered mark if at any time it "becomes the common descriptive name of an article or substance," § 14(c). This means that even proof of secondary meaning, by virtue of which some "merely descriptive" marks may be registered, cannot transform a generic term into a subject for trademark. As explained in J. Kohnstam, Ltd. v. Louis Marx and Company, 280 F.2d 437, 440, 47 CCPA 1080 (1960), no matter how much money and effort the user of a generic term has poured into promoting the sale of its merchandise and what success it has achieved in securing public identification, it cannot deprive competing manufacturers of the product of the right to call an article by its name. We have recently had occasion to apply this doctrine of the impossibility of achieving trademark protection for a generic term, CES Publishing Corp. v. St. Regis Publications, Inc., 531 F.2d 11 (1975). The pervasiveness of the principle is illustrated by a series of well known cases holding that when a suggestive or fanciful term has become generic as a result of a manufacturer's own advertising efforts, trademark protection will be denied save for those markets where the term still has not become generic and a secondary meaning has been shown to continue. Bayer Co. v. United Drug Co., 272 F. 505 (2 Cir. 1921) (L. Hand, D. J.) [finding "aspirin" generic]; DuPont Cellophane Co. v. Waxed Products Co., 85 F.2d 75 (2 Cir.) (A. N. Hand, C. J.), cert. denied, 299 U.S. 601 (1936) [finding "cellophane" generic]; King-Seeley Thermos Co. v. Aladdin Industries, Inc., 321 F.2d 577 (2 Cir.1963) [finding "thermos" generic]. A term may thus be generic in one market and descriptive or suggestive or fanciful in another.

[4] The term which is descriptive but not generic[4] stands on a better basis. Although § 2(e) of the Lanham Act, 15 U.S.C. § 1052, forbids the registration of a mark which, when applied to the goods of the applicant, is "merely descriptive," § 2(f) removes a considerable part of the sting by providing that "except as expressly excluded in paragraphs (a)-(d) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become

[4] See, e. g., W. E. Bassett Co. v. Revlon, Inc., 435 F.2d 656 (2 Cir. 1970). A Commentator has illuminated the distinction with an example of the "Deep Bowl Spoon":

> "Deep Bowl" identifies a significant characteristic of the article. It is "merely descriptive" of the goods, because it informs one that they are deep in the bowl portion . . . . It is not, however, "the common descriptive name" of the article (since) the implement is not a deep bowl, it is a spoon . . . . "Spoon" is not merely descriptive of the article it identifies the article (and therefore) the term is generic.

Fletcher, Actual Confusion as to Incontestability of Descriptive Marks, 64 Trademark Rep. 252, 260 (1974). On the other hand, "Deep Bowl" would be generic as to a deep bowl.

distinctive of the applicant's goods in commerce” and that the Commissioner may accept, as prima facie evidence that the mark has become distinctive, proof of substantially exclusive and continuous use of the mark applied to the applicant's goods for five years preceding the application. As indicated in the cases cited in the discussion of the unregistrability of generic terms, “common descriptive name,” as used in §§ 14(c) and 15(4), refers to generic terms applied to products and not to terms that are “merely descriptive.” In the former case any claim to an exclusive right must be denied since this in effect would confer a monopoly not only of the mark but of the product by rendering a competitor unable effectively to name what it was endeavoring to sell. In the latter case the law strikes the balance, with respect to registration, between the hardships to a competitor in hampering the use of an appropriate word and those to the owner who, having invested money and energy to endow a word with the good will adhering to his enterprise, would be deprived of the fruits of his efforts.

[5] The category of “suggestive” marks was spawned by the felt need to accord protection to marks that were neither exactly descriptive on the one hand nor truly fanciful on the other, a need that was particularly acute because of the bar in the Trademark Act of 1905, 33 Stat. 724, 726, (with an exceedingly limited exception noted above) on the registration of merely descriptive marks regardless of proof of secondary meaning. See Orange Crush Co. v. California Crushed Fruit Co., 54 U.S.App.D.C. 313, 297 F. 892 (1924). Having created the category the courts have had great difficulty in defining it. Judge Learned Hand made the not very helpful statement:

> It is quite impossible to get any rule out of the cases beyond this: That the validity of the mark ends where suggestion ends and description begins.

Franklin Knitting Mills, Inc. v. Fashionit Sweater Mills, Inc., 297 F. 247, 248 (S.D.N.Y.1923), aff'd per curiam, 4 F.2d 1018 (2 Cir. 1925), a statement amply confirmed by comparing the list of terms held suggestive with those held merely descriptive in 3 Callmann, Unfair Competition, Trademarks and Monopolies s 71.2 (3d ed.). Another court has observed, somewhat more usefully, that:

> A term is suggestive if it requires imagination, thought and perception to reach a conclusion as to the nature of goods. A term is descriptive if it forthwith conveys an immediate idea of the ingredients, qualities or characteristics of the goods.

Stix Products, Inc. v. United Merchants & Manufacturers Inc., 295 F.Supp. 479, 488 (S.D.N.Y.1968). Also useful is the approach taken by this court in Aluminum Fabricating Co. of Pittsburgh v. Season-All Window Corp., 259 F.2d 314 (2 Cir. 1958), that the reason for restricting the protection accorded descriptive terms, namely the undesirability of preventing an entrant from using a descriptive term for his product, is much less forceful when the trademark is a suggestive word since, as Judge Lumbard wrote, 259 F.2d at 317:

> The English language has a wealth of synonyms and related words with which to describe the qualities which manufacturers may wish to claim for their products and the ingenuity of the public relations profession supplies new words and slogans as they are needed.

If a term is suggestive, it is entitled to registration without proof of secondary meaning. Moreover, as held in the Season-All case, the decision of the Patent Office to register a mark without requiring proof of secondary meaning affords a rebuttable presumption that the mark is suggestive or arbitrary or fanciful rather than merely descriptive.

[6] It need hardly be added that fanciful or arbitrary terms[5] enjoy all the rights accorded to suggestive terms as marks without the need of debating whether the term is "merely descriptive" and with ease of establishing infringement.

In the light of these principles we must proceed to a decision of this case.

Comments and Questions

1. *Is "safari" generic as to clothing, hats, and boots?* Judge Friendly found that safari was a generic term when used in connection with certain items of clothing and hats. Here is part of his reasoning:

> It is common ground that A&F could not apply 'Safari' as a trademark for an expedition into the African wilderness. This would be a clear example of the use of 'Safari' as a generic term. What is perhaps less obvious is that a word may have more than one generic use. The word 'Safari' has become part of a family of generic terms which, although deriving no doubt from the original use of the word and reminiscent of its milieu, have come to be understood not as having to do with hunting in Africa, but as terms within the language referring to contemporary American fashion apparel. These terms name the components of the safari outfit well-known to the clothing industry and its customers: the 'Safari hat', a broad flat-brimmed hat with a single, large band; the 'Safari jacket', a belted bush jacket with patch pockets and a buttoned shoulder loop; when the jacket is accompanied by pants, the combination is called the 'Safari suit'.

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[5] As terms of art, the distinctions between suggestive terms and fanciful or arbitrary terms may seem needlessly artificial. Of course, a common word may be used in a fanciful sense; indeed one might say that only a common word can be so used, since a coined word cannot first be put to a bizarre use. Nevertheless, the term "fanciful", as a classifying concept, is usually applied to words invented solely for their use as trademarks. When the same legal consequences attach to a common word, i. e., when it is applied in an unfamiliar way, the use is called "arbitrary."

Abercrombie, 537 F.2d at 11-12. Judge Friendly determined that the term "safari" was not generic, however, when used in connection with boots; it was either suggestive or merely descriptive, and because the registration of SAFARI for boots had become "incontestable" (a concept we will discuss below), the mark was found in either case to be protected. *Id*. at 12. Nevertheless, HW was deemed to be making a "fair use" (another concept we will address below) of the term safari in connection with its boots and was thus found not to be infringing. *Id*. at 12-13.

We will devote much more attention to the question of genericism in Part I.A.1.c below.

2. *What* Abercrombie *borderlines are the most disputed?* Under the *Abercrombie* spectrum, suggestive, arbitrary, and fanciful marks qualify as inherently distinctive and may be protected without a showing that the mark has developed secondary meaning as a designation of source. Descriptive marks do not qualify as inherently distinctive and require a showing of secondary meaning to be protected. Generic marks may not be protected regardless of any showing of secondary meaning. Thus, there are two significantly disputed borders in the *Abercrombie* spectrum, the border between generic and descriptive marks (addressed in Part I.A.1.c) and the border between descriptive and suggestive marks (addressed in the next subsection).

In practice, it rarely makes much difference whether the inherently distinctive mark is deemed suggestive, arbitrary, or fanciful. In the context of the likelihood of confusion analysis (discussed in Part II), many courts recite the rule that fanciful marks should receive a greater scope of protection than arbitrary marks, and arbitrary marks a greater scope of protection than suggestive marks, but it is not clear that these distinctions have had any effect on litigation outcomes. Indeed, courts not uncommonly group arbitrary and fanciful marks into the same category, as *Abercrombie* itself does.

3. *Coined terms that are not fanciful, but rather suggestive*. Not all coined terms qualify as fanciful. In *Surfvivor Media, Inc. v. Survivor Productions*, 406 F.3d 625 (9th Cir. 2005), the court analyzed the *Abercrombie* classification of the trademark SURFVIVOR for beach-themed products:

> Because "Surfvivor" is a coined term, [plaintiff] Deptula contends that it should be treated as a fanciful mark. However, the mere fact that a mark consists of a coined term does not automatically render that mark fanciful. See Interstellar Starship Servs. Ltd. v. Epix, Inc., 184 F.3d 1107, 1111 (9th Cir. 1999) (determining that the coined phrase "EPIX" for electronic pictures should not automatically be considered an arbitrary [or fanciful] mark). Fanciful marks have no commonly known connotation to the product at hand. By contrast, the term "Surfvivor" is highly evocative of the company's beach-related products.

Id. at 632. The court ultimately determined that the SURFVIVOR mark was suggestive. *See id*.

4. *Why choose a non-inherently distinctive descriptive mark?* Lawyers may advise their clients always to choose inherently distinctive marks (and ideally only fanciful marks) because such marks do not require any showing of secondary meaning to qualify for protection. Yet clients often prefer — and the marketplace is full of — descriptive marks, particularly marks that are descriptive in a laudatory sense (e.g., BEST BUY). Why should this be the case? In an opinion involving the trademark FASHIONKNIT, Judge Learned Hand offered one persuasive explanation:

> I have always been at a loss to know why so many marks are adopted which have an aura, or more, of description about them. With the whole field of possible coinage before them, it is strange that merchants insist upon adopting marks that are so nearly descriptive. Probably they wish to interject into the name of their goods some intimation of excellence, and are willing to incur the risk.

Franklin Knitting Mills, Inc. v. Fashionit Sweater Mills, Inc., 297 F. 247 (S.D.N.Y. 1923). *See also Aloe Creme Labs., Inc. v. Milsan, Inc*., 423 F.2d 845, 165 U.S.P.Q. 37 (9th Cir. 1970) ("Apparently entrepreneurs cannot resist the temptation to tie the name of their product to some disabling quality of description, geography, or vanity."). The Gilson treatise discusses this issue thoroughly at § 2.01.

5. *Do misspellings make any difference?* In short, no. *See Restatement (Third) of Unfair Competition* (1995) § 14, cmt. a ("The misspelling or corruption of an otherwise descriptive word will not ordinarily alter the descriptive character of the designation."); *Spex, Inc. v. Joy of Spex, Inc*., 847 F. Supp. 567 (N.D. Ill. 1994) (SPEX for eyeglasses merely descriptive); *In re Quik-Print Copy Shops, Inc*., 616 F.2d 523, 205 U.S.P.Q. 505 (C.C.P.A. 1980) (QUIK-PRINT for photocopy services merely descriptive). *See also Flexitized, Inc. v. National Flexitized Corp*., 335 F.2d 774, 780, 142 U.S.P.Q 334 (2d Cir. 1964) ("That the terms used to comprise a trademark are misspelled, or represent the combination of several words or parts of words, or are otherwise so formed or malformed that the mark does not appear in any standard dictionary, will not preclude a finding of invalidity based on descriptiveness if the terms which are used, interpreted according to the basic rules of the English language, do sufficiently describe.").

ii. Distinguishing Suggestive from Descriptive Marks

There are a number of reasons why a trademark owner would want to show that a mark on the border between descriptiveness and suggestiveness is in fact suggestive and thus inherently distinctive. First, as we will see in Part I.A.1.b, it can be difficult and costly to show that a mark deemed descriptive has developed secondary meaning as a designation of source. Second, as we will see in Part I.D, only inherently distinctive marks may be registered on an intent-to-use basis.

Where a mark falls along the border between suggestiveness and descriptiveness can be difficult to determine, and a court's determination of the issue difficult to predict. Courts' approaches vary, but all emphasize, as did Judge

Friendly in *Abercrombie*, the question of the degree of "imagination" a consumer must use to connect the meaning of the mark to the characteristics of the goods. *See, e.g.*, *Platinum Home Mortgage Corp. v. Platinum Financial Group, Inc.*, 149 F.3d 722, 47 U.S.P.Q.2d 1587 (7th Cir. 1998) (stating the Seventh Circuit's "degree of imagination" test as "[I]f a mark imparts information directly it is descriptive. If it stands for an idea which requires some operation of the imagination to connect it with the goods, it is suggestive", and quoting approvingly the district court's reasoning that PLATINUM MORTGAGE is descriptive because "the mental leap . . . is nearly instantaneous and… requires little imagination to associate 'platinum' with superiority and quality service").

Because the borderline between descriptive and suggestive marks is so important, three representative analyses are provided here for your consideration. To give you a sense of the relative importance of various opinions in the trademark law canon, it is worth noting that none of the opinions excerpted here have been nearly as influential as *Abercrombie*. They are provided instead as everyday examples from a variety of circuits of how courts draw (sometimes unpredictably) the border between suggestiveness and descriptiveness.

In reading these cases, consider the following questions:

- Which factors should be the most important to a court's determination of whether a mark is either descriptive or suggestive?
- How might you design a survey to aid a court in determining whether a mark is either descriptive or suggestive?
- How manipulable is the descriptiveness/suggestiveness analysis for a court that wants to reach what it considers to be the right result?
- As to the third excerpt, from the *Zobmondo* opinion, how would you rule in a bench trial on the issue of whether WOULD YOU RATHER…? is descriptive or suggestive given the evidence discussed in the excerpt?

Zatarains, Inc. v. Oak Grove Smokehouse, Inc.
698 F.2d 786, 792-93 (5th Cir. 1983)

[Plaintiff Zatarains, Inc. ("Zatarain's") used two registered trademarks: FISH-FRI for fried-fish batter and CHICK-FRI for fried chicken batter. Competitors, including Oak Grove Smokehouse, Inc. ("Oak Grove") and Visko's Fish Fry, Inc. ("Visco's"), used phrases like "FISH FRY" or "CHICKEN FRY" on the packaging of competing products to describe the contents of those products. Both sides of the dispute cross-appealed the outcome of the district court's bench trial].

Goldberg, Circuit Judge:

…

[1] Throughout this litigation, Zatarain's has maintained that the term "Fish-Fri" is a suggestive mark automatically protected from infringing uses by virtue of

its registration in 1962. Oak Grove and Visko's assert that "fish fry" is a generic term identifying a class of foodstuffs used to fry fish; alternatively, Oak Grove and Visko's argue that "fish fry" is merely descriptive of the characteristics of the product. The district court found that "Fish-Fri" was a descriptive term identifying a function of the product being sold. Having reviewed this finding under the appropriate "clearly erroneous" standard, we affirm.

[2] We are mindful that "[t]he concept of descriptiveness must be construed rather broadly." Callman § 70.2. Whenever a word or phrase conveys an immediate idea of the qualities, characteristics, effect, purpose, or ingredients of a product or service, it is classified as descriptive and cannot be claimed as an exclusive trademark. Id. § 71.1; see Stix Products, Inc. v. United Merchants & Manufacturers, Inc., 295 F.Supp. 479, 488 (S.D.N.Y.1968). Courts and commentators have formulated a number of tests to be used in classifying a mark as descriptive.

[3] A suitable starting place is the dictionary, for "[t]he dictionary definition of the word is an appropriate and relevant indication 'of the ordinary significance and meaning of words' to the public." American Heritage Life Insurance Co. v. Heritage Life Insurance Co., 494 F.2d 3, 11 n.5 (5th Cir.1974). Webster's Third New International Dictionary 858 (1966) lists the following definitions for the term "fish fry": "1. a picnic at which fish are caught, fried, and eaten; .... 2. fried fish." Thus, the basic dictionary definitions of the term refer to the preparation and consumption of fried fish. This is at least preliminary evidence that the term "Fish-Fri" is descriptive of Zatarain's product in the sense that the words naturally direct attention to the purpose or function of the product.

[4] The "imagination test" is a second standard used by the courts to identify descriptive terms. This test seeks to measure the relationship between the actual words of the mark and the product to which they are applied. If a term "requires imagination, thought and perception to reach a conclusion as to the nature of goods," Stix Products, 295 F.Supp. at 488, it is considered a suggestive term. Alternatively, a term is descriptive if standing alone it conveys information as to the characteristics of the product. In this case, mere observation compels the conclusion that a product branded "Fish-Fri" is a prepackaged coating or batter mix applied to fish prior to cooking. The connection between this merchandise and its identifying terminology is so close and direct that even a consumer unfamiliar with the product would doubtless have an idea of its purpose or function. It simply does not require an exercise of the imagination to deduce that "Fish-Fri" is used to fry fish. Accordingly, the term "Fish-Fri" must be considered descriptive when examined under the "imagination test."

[5] A third test used by courts and commentators to classify descriptive marks is "whether competitors would be likely to need the terms used in the trademark in describing their products." Union Carbide Corp. v. Ever-Ready, Inc., 531 F.2d 366, 379 (7th Cir.1976). A descriptive term generally relates so closely and directly to a product or service that other merchants marketing similar goods would find the

term useful in identifying their own goods. Common sense indicates that in this case merchants other than Zatarain's might find the term “fish fry” useful in describing their own particular batter mixes. While Zatarain's has argued strenuously that Visko's and Oak Grove could have chosen from dozens of other possible terms in naming their coating mix, we find this position to be without merit. As this court has held, the fact that a term is not the only or even the most common name for a product is not determinative, for there is no legal foundation that a product can be described in only one fashion. There are many edible fish in the sea, and as many ways to prepare them as there are varieties to be prepared. Even piscatorial gastronomes would agree, however, that frying is a form of preparation accepted virtually around the world, at restaurants starred and unstarred. The paucity of synonyms for the words “fish” and “fry” suggests that a merchant whose batter mix is specially spiced for frying fish is likely to find “fish fry” a useful term for describing his product.

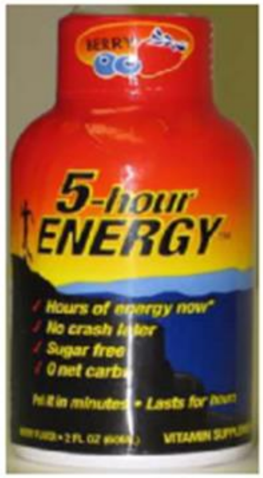
[6] A final barometer of the descriptiveness of a particular term examines the extent to which a term actually has been used by others marketing a similar service or product. This final test is closely related to the question whether competitors are likely to find a mark useful in describing their products. As noted above, a number of companies other than Zatarain's have chosen the word combination “fish fry” to identify their batter mixes. Arnaud's product, “Oyster Shrimp and Fish Fry,” has been in competition with Zatarain's “Fish-Fri” for some ten to twenty years. When companies from A to Z, from Arnaud to Zatarain's, select the same term to describe their similar products, the term in question is most likely a descriptive one.

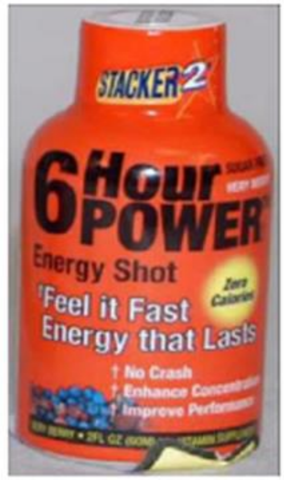
[7] The correct categorization of a given term is a factual issue; consequently, we review the district court's findings under the “clearly erroneous” standard of Fed.R.Civ.P. 52. The district court in this case found that Zatarain's trademark “Fish-Fri” was descriptive of the function of the product being sold. Having applied the four prevailing tests of descriptiveness to the term “Fish-Fri,” we are convinced that the district court's judgment in this matter is not only not clearly erroneous, but clearly correct.

[In a footnote, the court considered and rejected the argument that FISH FRY was generic as to fish-frying batter.]

Innovation Ventures, LLC v. N.V.E., Inc.
694 F.3d 723, 729-730 (6th Cir. 2012)

[Plaintiff Innovation Ventures, LLC, d/b/a Living Essentials (“LE”), produced a beverage under the mark 5-HOUR ENERGY. Defendant NVE began to produce a similar beverage under the mark 6 HOUR POWER. Plaintiff sued and defendant claimed that plaintiff’s mark was merely descriptive. The parties’ cross-moved for summary judgment.]





Boggs, Circuit Judge

…

[1] NVE claims that the term "5–hour ENERGY" is not a distinctive mark, but is a descriptive mark.[1] A descriptive mark, by itself, is not protectable. However, "[a] merely descriptive term ... can, by acquiring a secondary meaning, i.e., becoming distinctive of the applicant's goods ..., become a valid trademark." Induct–O–Matic Corp. v. Inductotherm Corp., 747 F.2d 358, 362 (6th Cir.1984). LE counters that the "5–hour ENERGY" mark is not descriptive, but rather is distinctive, due to the mark's suggestiveness. Such a mark "suggests rather than describes an ingredient or characteristic of the goods and requires the observer or listener to use imagination and perception to determine the nature of the goods." Id. at 362.

[2] The "5–hour ENERGY" mark could be characterized as merely descriptive, in the sense that it simply describes a product that will give someone five hours of energy. But that is not the end of such an inquiry. The first question one would ask is *how* would the energy be transferred? Through food? Through drink? Through injections? Through pills? Through exercise? Also, one would ask what kind of energy is the mark referring to? Food energy (measured in Calories)? Electrical energy? Nuclear energy? With some thought, one could arrive at the conclusion that the mark refers to an energy shot. But it is not as straightforward as NVE suggests.

---

[1] We note that, in contrast with its position in this case, in other litigation NVE has asserted that its own mark, "6 Hour POWER," is an "inherently distinctive" mark. See Complaint at ¶ 12, N.V.E., Inc. v. N2G Distrib., Inc. & Alpha Performance Labs, No. 2:08–cv–01824 (D.N.J. Apr. 14, 2008) ("The 6 HOUR POWER mark distinguishes NVE as the source of these products, is inherently distinctive, and has also become distinctive through the acquisition of secondary meaning." (emphasis added)).

Such cognitive inferences are indicative of "suggestive" rather than descriptive marks.

[3] The nature of the "5–hour ENERGY" mark "shares a closer kinship with those marks previously designated as suggestive than those labeled merely descriptive because of the degree of inferential reasoning necessary for a consumer to discern" that the "5–hour ENERGY" mark relates to an energy shot. Tumblebus v. Cranmer, 399 F.3d 754, 763 (6th Cir.2005). The connection between "5–hour" and "ENERGY" is "not so obvious that a consumer seeing [5–hour ENERGY] in isolation would know that the term refers to" an energy shot rather than, for example, a battery for electronics, an exercise program, a backup generator, or a snack for endurance sports. Ibid. Connecting the mark "5–hour ENERGY" with the energy-shot product requires "imagination and perception to determine the nature of the goods." *Induct–O–Matic*, 747 F.2d at 362.

[4] "The line between merely descriptive and suggestive marks is admittedly hazy and can be difficult to discern." *Tumblebus*, 399 F.3d at 763. However, we disagree with NVE's contention that the mark is not distinctive and thus not protectable. The "5–hour ENERGY" mark is "suggestive."

[The Sixth Circuit found other fact issues and remanded.]

Here are a few further examples of marks classified either as descriptive or suggestive. You are strongly encouraged to decide for yourself how you would predict the court ruled before consulting the actual outcome:

- 100% and 100% TIME RELEASE MOISTURIZER for skin moisturizer. *See Estee Lauder, Inc. v. The Gap, Inc*., 108 F.3d 1503 (2d Cir. 1997) (affirming the district court's finding the mark to be suggestive; "The phrase '100% Time Release Moisturizer' could be read to indicate the purity of the moisturizing content of Lauder's product, or to imply an enduring effect. Or, as the district court found, it could be read as indicating that the bottle contains nothing but time-release moisturizer or that the product moisturizes continuously until removed or worn off. All of these interpretations require some stretch of the imagination. And of course, as the court found, if the term '100%' is simply viewed as the brand of time-release moisturizer, it plainly is suggestive.").
- 555-1212.COM for use in "providing databases featuring telephone and directory information accessible via electronic communication networks." *See 555-1212.com, Inc. v. Communication House Intern., Inc*., 157 F. Supp. 2d 1084, 1089 (N.D. Cal. 2001) ("No imagination is necessary to figure out that 555–1212–com is a directory assistance web site. Plaintiff's web site provides databases featuring telephone and directory information accessible via electronic communication networks. Much like the telephone number '411' for local calls, '555–1212' is the number one would dial (after

an area code) to seek out telephone and directory information services outside of one's local area code. To the average consumer, '555–1212.com' would indicate a commercial web site on the Internet which provides similar telephone and directory information.").

- COASTAL WINE for wine made near a coast. *See Callaway Vineyard & Winery v. Endsley Capital Group, Inc.*, 63 U.S.P.Q.2d 1919 (TTAB 2002) (finding the mark to be descriptive since the mark describes "a significant feature of applicant's goods, namely the place or establishment where applicant produces its wine").
- 24 HOUR FITNESS for fitness facility. *See 24 Hour Fitness USA, Inc. v. 24/7 Tribeca Fitness, LLC*, 277 F. Supp. 2d 356 (S.D.N.Y. 2003) (finding that the mark "describe[s] a physical training-related facility that is available, if not around the clock, at least for substantial periods of time on a regular basis.").
- XTREME LASHES for artificial eyelashes. *See Xtreme Lashes, LLC v. Xtended Beauty, Inc.*, 576 F.3d 221 (5th Cir. 2009) (finding the mark to be suggestive; "The consumer must exercise some imagination to associate 'xtreme lashes' with 'artificially elongated eyelashes.'").

Comments and Questions

1. *Surveying for suggestiveness versus descriptiveness*. In *Rise-N-Shine, LLC v. Duner-Fenter*, No. 14 Civ. 1305, 2015 WL 876470 (S.D.N.Y. Feb. 28, 2015), the plaintiff produced a dietary supplement under the mark GO AWAY GRAY that purportedly prevents the growth of gray hair. The defendant produced a competing dietary supplement under the mark GET AWAY GREY. The defendant asserted that the plaintiff's mark was descriptive (and both parties agreed that the mark lacked secondary meaning). The plaintiff presented survey evidence of the mark's suggestiveness. The methodology of the survey was essentially as follows:

> First, the pool of respondents was limited—through screening questions at the beginning of the survey—to adults between the ages of 35 and 55, residing in the United States, who had purchased vitamins or supplements in the previous six months, and who reported that they would "definitely" or "probably" consider buying vitamins or supplements "to promote healthy hair" in the next six months. In all, 208 participants qualified after these screening mechanisms. Next, respondents were informed of the difference between a brand name and a product description, and given two test phrases ("ONE A DAY" and "IMMUNITY BOOSTER") to evaluate whether they understood that distinction. Respondents were then asked whether they believed the Disputed Mark—as well as two other marks, "SLIM–FAST" and "MUSCLE BUILDER," which were included to minimize potential bias—refers to a product's brand name or describes a product's function or

> purpose, or whether the respondent did not know. Respondents were also asked, at the conclusion of the survey, whether they had gray hair, and 176 of the 208 respondents answered affirmatively. Ultimately, 49% of survey respondents—and 51% of respondents with gray hair—answered that they believed the Disputed Mark was a brand name. [The survey expert] then excluded all those respondents who incorrectly identified either SLIM–FAST or MUSCLE BUILDER as a brand name or product description, which left 160 respondents. Of those respondents, 56% in total, and 59% of those with gray hair, answered that they believed the Disputed Mark was a brand name.

Id. at *1. Judge Sullivan rejected the defendant's motion in limine to exclude the survey expert's testimony and allowed the survey results to be presented to the jury. *Id*. at *4. Does this survey methodology for distinguishing between descriptive and suggestive marks appear valid?

iii. Special Rules for Classification of Certain Kinds of Trademarks

There are many special rules that guide the *Abercrombie* classification of certain kinds of trademarks. Nearly all of them are detailed in the PTO's *Trademark Manual of Examining Procedure* ("TMEP"), which is an excellent resource for the trademark lawyer, particularly one who specializes in trademark "prosecution," i.e., the process of registering trademarks at the PTO (tmep.uspto.gov). Among the most important of these special rules are the following:

◊ Descriptiveness of Geographic Terms

As we will see through the course of this Part, Lanham Act § 2, 15 U.S.C. §1052, has several provisions giving special treatment to geographic terms. Consider for the moment § 2(e)(2), which provides: "No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it ... (e) Consists of a mark which ... (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 1054 of this title."

Such "primarily geographically descriptive" marks may only be registered or otherwise protected upon a showing of secondary meaning (with one important exception that we will address in a moment). Lanham Act § 2(f), 15 U.S.C. §1052(f). The TTAB has established a relatively straightforward three-part test for determining whether a mark is "primarily geographically descriptive." The mark will fall into this category if: "(1) the primary significance of the mark is a generally known geographic location; (2) the goods or services originate in the place identified in the mark; <u>and</u> (3) purchasers would be likely to believe that the goods or services originate in the geographic place identified in the mark." TMEP §1210.01(a). *See, e.g.*, *In re Carolina Apparel*, 48 USPQ2d 1542 (TTAB 1998) (finding

CAROLINA APPAREL for clothing stores in North Carolina to be primarily geographically descriptive); *In re Brouwerij Nacional Balashi NV*, 80 U.S.P.Q.2d 1820 (TTAB 2006) (finding BALASHI BEER and BALASHI for beer made in the Balashi neighborhood of the Santa Cruz district of Aruba to be not primarily geographically descriptive where the term is "so obscure or remote that purchasers of beer in the United States would typically fail to recognize the term as indicating the geographical source of applicant's goods."); *University Book Store v. Board of Regents of University of Wisconsin System*, 33 U.S.P.Q.2d 1385 (TTAB 1994) (finding WISCONSIN BADGERS for apparel to be not primarily geographically descriptive where consumers would not perceive the primary significance of the mark as a whole as designating a particular geographic location).

The third prong of the PGD test calls for evidence that consumers would make a "goods/place association" (or "service/place association") between (1) the geographic location referred to by the mark and (2) the goods sold under the mark. Note, importantly, that if the geographic location is "neither obscure nor remote," TMEP §1210.04, and the goods actually originate from that location, then this goods/place association may ordinarily be presumed. *See, e.g.*, *In re Spirits of New Merced, LLC*, 85 U.S.P.Q.2d 1614 (TTAB 2007) (finding YOSEMITE BEER to be primarily geographically descriptive where the registration applicant's beer was brewed near Yosemite National Park and applicant failed to overcome presumption of goods/place association; "[s]ince the goods originate at or near [Yosemite National Park], we can presume an association of applicant's beer with the park."). *But see In re Mankovitz*, 90 USPQ2d 1246 (TTAB 2009) (finding THE MONTECITO DIET for a diet system to be not primarily geographically descriptive where evidence of goods/place association consisted only of the fact that the registration applicant lived in Montecito, California; "it would be speculation on our part to reach the conclusion that the goods or services originate there or that the public would understand that there is a goods/place relationship").

◊ Certification Marks and Collective Marks

"Certification marks" and "collective marks" are special forms of trademarks in the Lanham Act, and when they take the form of geographic designations, the distinctiveness analysis of them is unique in the statutory scheme. As explained in more detail below, Lanham Act § 2(e)(2) establishes that proprietors of certification or collective marks that take the form of "indications of regional origin" need not establish that the indication of regional origin has secondary meaning in order to register the indication as trademark.

Lanham Act § 45 defines a certification mark as follows:

> The term "certification mark" means any word, name, symbol, or device, or any combination thereof—
>
> (1) used by a person other than its owner, or

> (2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this Act,
>
> to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

As the § 45 definition suggests, certification marks may take a variety of forms, including:

- certifications of a good's quality (e.g., the UL mark of Underwriters Laboratories, Inc., Reg. No. 0,782,589 (Dec. 29, 1964); the U-in-a-circle mark of the Orthodox Union, Reg. No. 0,636,593 (Oct. 30, 1956))
- certifications of the regional origin of a product (e.g., the "Grown in Idaho" mark of the State of Idaho Potato Commission, Reg. No. 4,221,403 (July 24, 2012); the ROQUEFORT mark of the Community of Roquefort, France, Reg. No. 0571798 (Mar. 10, 1953)
- certifications that a product was union-made (e.g., the International Union of Painters and Allied Trades mark indicating that the designated services were performed by union members, Reg. No. 2,749,294 (Aug. 12, 2003)

Various specific rules apply to certification marks. First, certifying organizations may not themselves produce goods or services to which the certification mark is applied. *See* Lanham Act § 14(5)(B), 15 U.S.C. § 1064(5)(B). In other words, certifying organizations can only function as certifiers of other entities' goods or services, not as producers of certified goods or services. Second, certifying organizations must restrict the use of their mark only to certify goods or services that meet the certification standards. *See* Lanham Act § 14(5)(A) & (C), 15 U.S.C. § 1064(5)(A) & (C). Third, certifying organizations must not "discriminately refuse[] to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies." *See* Lanham Act § 14(5) (D), 15 U.S.C. § 1064(5) (D).

In contrast to certification marks, collective marks are used by members of the collective to identify their goods and services as made by collective members. In other words, the "anti-use-by-owner" rule that applies to certification marks—i.e., the rule that the owner of the certification mark may not itself sell goods or services bearing the certification mark—does not apply to collective marks.[2] Lanham Act § 45 defines collective marks as follows:

> The term "collective mark" means a trademark or service mark–
>
> (1) used by the members of a cooperative, an association, or other collective group or organization, or
>
> (2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,
>
> and includes marks indicating membership in a union, an association, or other organization.

As the TTAB explained in Aloe Creme Laboratories, Inc. v. American Society for Aesthetic Plastic Surgery, Inc., 192 U.S.P.Q. 170 (TTAB 1976),

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[2] The distinction between certification and collective marks is sometimes very fine, leading McCarthy to lament that "[t]he problem with collective trademarks and service marks is that they are almost indistinguishable from certification marks." MCCARTHY § 19:99. McCarthy suggests that one advantage (or disadvantage) of collective marks is that they offer a way to avoid the strict requirements for the operation of certification marks established in Lanham Act § 14(5).

> [t]here are two basic types of collective marks. A collective trademark or collective service mark is a mark adopted by a "collective" (i.e., an association, union, cooperative, fraternal organization, or other organized collective group) for use only by its members, who in turn use the mark to identify their goods or services and distinguish them from those of nonmembers. The "collective" itself neither sells goods nor performs services under a collective trademark or collective service mark, but the collective may advertise or otherwise promote the goods or services sold or rendered by its members under the mark. A collective membership mark is a mark adopted for the purpose of indicating membership in an organized collective group, such as a union, an association, or other organization. Neither the collective nor its members uses the collective membership mark to identify and distinguish goods or services; rather, the sole function of such a mark is to indicate that the person displaying the mark is a member of the organized collective group. For example, if the collective group is a fraternal organization, members may display the mark by wearing pins or rings upon which the mark appears, by carrying membership cards bearing the mark, etc. Of course, a collective group may itself be engaged in the marketing of its own goods or services under a particular mark, in which case the mark is not a collective mark but is rather a trademark for the collective's goods or service mark for the collective's services.

Id. at 173-74.

As stated above, proprietors of certification or collective marks that function as "indications of regional origin" need not show secondary meaning to register their marks. A mark's ability to qualify as a regional certification or collective mark turns on "whether the public understands that goods bearing the mark come only from the region named in the mark, not whether the public is expressly aware of the certification function of the mark per se." TMEP § 1306.05(a). See also *Institut Nat'l Des Appellations D'Origine v. Brown-Forman Corp.*, 47 USPQ2d 1875 (TTAB 1998).

⋄ Surnames

Just as it does with geographic marks, § 2 of the Lanham Act, 15 U.S.C. §1052, also explicitly addresses the protectability of surnames and classifies them essentially as descriptive marks. It states: "No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it ... (e) Consists of a mark which ... (4) is primarily merely a surname." Surnames may be registered only upon a showing of acquired distinctiveness under § 2(f), 15 U.S.C. §1052(f). As the TMEP explains, § 2(e)(4) "reflects the common law that exclusive rights in a surname per se cannot be established without evidence of long and exclusive use that changes its significance to the public from that of a surname to that of a mark for particular goods or services. The common law also recognizes that surnames are shared by more than one individual, each of whom may have an interest in using his surname in business; and, by the requirement for evidence of distinctiveness, the law, in effect, delays appropriation of exclusive rights in the name." TMEP §1211.

But what qualifies as "primarily merely a surname"? "Fiore," "Hackler," and "Bird" are used as surnames, but they have been deemed not "primarily merely a surname" under trademark law. *In re Isabella Fiore LLC*, 75 USPQ2d 1564 (TTAB 2005); *In re United Distillers plc*, 56 USPQ2d 1220 (TTAB 2000); *Fisher Radio Corp. v. Bird Elec. Corp.*, 162 USPQ 265 (TTAB 1969). The TTAB has established five factors to be considered in determining whether the relevant purchasing public perceives the primary significance of a term to be that of a surname: (1) whether the surname is rare; (2) whether the term is the surname of anyone connected with the applicant; (3) whether the term has any recognized meaning other than as a surname; (4) whether it has the "look and feel" of a surname; (5) [in cases of stylized, rather than standard character marks,] whether the stylization of lettering is distinctive enough to create a separate commercial impression. *In re Benthin Mgmt. GmbH*, 37 USPQ2d 1332, 1333-1334 (TTAB 1995) (finding that the mark BENTHIN in stylized lettering inside an oval design would not be perceived as primarily merely a surname). If it is determined that the relevant purchasing public does not perceive a term as a surname, then the term would likely be classified as either arbitrary or suggestive, or possibly even as fanciful. In any case, the term would qualify as inherently distinctive of source.

What about historic surnames? "A term with surname significance may not be primarily merely a surname if that term also identifies a historical place or person." TMEP §1211.01(a)(iv). *See, e.g.*, *Lucien Piccard Watch Corp. v. Since 1868 Crescent Corp.*, 314 F. Supp. 329, 331 (S.D.N.Y. 1970) (finding that DA VINCI for jewelry and leather goods is not primarily merely a surname for purposes of Section 2(e)(4)). *But see In re Champion Int'l Corp.*, 229 USPQ 550, 551 (TTAB 1985) (finding MCKINLEY to be primarily merely a surname despite being the surname of William McKinley, the 25th President of the United States).

⬨ Non-English Words: The Doctrine of "Foreign Equivalents"

"The foreign equivalent of a merely descriptive English word is no more registrable than the English word itself." TMEP §1209.03(g). Thus, "lait," "leche," and "Milch" as brand names for milk would be deemed generic, and "frais," "fresca," and "frisch" as brand names for milk would likely be deemed descriptive and require secondary meaning to be protected. *See, e.g.*, *In re Tokutake Indus. Co.*, 87 USPQ2d 1697 (TTAB 2008) (finding AYUMI, meaning "walking," and its Japanese character equivalent to be merely descriptive for footwear); *In re Oriental Daily News, Inc.*, 230 USPQ 637 (TTAB 1986) (finding Chinese characters meaning "Oriental Daily News" to be merely descriptive of newspapers).

The doctrine of foreign equivalents is riddled with limitations and exceptions, however. Among these are, first, that "[t]he doctrine should be applied only when it is likely that the ordinary American purchaser would stop and translate the foreign word into its English equivalent." *See In re Pan Tex Hotel Corp.*, 190 U.S.P.Q. 109 (TTAB 1976) (finding that LA POSADA for a hotel and restaurant is not descriptive because it is unlikely that consumers will translate the name into English). *But see In re Hag Aktiengesellschaft*, 155 U.S.P.Q. 598 (TTAB 1967) (finding KABA, meaning coffee in Serbian and Ukranian, to be descriptive for coffee). *Cf. Palm Bay Imports v. Veuve Clicquot*, 396 F.3d 1369 (Fed. Cir. 2005) (finding that VEUVE CLICQUOT is not confusingly similar to ''The Widow,'' since most American consumers won't know that ''veuve'' means ''widow'' in French). Second, "foreign words from dead or obscure languages may be so unfamiliar to the American buying public that they should not be translated into English for descriptiveness purposes." TMEP §1209.03(g). This limitation appears to be very rarely applied, however. Third, as the TMEP tries to explain, "marks comprised of a term from a foreign language used with an English term may be found registrable if the commercial impression created by the combination differs from that which would be created by two English words." The representative case here is *In re Johanna Farms Inc.*, 8 USPQ2d 1408 (TTAB 1988) (finding LA YOGURT for yogurt to be registrable without showing of secondary meaning). *See also In re Le Sorbet, Inc.*, 228 U.S.P.Q. 27 (TTAB 1985) (finding LE SORBET for sorbet to be descriptive because it is a foreign-language term preceded by a foreign-language article).

◊ Acronyms

The general rule is that an acronym will be classified as descriptive or generic if (1) the wording it stands for is merely descriptive of or generic as to the goods or services, and (2) relevant purchasers understand the acronym to be "substantially synonymous" with the merely descriptive or generic wording it represents. TMEP § 1209.03(h). *See, e.g.*, *In re Thomas Nelson, Inc.*, 97 USPQ2d 1712, 1715 (TTAB 2011) (finding NKJV to be substantially synonymous with merely descriptive term "New King James Version" and thus merely descriptive of bibles); *Baroness Small Estates, Inc. v. Am. Wine Trade, Inc.*, 104 USPQ2d 1224, 1230-31 (TTAB 2012) (finding CMS to be inherently distinctive on the ground that it is not substantially synonymous with the grape varietals cabernet, merlot, and syrah and is thus not merely descriptive of wine).

◊ Domain Names and Top-Level Domain Designations

The general rule is that a trademark is unprotectable if it consists simply of a generic term followed by a top-level domain designator (such as ".com", ".org", or ".biz"), and protectable only upon a showing of secondary meaning if the mark consists of a merely descriptive term followed by a TLD designator. The theory is that a domain name "function[s] to indicate an address on the World Wide Web, and, therefore, generally serve[s] no source-indicating function." TMEP

§1209.03(m). Just as a company cannot claim trademark protection for its street address without showing that the address has developed secondary meaning (e.g., "1 Infinite Loop, Cupertino, CA 95014"), so the company cannot claim its descriptive domain name as a protectable trademark without showing the same. *See, e.g.*, *In re Oppedahl & Larson LLP*, 373 F.3d 1171 (Fed. Cir. 2004) (finding PATENTS.COM to be merely descriptive of the applicant's goods, consisting of "software for tracking patent applications and issued patents" by means of the Internet); *In re Steelbuilding.com*, 415 F.3d 1293, 1297 (Fed. Cir. 2005) (finding STEELBUILDING.COM to be "highly descriptive" but not generic for "computerized on line retail services in the field of pre-engineered metal buildings and roofing systems"). And if the domain name is generic, it is unredeemable. *See, e.g.*, *In re 1800mattress.com IP, LLC*, 586 F.3d 1359 (Fed. Cir. 2009) (finding MATTRESS.COM to be generic for "online retail store services in the field of mattresses, beds, and bedding"); *In re Reed Elsevier Properties, Inc.*, 482 F.3d 1376, 82 U.S.P.Q.2d 1378 (Fed. Cir. 2007) (finding LAWYERS.COM to be generic for "online interactive database information exchange in the fields of law, legal news, and legal services").

b. Acquired Distinctiveness of Source

A descriptive, and thus non-inherently distinctive, mark may qualify for protection if it is shown to have developed "acquired distinctiveness" or "secondary meaning" (the two terms mean the same thing) as a designation of source. For example, though the term "American Airlines" is highly descriptive of an airline service based in the U.S., the term has developed enormous secondary meaning as a designation of source through use and advertising. As the Supreme Court commented in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000), the term "secondary meaning" is not as clear as it could be:

> The phrase "secondary meaning" originally arose in the context of word marks, where it served to distinguish the source-identifying meaning from the ordinary, or "primary," meaning of the word. "Secondary meaning" has since come to refer to the acquired, source-identifying meaning of a nonword mark as well. It is often a misnomer in that context, since nonword marks ordinarily have no "primary" meaning. Clarity might well be served by using the term "acquired meaning" in both the word-mark and the nonword-mark contexts—but in this opinion we follow what has become the conventional terminology.

Id. at 211 fn. Indeed, most trademark practitioners still continue as a matter of tradition to use the term "secondary meaning" rather than "acquired distinctiveness."

Each circuit typically uses its own multifactor test to determine if a mark has developed secondary meaning. Here are some examples of these tests:

- Second Circuit: "(1) advertising expenditures, (2) consumer studies linking the mark to a source, (3) unsolicited media coverage of the product, (4) sales success, (5) attempts to plagiarize the mark, and (6) length and exclusivity of the mark's use." *Genesee Brewing Co. v. Stroh Brewing Co*., 124 F.3d 137, 143 n.4 (2d Cir. 1997).

- Third Circuit: "We have identified an eleven-item, non-exhaustive list of factors relevant to the factual determination whether a term has acquired secondary meaning: (1) the extent of sales and advertising leading to buyer association; (2) length of use; (3) exclusivity of use; (4) the fact of copying; (5) customer surveys; (6) customer testimony; (7) the use of the mark in trade journals; (8) the size of the company; (9) the number of sales; (10) the number of customers; and, (11) actual confusion." *E.T. Browne Drug Co. v. Cococare Products, Inc*., 538 F.3d 185, 199 (3d Cir. 2008).
- Seventh Circuit: "(1) the amount and manner of advertising; (2) the sales volume; (3) the length and manner of use; (4) consumer testimony; and (5) consumer surveys." *Platinum Home Mortgage Corp. v. Platinum Financial Group, Inc*., 149 F.3d 722, 728 (7th Cir. 1998).
- Ninth Circuit: "Secondary meaning can be established in many ways, including (but not limited to) direct consumer testimony; survey evidence; exclusivity, manner, and length of use of a mark; amount and manner of advertising; amount of sales and number of customers; established place in the market; and proof of intentional copying by the defendant." *Art Attacks Ink, LLC v. MGA Enter., Inc*., 581 F.3d 1138, 1145 (9th Cir. 2009). S*ee also Japan Telecom, Inc. v. Japan Telecom Am., Inc*., 287 F.3d 866, 62 U.S.P.Q.2d 1593 (9th Cir. 2002) (listing secondary meaning factors as "(1) whether actual purchasers of the product bearing the claimed trademark associate the trademark with the producer, (2) the degree and manner of advertising under the claimed trademark, (3) the length and manner of use of the claimed trademark, and (4) whether use of the claimed trademark has been exclusive.").

The three opinion excerpts that follow offer examples of courts' analyses of whether a non-inherently distinctive mark has developed sufficient secondary meaning to qualify for protection. In reading these excerpts, consider the following questions:

- What proportion of consumers in the relevant population should courts require to perceive the mark as possessing secondary meaning for the mark to qualify for protection? 25%? 50? 75%? Relatedly, how should courts determine what constitutes the relevant population of consumers?
- How would you devise a survey to test for secondary meaning?
- Among the factors courts use to determine secondary meaning, which do you predict are the most important and which do you think *should be* the most important?
- Why should "length and exclusivity of use" matter for purposes of establishing secondary meaning?

- Imagine a situation in which Company David, after a great deal of market research, adopts an especially good descriptive mark and initiates a small-scale launch of the descriptive mark in the marketplace. Company Goliath then becomes aware of Company David's mark, adopts the mark as its own, and immediately spends enormous resources building up secondary meaning in the mark, so that when consumers see the mark, they think of Company Goliath. Which company should be granted rights in the mark? And is this in your view an equitable or efficient outcome?

Frosty Treats Inc. v. Sony Computer Entertainment America
426 F.3d 1001, 1003-1006 (8th Cir. 2005)

Morris Sheppard Arnold, Circuit Judge

[1] A group of affiliated companies, Frosty Treats, Inc., Frosty Treats of Louisville, Inc., Frosty Treats Wholesale, Inc., and Frosty Treats of Atlanta, Inc., collectively known as "Frosty Treats," sued Sony Computer Entertainment America, Inc., (SCEA) asserting, inter alia, claims under state and federal law for trademark infringement and dilution, and for unfair competition. Frosty Treats premised these claims upon SCEA's depiction of an ice cream truck and clown character in SCEA's Twisted Metal video game series. Frosty Treats contends that because the ice cream truck in those games bears a clown graphic that it alleges is similar to the one on its ice cream trucks, and, in the final game, is labeled with its brand identifier, "Frosty Treats," the games create a likelihood of confusion as to Frosty Treats's sponsorship of or affiliation with the games. See 15 U.S.C. § 1125(a). The district court granted SCEA's motion for summary judgment on all of Frosty Treats's claims, and Frosty Treats appeals. We affirm.

[2] Frosty Treats asserts that the district court erred by finding that there were no genuine issues of material fact and holding as a matter of law that the "Frosty Treats" mark was not protectable….

[3] We review a grant of summary judgment de novo, applying the same standards as the district court….

I.

[4] Frosty Treats argues first that the district court erred by holding that its "Frosty Treats" mark is not entitled to trademark protection because it is generic, or, in the alternative, descriptive without secondary meaning. Frosty Treats asserts that the mark is suggestive, or, at worst, descriptive with an acquired secondary meaning, and therefore protectible. We disagree. At best, the "Frosty Treats" mark is descriptive, and there is no basis for concluding that it has acquired secondary meaning.

[5] The stylized words "Frosty Treats" appear toward the rear of the passenger's side of plaintiffs' ice cream vans as pink capital letters with frost on the

upper portion of each letter. See Figure 1 (depicting the "Frosty Treats" decal). The decal on which these words appear is approximately nine inches wide by four inches high and is surrounded by decals of the frozen products that the Frosty Treats vans sell. See Figure 2 (depicting a typical Frosty Treats van).

Figure 1.

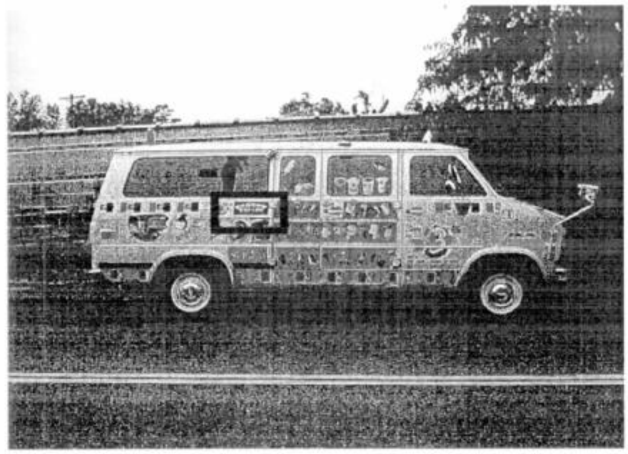

Figure 2.

[6] To determine whether this mark is protectible, we must first categorize it. "A term for which trademark protection is claimed will fall in one of four categories: (1) generic, (2) descriptive, (3) suggestive, or (4) arbitrary or fanciful." WSM, Inc. v. Hilton, 724 F.2d 1320, 1325 (8th Cir.1984). A generic mark refers to the common name or nature of an article, and is therefore not entitled to trademark protection. Co–Rect Prods., Inc. v. Marvy! Adver. Photography, Inc., 780 F.2d 1324, 1329 (8th Cir.1985). A term is descriptive if it conveys an "immediate idea of the ingredients, qualities or characteristics of the goods," Stuart Hall Co., Inc. v. Ampad Corp., 51 F.3d 780, 785–86 (8th Cir.1995), and is protectible only if shown to have acquired a secondary meaning. Co–Rect Prods., 780 F.2d at 1329. Suggestive marks, which require imagination, thought, and perception to reach a conclusion as to the nature of the goods, and arbitrary or fanciful marks, are entitled to protection regardless of whether they have acquired secondary meaning. See id.

[7] If it is not generic, the phrase "Frosty Treats" is, at best, descriptive. Frosty Treats is in the business of selling frozen desserts out of ice cream trucks. "Frosty Treats" conveys an immediate idea of the qualities and characteristics of the goods that it sells. No imagination, thought, or perception is required to reach a conclusion as to the nature of its goods. To prevail, therefore, Frosty Treats must demonstrate that the mark has acquired a secondary meaning. "Secondary meaning is an association formed in the minds of consumers between the mark and the source or origin of the product." Id. at 1330. To establish secondary meaning, Frosty Treats must show that "Frosty Treats" serves to identify its goods and distinguish them from those of others. Id. Secondary meaning does not require the consumer to identify a source by name but does require that the public recognize the mark and

associate it with a single source. Stuart Hall, 51 F.3d at 789; see Heartland Bank v. Heartland Home Fin., Inc., 335 F.3d 810, 818–19 (8th Cir.2003) (Smith, J., concurring).

[8] The record, when viewed in favor of Frosty Treats, demonstrates that SCEA is entitled to judgment as a matter of law on this issue. Frosty Treats has failed to put forth more than a scintilla of evidence that the public recognizes its "Frosty Treats" mark and associates it with a single source. Frosty Treats claims that its survey evidence demonstrates that the term "Frosty Treats" has acquired secondary meaning, but, if anything, it indicates the opposite. In the survey, respondents were shown images of the Frosty Treats ice cream van and asked, "Are you familiar with or have you ever seen or heard of this before?" Forty-seven percent responded affirmatively. They were then asked what they knew about the van. The respondents most frequently mentioned that it sold ice cream. Only one percent of the respondents in the survey mentioned Frosty Treats by name. There is no indication in the record that the survey respondents (apart from the one percent) were familiar with the vans because of the small nine-by-four-inch "Frosty Treats" decal on the rear portion of the side of the van, the only place where the phrase "Frosty Treats" appears on the vehicle. This decal, moreover, is surrounded by numerous other decals comprising the van's menu board. See Figure 2. Frosty Treats's survey provides no basis to conclude that the respondents associated the van with a single source as opposed to simply a generic ice cream truck.

[9] Although direct evidence such as consumer testimony or surveys are most probative of secondary meaning, it can also be proven by circumstantial evidence. See Heartland Bank, 335 F.3d at 819–20 (Smith, J., concurring). Circumstantial evidence such as the exclusivity, length and manner of use of the mark; the amount and manner of advertising; the amount of sales and number of customers; the plaintiff's established place in the market; and the existence of intentional copying could also establish secondary meaning. See id. (citing 2 J. Thomas McCarthy, McCarthy on Trademarks & Unfair Competition §§ 15:30, 15:60, 15:61, 15.66, 15.70 (4th ed.1999)). But the circumstantial evidence that Frosty Treats offered to establish secondary meaning also fails to raise a genuine issue of material fact.

[10] We recognize that the application of some of these criteria to the facts of this case may militate in favor of a finding of secondary meaning in the mind of a reasonable juror. For instance, there is evidence that Frosty Treats has used the term in a continuous and substantially exclusive manner since 1991. Cf. Stuart Hall, 51 F.3d at 789–90. Furthermore, the record reflects that Frosty Treats, although a relatively small company, is nevertheless one of the largest ice cream truck street vendors in the nation.

[11] On the other hand, there is no evidence that SCEA intentionally copied the term. Most significantly, the record does not contain sufficient evidence for a juror to conclude that Frosty Treats engages in advertising or publication of the "Frosty Treats" mark to an extent that would be effective in having the public recognize it

and equate it with a single source. See Co–Rect Prods., 780 F.2d at 1330; Heartland Bank, 335 F.3d at 820 (Smith, J., concurring). In fact, Frosty Treats does not even prominently display the "Frosty Treats" mark on its street-vending vans, which according to its brief is the primary way that it advertises the phrase. As mentioned earlier, the phrase appears on the vans as a nine-by-four-inch decal that is surrounded by numerous other decals of frozen desserts.

[12] Furthermore, SCEA submitted indirect evidence that the term "Frosty Treats" has not acquired secondary meaning. SCEA's expert conducted a survey of 204 children and 200 adults who had purchased ice cream from an ice cream truck in Frosty Treats's largest markets. When asked to volunteer the names of any ice cream trucks that they had purchased ice cream from, not one recalled the name "Frosty Treats." The evidence as a whole simply does not provide a sufficient basis for concluding that the phrase "Frosty Treats" has acquired a secondary meaning. Accordingly, it is not protectible under trademark law.

[The court went on to find, inter alia, that there was no likelihood of confusion as to the source or sponsorship of SCEA's video game.]

Cartier, Inc. v. Four Star Jewelry Creations, Inc.
348 F.Supp.2d 217, 228-231 (S.D.N.Y. 2004)

[Defendant Four Star Jewelry Creations produced knockoffs of certain of plaintiff Cartier's watches. Defendant argued that plaintiff's watch designs did not possess secondary meaning as designations of source and thus were unprotectable under trademark law.]

MOTLEY, District Judge

…

2. Consumer Recognition: the Expert Reports

[1] Defendants and Plaintiff both conducted surveys to test the secondary meaning of the four families of Cartier watches at issue. Simply stated, the parties retained experts to poll the public as to whether they associated the Panthere, Pasha, Tank Americaine, and Tank Francaise, or more specifically, their watch designs, with Cartier.

a. Defendants' Expert: Mr. Harry O'Neill

[2] Defendants retained Mr. Harry O'Neill, Vice Chairman of Roper ASW.[1] Mr. O'Neill's report is hereinafter referenced as the "Roper Report."

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[1] Roper ASW was the name of the company at the time of the survey.

[3] The Roper Report was created by intercepting shoppers at six shopping malls throughout the country: Atlanta, Boston, Chicago, Dallas, Los Angeles and San Francisco. O'Neill attempted to pick malls with "relatively upscale stores" in order to maximize the likelihood of identifying survey participants who represented the appropriate population. O'Neill concluded that a mall that was anchored by Sears or Kmart, for example, would be unlikely to be frequented by consumers in the luxury watch market.

[4] At the malls, shoppers were intercepted and screened to determine their eligibility to participate. Shoppers who were under 18, did not have their glasses or contact lenses available but relied on them, or who worked for an advertising company, market research company, or watch retailer or manufacturer were ineligible to be surveyed. Id. Shoppers were further asked whether or not they owned a watch worth at least $2,500. If so, they were qualified to answer the survey's questions. If not, they were asked: "How likely is it that you would consider buying a fine watch—one that would cost at least $2,500—in the next couple of years—very likely, fairly likely, not very likely or not at all likely?" Those who responded indicated that they were "very likely" or "fairly likely" qualified to participate.

[5] Eligible participants were then shown pictures of a Cartier Tank Francaise, a Cartier Tank Americaine, a Cartier Panthere, and five other watches made by other manufacturers, namely, Chopard, Rolex, Tag Heuer, Movado and Bvlgari. With each picture, a participant was asked: "Do you associate this style or design with the watches of one or more than one company?" If so, although unnecessary to establish secondary meaning, as an "added extra attraction," participants were asked a second, follow-up question as to whether they recognized to which particular company the watch belonged.

[6] The results of the Roper study are as follows: 38% of the respondents associated the style or design of the Tank Americaine with one company (with 13% correctly identifying Cartier as that company); 34% of the respondents said that they associated the style or design of the Tank Francaise with one company (with 13% correctly identifying Cartier as that company); 31% associated the Panthere style or design with one company (with 13% correctly identifying Cartier as that company). Based on these figures in the Roper Report, O'Neill concludes that a significant portion of the purchasing public does not associate the style or design of the watches at issue with Cartier.

[7] What is noteworthy to the Court, however, is the considerable discrepancy in findings at the Atlanta mall vis a vis the results obtained in surveying shoppers at the other five malls. Of the six malls involved in creating the Roper Report, only the Atlanta mall was anchored by upscale retail establishments. Whereas the Atlanta Mall was anchored by Neiman Marcus and Bloomingdales, the Boston mall was not anchored by any high-end stores, although there was one within five minutes' walking distance, the Chicago mall was anchored by Marshall Fields and Carson

Pirie Scott and the Dallas mall was anchored by a Dillar Folis and a Mervins. Further, in Atlanta, 69% of survey respondents owned a watch worth at least $2,500, compared to the 41% of respondents at the other locales. For those who did not already own a fine watch, 55% of the participants were "very likely" to purchase one in the near future, compared to 15% of the participants who answered in similar fashion at the other malls. Accordingly, the court concludes that the population of survey respondents at the Atlanta mall was the most representative of the Cartier consumer population. Here, 63% of the participants associated the style and design of the Tank Francaise with one company, 60% of respondents associated the Tank Americaine with one company, and 60% associated the style or design of the Panthere with one company.

b. Plaintiffs' Expert: Dr. Sidney Lirtzman

[8] Dr. Lirtzman criticized the Roper Report on the grounds that it surveyed the wrong population insofar as it failed to distinguish between those "very likely" to purchase an expensive, luxury timepiece in the near future, and those who were "fairly likely" to make such a purchase. He testified that the survey results from Atlanta indicate that if the Roper Report had been conducted exclusively at "high end malls" and included only those persons more resolute about their intentions of buying a fine watch, the numbers of participants identifying the style or design of the three Cartier watches with one company would have been higher.

[9] To support this conclusion, Lirtzman conducted his own survey designed to parallel O'Neill's, with the exception of two important differences: Lirtzman only interviewed individuals who either already owned a luxury watch or were "very likely" to purchase a watch in the next year, whereas the Roper Report includes respondents who were "very likely" to purchase a watch "in the near future" and persons who were "fairly likely" to purchase such a luxury watch "in the next couple of years." Further, Lirtzman intercepted individuals while they were shopping not in shopping malls, but in Tourneau Watch Company stores, two in Manhattan and one in the Roosevelt Field Mall on Long Island, NY, one in Costa Mesa, CA, and one in Century City in Los Angeles, CA. Tourneau is an authorized dealer of Cartier watches. In light of this relationship, the Tourneau stores feature prominent posters of Cartier watches as well as display cases with Cartier watches.

[10] The Lirtzman study also included a few less significant alterations from O'Neill's study. Lirtzman asked if the participants associated the watch's design with a particular source, as opposed to asking about whether the participant associated the "design or style" with a particular source. Because it is irrelevant to establishing secondary meaning, Lirtzman also did not ask O'Neill's second question as to whether the participant could identify which company she or he associated with the watch's design. The Lirtzman study was also limited to the Tank Francaise and the Panthere because these watches were the least recognized according to the Roper Report. Lirtzman showed participants pictures of the Tag Heuer and Movado

watches, like the Roper Report, achieving the same percentages for recognition of these watches among participants, but excluded the other controls. Finally, the photographs shown to survey participants in Lirtzman's study are increasingly clear and more uniform than those shown to participants in the Roper study.

[11] The results of Lirtzman's study are as follows: 61% of the survey respondents associated the Tank Francaise's design with a particular source and 63% of the survey respondents associated the Panthere with a particular source. Lirtzman concludes from this result and the Atlanta results in the Roper Report that surveying individuals who either own or are very likely to purchase a luxury watch establishes consumer recognition of the Cartier watch families at issue in the range of 50 to 60%.

[12] Defendants' principal objection to Lirtzman's report is that in light of the Cartier posters at Tourneau and the fact that its watches are among those displayed in Tourneau's cases, the result of the study are biased. The court, however, disagrees. There are a panoply of luxury watches prominently featured at Tourneau, both in the display cases and on the walls as posters and murals; Tourneau changes its displays every few months; and there are 110 brands sold at Tourneau, all of which have multiple lines or models within them. The Cartier case, for example, contains six to a dozen watch models, including the watches at issue. As such, while Cartier is sold at Tourneau and is displayed among the many images a consumer perceives while shopping there, the likelihood that a survey participant's reaction to the Tank Francaise and Panthere would have been so influenced is so minimal as to have little to no effect on the probative value of Lirtzman's report.

[13] Moreover, the court credits the testimony of Dr. Lirtzman that valid market research does not require a secondary meaning survey to be conducted in a vacuum given the nature of the questions posed to the survey participants. At Tourneau, consumers were asked questions in an environment in which one would actually purchase a luxury timepiece. Images of the products to be sold are customary in such an environment. Had the Lirtzman's pollsters asked about particular brands of the watches shown to participants surrounded by promotional images, this would raise the specter of potential bias; but here, where the question was simply whether a participant associated the watch with a particular company, without asking which one, no such concern arises.

[14] Therefore, in light of a) the results obtained by defendants' expert in Atlanta, where the survey was undoubtedly taken in a mall where higher-end merchandise is sold, meaning, an environment more consistent with Cartier's consumer population, and where the respondents were increasingly likely to either own or purchase a luxury time piece in the immediate future; b) plaintiffs' survey showing that the Atlanta results are more likely to be accurate than those obtained in other fora; and c) the Court's concerns about the absence of persons within the age group 18–34 or mistakes in tabulating their survey results in the Roper Report, the court adopts the testimony of Dr. Sidney Lirtzman, finding that the results

obtained in Atlanta and in the Lirtzman Report are representative of the secondary meaning of the watches at issue.

[The court ultimately found secondary meaning in all four Cartier watch designs and infringement by defendant of those designs.]

In the following case, *Board of Supervisors for Louisiana State University Agricultural & Mechanical College v. Smack Apparel Co*., 550 F.3d 465 (5th Cir. 2008), the plaintiffs Louisiana State University, the University of Oklahoma, Ohio State University, the University of Southern California, and Collegiate Licensing Company (the official licensing agent for the universities) brought suit against defendant Smack Apparel for its unauthorized sale of apparel bearing the universities' colors and various printed messages associated with the universities (but not bearing the universities' names or mascots). The Eastern District of Louisiana granted the plaintiffs' motion for summary judgment on the issue of trademark infringement. Excerpted below is the Fifth Circuit's discussion of whether the universities' colors carry secondary meaning as designations of source.

Note that we will soon return to the protectability of colors as trademarks in Part I.A.2.a when we consider *Qualitex Co. v. Jacobson Products Co., Inc*., 514 U.S. 159 (1995). Our focus here is on the issue of secondary meaning, specifically, on the capacity of university colors to serve as designations of source of goods bearing those colors.

Board of Supervisors for Louisiana State University Agricultural & Mechanical College v. Smack Apparel Co.
550 F.3d 465, 475-478 (5th Cir. 2008)

REAVLEY, Circuit Judge:

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[1] The parties correctly agree that a color scheme can be protected as a trademark when it has acquired secondary meaning and is non-functional. *Qualitex Co. v. Jacobson Prods. Co.*[1] Although the parties discuss color at length in their briefs, the Universities do not claim that every instance in which their team colors appear violates their respective trademarks. Instead, the claimed trademark is in the colors on merchandise that combines other identifying indicia referring to the Universities. It is appropriate therefore to consider not only the color but also the entire context in which the color and other indicia are presented on the t-shirts at issue here.

[2] Smack contends that the claimed marks are too broad to encompass a trademark because the concept of color along with other identifying indicia is not distinctive. We disagree. As noted, the statute contemplates that a trademark may

[1] 514 U.S. 159, 163–64 (1995).

include any word, name, or symbol "*or any combination thereof.*"[2] The Supreme Court has recognized that the Lanham Act describes the universe of permissible marks "in the broadest of terms."[3] Because the Court recognizes that trademarks may include color, we see no reason to exclude color plus other identifying indicia from the realm of protectible marks provided the remaining requirements for protection are met. Thus, the first step here is to ask whether the Universities' claimed marks have acquired secondary meaning.

[3] Secondary meaning "occurs when, 'in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself.'" *Wal–Mart Stores, Inc. v. Samara Bros., Inc.*[4] The inquiry is one of the public's mental association between the mark and the alleged mark holder. *Sno–Wizard Mfg., Inc. v. Eisemann Prods. Co.*[5] A mark has acquired secondary meaning when it "has come through use to be uniquely associated with a specific source." *Pebble Beach Co. v. Tour 18 I Ltd.*[6] We have applied a multi-factor test for determining secondary meaning. The factors include: "(1) length and manner of use of the mark or trade dress, (2) volume of sales, (3) amount and manner of advertising, (4) nature of use of the mark or trade dress in newspapers and magazines, (5) consumer-survey evidence, (6) direct consumer testimony, and (7) the defendant's intent in copying the trade dress."[7] These factors in combination may show that consumers consider a mark to be an indicator of source even if each factor alone would not prove secondary meaning.[8]

[4] There is no dispute in this case that for a significant period of time the Universities have been using their color schemes along with other indicia to identify and distinguish themselves from others. Smack admits in its brief that the Universities' colors are well known among fans "as a shorthand nonverbal visual means of identifying the universities." But according to Smack, the longstanding use of the school colors to adorn licensed products is not the same as public recognition that the school colors identify the Universities as a unique source of goods. We think, however, that the factors for determining secondary meaning and an

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[2] 15 U.S.C. § 1127 (emphasis added).

[3] *Qualitex,* 514 U.S. at 162.

[4] 529 U.S. 205, 211 (2000) (citation omitted).

[5] 791 F.2d 423, 427 (5th Cir.1986) ("[T]he prime element of secondary meaning is 'a mental association in buyers' minds between the alleged mark and a single source of the product.' " (citation omitted)).

[6] 155 F.3d 526, 536 (5th Cir.1998) (internal quotation marks omitted), *abrogation on other grounds recognized by Eppendorf–Netheler–Hinz GMBH v. Ritter GMBH,* 289 F.3d 351, 356 (5th Cir.2002).

[7] *Pebble Beach,* 155 F.3d at 541.

[8] *Id*.

examination of the context in which the school colors are used and presented in this case support the conclusion that the secondary meaning of the marks is inescapable.

[5] The record shows that the Universities have been using their color combinations since the late 1800s.[9] The color schemes appear on all manner of materials, including brochures, media guides, and alumni materials associated with the Universities. Significantly, each university features the color schemes on merchandise, especially apparel connected with school sports teams, and such prominent display supports a finding of secondary meaning.[10] The record also shows that sales of licensed products combining the color schemes with other references to the Universities annually exceed the tens of millions of dollars.[11] As for advertising, the district court held that the Universities "advertise items with their school colors in almost every conceivable manner ...."[F12] It is not clear from the summary judgment evidence where and how the Universities advertise their merchandise, but they certainly do use their color schemes and indicia in numerous promotional materials aimed at students, faculty, alumni, and the public in general, which strengthens the conclusion that the color schemes and indicia viewed in context of wearing apparel also serves as an indicator of the Universities as the source or sponsor of the apparel. Furthermore, the district court correctly observed that the school color schemes have been referenced multiple times in newspapers and magazines and that the schools also frequently refer to themselves using the colors.[13] The district court did not specifically refer to any consumer-survey evidence or direct consumer testimony, but it noted that Smack admitted it had incorporated the Universities' color schemes into its shirts to refer to the Universities and call them to the mind of the consumer. Thus, Smack itself believed that the Universities' color schemes had secondary meaning that could influence consumers, which further supports the conclusion that there is secondary meaning here.[14] Given the longstanding use of the color scheme marks and their prominent

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[9] OSU adopted its school colors in 1878, while LSU has been using its colors since 1893, and OU and USC since 1895.

[10] *See Pebble Beach,* 155 F.3d at 541–52 (prominent display of golf hole's trade dress in advertising supported finding of secondary meaning as a designator of source).

[11] For example, LSU sells between $10 and $20 million worth of goods each year, while the annual sales volume for the other schools is approximately $13 million for USC, $20 million for OU, and $50 million for OSU.

[12] *Bd. of Supervisors,* 438 F.Supp.2d at 658.

[13] For example, LSU and third parties have referred to that university as the "Purple and Gold."

[14] *See also Thomas & Betts Corp. v. Panduit Corp.,* 65 F.3d 654, 663 (7th Cir.1995). We also note that the record does contain survey evidence compiled by the Universities indicating that approximately thirty percent of consumers

display on merchandise, in addition to the well-known nature of the colors as shorthand for the schools themselves and Smack's intentional use of the colors and other references, there is no genuine issue of fact that when viewed in the context of t-shirts or other apparel, the marks at issue here have acquired the secondary meaning of identifying the Universities in the minds of consumers as the source or sponsor of the products rather than identifying the products themselves.

[6] We think this conclusion is consistent with the importance generally placed on sports team logos and colors by the public. We have previously noted, although not in the context of secondary meaning, that team emblems and symbols are sold because they serve to identify particular teams, organizations, or entities with which people wish to identify. *See Boston Prof'l Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*[15] We think this desire by consumers to associate with a particular university supports the conclusion that team colors and logos are, in the minds of the fans and other consumers, source indicators of team-related apparel. By associating the color and other indicia with the university, the fans perceive the university as the source or sponsor of the goods because they want to associate with that source.

[7] Smack argues that because photographs of businesses near the campuses of the Universities show use of school colors by those businesses, consumers in college towns merely associate school colors with "support of the home team." Smack cites no authority or supporting evidence for its contention, however. Moreover, the fact that other businesses in college towns may use the same colors as a local university does not create an issue of fact as to the secondary meaning of the colors used in merchandise that the Universities indisputably produce, especially given Smack's admission of intentional use of the colors to influence consumers.

[8] Smack also argues that because the Universities grant licenses to many licensees, a consumer may not identify a university as the *single* source of the product. The fact that the Universities may grant licenses to many licensees to sell authorized products does not negate the fact that the schools are still the sources of the marks.[16] We conclude that the record establishes secondary meaning in the marks here.

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interviewed believed two of Smack's t-shirts were produced or sponsored by the Universities. We have indicated that survey evidence often may be the most direct and persuasive evidence of secondary meaning. *Sugar Busters LLC v. Brennan,* 177 F.3d 258, 269 (5th Cir.1999). Nevertheless, Smack moved in limine to exclude the Universities' survey evidence, and the district court found it unnecessary to rule on the motion because of the other evidence in the record. Because no party has raised the issue, we express no opinion on the correctness of the district court's belief and merely note the presence of the survey evidence in the record.

[15] 510 F.2d 1004, 1011 (5th Cir.1975).

[16] *Cf. Taco Cabana Int'l, Inc. v. Two Pesos, Inc.,* 932 F.2d 1113, 1121 (5th Cir.1991) ("An owner may license its trademark or trade dress and retain

[The Fifth Circuit went on to affirm the E.D.La.'s disposition of the case in all respects].

Comments and Questions

1. *Necessary proportion of relevant consumer population perceiving secondary meaning*. Courts generally require that a "substantial" proportion of the relevant consumer population perceive the descriptive mark as a designation of source for that mark to qualify for protection. *See, e.g., Coach Leatherware Co. v. AnnTaylor, Inc*., 933 F.2d 162, 168 (2d Cir. 1991) ("The plaintiff is not required to establish that *all* consumers relate the product to its producer; it need only show that a substantial segment of the relevant consumer group makes this connection."). But what proportion is substantial? If survey evidence is presented, courts have generally been satisfied, as in the *Cartier* case above, with a proportion at or above 50%. *See, e.g., Harlequin Enterprises, Ltd. v. Gulf & Western Corp*., 644 F.2d 946 (2d Cir. 1981) (finding 50% association to be probative of secondary meaning in book cover design); *Spraying Systems Co. v. Delavan*, 975 F.2d 387, 394 (7th Cir. 1992) ("While a 50-percent figure is regarded as clearly sufficient to establish secondary meaning, a figure in the thirties can only be considered marginal."); Boston Beer Co. Ltd. Partnership v. Slesar Bros. Brewing Co., 9 F.3d 175, 183 n.5 (1st Cir. 1993). (characterizing a 36% showing of association as "hardly overwhelming").

More generally, courts may require more compelling evidence of secondary meaning for marks that are highly descriptive. *See* MCCARTHY § 15:28 ("[A]s a general rule of thumb, the more descriptive the term, the greater the evidentiary burden to establish secondary meaning. That is, the less distinctive the term, the greater the quantity and quality of evidence of secondary meaning needed to prove the requisite degree of distinctiveness.").

2. *The statutory mechanism for registration of descriptive marks with secondary meaning*. Lanham Act §§ 2(e) & 2(f), 15 U.S.C. §§ 1052(e) & (f), provide for the registration of descriptive marks with secondary meaning. The relevant portions of § 2 read as follows:

> No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it…
>
> (e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them.
>
> (f) Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing in this chapter shall prevent the

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proprietary rights if the owner maintains adequate control over the quality of goods and services that the licensee sells with the mark or dress.").

> registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce.

15 U.S.C. §1052.

3. *The "primary significance" of a mark as a designation of source*. In a footnote in *Inwood Labs, Inc. v. Ives Labs, Inc.*, 56 U.S. 844, 851 n.11 (1982), the Supreme Court complicated things considerably when it explained: "To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself." What does this mean? That to qualify for protection, the "primary significance" of a descriptive term must be its "secondary meaning" as a designation or source? Must courts find that the descriptive term signifies source to a greater degree than it describes the product? *Cf.* GILSON §2.09[2] ("To establish secondary meaning in an inherently nondistinctive term, the plaintiff must show that the primary significance of the term in the public mind is not the product but its producer."). Note the subtly different wording of Judge Easterbrook's approach to the matter in *Bretford Mfg., Inc. v. Smith Sys. Mfg. Corp.*, 419 F.3d 576 (7th Cir. 2005), where he explained that secondary meaning (in this case, for product design) occurs when "consumers understand the design elements to signify the goods' *origin* and not just its attributes." *Id*. at 579 (emphasis in original). The phrase "and not *just* its attributes" arguably rejects, as nearly all courts do, any kind of strict "primary significance" test in the descriptiveness context.

4. "*Informational slogans" and memes*. On February 7, 2017, Senator Elizabeth Warren of Massachusetts spoke against the confirmation of Senator Jeff Sessions of Alabama to become U.S. Attorney General. She quoted from a letter that Coretta Scott King had written in 1986 against the appointment of then-Mr. Sessions, U.S. Attorney for the Southern District of Alabama, to become a federal judge. As quoted by Senator Warren, Ms. King wrote: "Mr. Sessions has used the awesome power of his office to chill the free exercise of the vote by black citizens." Senator Majority Leader Mitch McConnell objected to this statement on the ground that it violated Senate Rule XIX, which prohibits ascribing "to another senator or to other senators any conduct or motive unworthy or unbecoming a senator." The Senate eventually voted to silence Senator Warren. In explanation, Senator McConnell stated on the Senate floor: "Senator Warren was giving a lengthy speech. She had appeared to violate the rule. She was warned. She was given an explanation. Nevertheless, she persisted." The phrase "Nevertheless, she persisted" was quickly adopted as a feminist meme and motto.

On February 8, Joshua McGuire applied to register the phrase "NEVERTHELESS, SHE PERSISTED" for clothing. U.S. Application Serial No. 87,329,260 (Feb. 8, 2017). On April 24, the PTO Examining Attorney issued an office action refusing registration on the ground that the applied-for mark was an "informational slogan" that "merely conveys an informational social, political, religious, or similar kind of message; it does not function as a trademark or service mark to indicate the source of applicant's goods and to identify and distinguish them from others." PTO Office Action, U.S. Application Serial No. 87329260, April 24, 2017. The Examining Attorney reasoned: "Because consumers are likely to have seen this phrase commonly used by many different sources, the public will not perceive the slogan as a trademark that identifies the source of applicant's goods, but rather only as conveying an informational message: that the consumer or purchaser supports the ideas and messages conveyed by rallies and organizations dedicated to advancing women's rights." *Id*. This is the standard basis for refusal of registration of memes that consumers are likely to perceive merely as product decoration or statements of support rather than as designations of the source of the products to which they are affixed. *See also* PTO Office Action, U.S. Application Serial No. 86,506,015, Mar. 25, 2015 (refusing registration of "JE SUIS CHARLIE" for various goods on ground that "[b]ecause consumers are accustomed to seeing this slogan or motto commonly used in everyday speech by many different sources, the public will not perceive the motto or slogan as a trademark that identifies the source of applicant's goods but rather only as conveying an informational message."); PTO Office Action, U.S. Application No. 86,479,784, Mar. 4, 2015 (refusing registration of "I CAN'T BREATHE" for clothing).

c. Generic Marks

Trademarks may be deemed generic either (1) because they are born generic, *see, e.g.*, *Schwan's IP, LLC v. Kraft Pizza Co*., 460 F.3d 971, 79 U.S.P.Q.2d 1790 (8th Cir. 2006) (finding BRICK OVEN for frozen pizza to be generic); *Ale House Management, Inc. v. Raleigh Ale House, Inc*., 205 F.3d 137, 54 U.S.P.Q.2d 1040 (4th Cir. 2000) (finding ALE HOUSE for chain of restaurants serving food and beer to be generic); *Continental Airlines Inc. v. United Air Lines Inc*., 53 U.S.P.Q.2d 1385, 1999 WL 1421649 (TTAB 2000) (finding E-TICKET for electronic ticketing services to be generic); Nat'l Conf. of Bar Examiners v. Multistate Legal Studies, Inc., 692 F.2d 478, 487 (7th Cir.1982) (finding MULTISTATE BAR EXAMINATION for legal testing services to be generic), or (2) because they lose their source distinctiveness through a process of "genericide," *see, e.g.*, *Haughton Elevator Co. v. Seeberger*, 85 U.S.P.Q. 80 (Comm'r Pat. 1950) (cancelling registration of ESCALATOR mark for moving staircases); *Bayer Co. v. United Drug Co*., 272 F. 505, 510 (D.N.Y. 1921) (finding as to the mark ASPIRIN for acetyl salicylic acid that "[a]mong consumers generally the name has gone into the public domain"); King-Seeley Thermos Co. v. Aladdin Indus. Inc., 321 F.2d 577 (2d Cir. 1963) (finding "thermos" with a lower-case "t" for vacuum-insulated containers bottles to be generic, but "Thermos" with an upper-case "T" to be a valid trademark).

There are a variety of simple rules of thumb that inform courts' determination of whether a mark is generic or descriptive. *Abercrombie* outlined a genus/species distinction: "A generic term is one that refers, or has come to be understood as referring, to the genus of which the particular product is a species." *Abercrombie &*

Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976). There is also the "who-are-you/what-are-you" distinction:

> In determining whether a term is generic, we have often relied upon the "who-are-you/what-are-you" test: "A mark answers the buyer's questions 'Who are you?' 'Where do you come from?' 'Who vouches for you?' But the [generic] name of the product answers the question 'What are you?'" *Official Airline Guides, Inc. v. Goss*, 6 F.3d 1385, 1391 (9th Cir.1993) (quoting 1 J. Thomas McCarthy, *Trademarks and Unfair Competition* § 12.01 (3d ed.1992)). Under this test, "[i]f the primary significance of the trademark is to describe the *type of product* rather than the *producer*, the trademark [is] a generic term and [cannot be] a valid trademark." *Anti–Monopoly, Inc. v. General Mills Fun Group*, 611 F.2d 296, 304 (9th Cir.1979) (emphases added)

Filipino Yellow Pages, Inc. v. Asian Journal Publications, Inc., 198 F.3d 1143, 1147 (9th Cir. 1999). Courts will also rely on the proposition that a mark is generic if it is the "common descriptive name" of the good or service to which it is affixed. *See, e.g.*, *San Francisco Arts & Athletics, Inc. v. U.S. Olympic Committee*, 483 U.S. 522, 532 n. 7 (1987) ("A common descriptive name of a product or service is generic. Because a generic name by definition does not *distinguish* the identity of a particular product, it cannot be registered as a trademark under the Lanham Act." (emphasis in original)).

But while the basic principles underlying the genericness analysis are straightforward, distinguishing between a highly descriptive mark and a generic mark can be exceedingly difficult in close cases, and the stakes in such cases can be exceedingly high.[1] Recall that even a "highly descriptive" mark will qualify for protection upon a showing of secondary meaning. A generic mark, by contrast, is unredeemable; it will never receive protection under any circumstances. Genericness doctrine, meanwhile, can be quite malleable.

The following two opinions arose out of a recent dispute between the giant snackfood maker Frito-Lay North America, Inc. and an upstart competitor, Princeton Vanguard LLC, who introduced "Pretzel Crisps" into the market. The first opinion, *Frito-Lay North America, Inc. v. Princeton Vanguard, LLC*, 109 U.S.P.Q.2d 1949 (TTAB 2014), is from the Trademark Trial and Appeal Board. As discussed more fully in Part I.D.2.d, the TTAB is an administrative board within the Patent and Trademark Office that, among other things, acts as a trial court in opposition proceedings at the

[1] Is "App Store" a generic term for an online platform selling apps? *See Apple, Inc. v. Amazon.com Inc.*, No. 11 Civ. 1327, 2011 WL 2638191, at *7 (N.D. Cal. July 6, 2011) ("The court assumes without deciding that the 'App Store' mark is protectable as a descriptive mark that has arguably acquired secondary meaning." But the court found, on Apple's preliminary injunction motion, that Amazon's use of "App Store" to describe its app store did not create a likelihood of confusion.).

PTO (in which an interested party may oppose the registration of an applicant's mark). In the opinion below, Princeton Vanguard applied to register the mark PRETZEL CRISPS for pretzel crackers. Frito-Lay opposed this application on the grounds that (1) PRETZEL CRISPS is generic for pretzel crackers, and in the alternative, (2) the mark is merely descriptive without secondary meaning. Both parties submitted summary judgment motions and then agreed to proceed to trial before the TTAB on the evidence presented with these motions. The TTAB held a one-day hearing at the request of Princeton Vanguard.

The second opinion, *Frito-Lay North America, Inc. v. Princeton Vanguard, LLC*, No. 14 Civ. 1517, __ F.3d __, 114 U.S.P.Q.2d 1827 (Fed. Cir. May 15, 2015), reversed and remanded the TTAB's opinion primarily on the ground that the TTAB applied the wrong test to determine genericness. Though reversed, the TTAB's opinion is preserved here and placed first for several reasons. First, it presents an excellent survey of the kinds of evidence that courts consider in determining genericness. Second, the Federal Circuit merely remanded the dispute back to the TTAB to apply the correct legal standard to the evidence of record set forth in the TTAB's initial opinion. Applying that standard, how should the TTAB ultimately rule? (Third, perhaps the Federal Circuit was just wrong. Did the TTAB's opinion deserve a remand?)

[1]

[1] From http://pretzelcrisps.com/deli-style-test/.

Frito-Lay North America, Inc. v. Princeton Vanguard, LLC
109 U.S.P.Q.2d 1949 (TTAB 2014)

Opinion by Ritchie, Administrative Trademark Judge:

…

[1] There is a two-part test used to determine whether a designation is generic: (1) what is the genus of goods at issue? and (2) does the relevant public understand the designation primarily to refer to that genus of goods? *H. Marvin Ginn Corp. v. Int'l Assn. of Fire Chiefs, Inc.*, 782 F.2d 987, 990 (Fed. Cir. 1986). The public's perception is the primary consideration in determining whether a term is generic. *Loglan Inst. Inc. v. Logical Language Group Inc.*, 902 F.2d 1038, 22 USPQ2d 1531, 1533 (Fed. Cir. 1992). Evidence of the public's understanding of a term may be obtained from any competent source, including testimony, surveys, dictionaries, trade journals, newspapers and other publications. *Loglan Inst.*, 22 USPQ2d at 1533; *Dan Robbins & Associates, Inc. v. Questor Corp.*, 599 F.2d 1009, 202 USPQ 100, 105 (CCPA 1979). It is plaintiff's burden to establish that PRETZEL CRISPS is generic by a preponderance of the evidence. *Magic Wand Inc. v. RDB, Inc.*, 940 F.2d 638, 19 USPQ2d 1551, 1554 (Fed. Cir. 1991); *Alcatraz Media, Inc. v. Chesapeake Marine Tours Inc. dba Watermark Cruises*, 107 USPQ2d, 1750, 1761 (TTAB 2013).

A. The genus of goods at issue.

[2] There is no dispute that the category of goods here is adequately defined by defendant's identification of goods in the application and subject registration, "pretzel crackers." *See Magic Wand*, 19 USPQ2d at 1552 ("[A] proper genericness inquiry focuses on the description of [goods or] services set forth in the [application or] certificate of registration.").

B. The relevant public.

[3] The second part of the genericness test is whether the relevant public understands the designation primarily to refer to that class of goods. The relevant public for a genericness determination is the purchasing or consuming public for the identified goods. *Magic Wand,* 19 USPQ2d at 1553. Because there are no restrictions or limitations to the channels of trade or classes of consumers for pretzel crackers, the relevant consuming public comprises ordinary consumers who purchase and eat pretzel crackers.

C. Public perception

[4] To determine the public perception of the term "PRETZEL CRISPS" as it applies to "pretzel crackers," we first must decide how to analyze the term. It is well settled that we may analyze the component parts of a proposed mark as a step on the way to an ultimate determination that the proposed mark as a whole is generic.

See 1800Mattress.com IP, 586 F.3d 1359, 92 USPQ2d 1682, 1684 (explaining that the Board appropriately considered the separate meanings of ""mattress" and ".com" when determining that the combination "mattress.com" was generic); *In re Hotels.com LP,* 573 F.3d 1300, 1304, 91 USPQ2d 1532, 1535 (Fed. Cir. 2009) (affirming the Board's finding that "the composite term HOTELS.COM communicates no more than the common meanings of the individual components"). Thus, in cases where the proposed mark is a compound term (in other words a combination of two or more terms in ordinary grammatical construction), genericness may be established with evidence of the meaning of the constituent words, and where "the terms remain as generic in the compound as individually, and the compound thus created is itself generic." *In re Gould Paper Corp.,* 834 F.2d 1017, 5 USPQ2d 1110, 1112, (Fed. Cir. 1987); *accord In re American Fertility Soc'y*, 188 F.3d 1341, 1347, 51 USPQ2d 1832, 1836 (Fed. Cir. 1999). By contrast, "where the proposed mark is a phrase (such as 'Society for Reproductive Medicine'), the board 'cannot simply cite definitions and generic uses of the constituent terms of a mark'; it must conduct an inquiry into 'the meaning of the disputed phrase as a whole." *In re Dial-A-Mattress Operating Corp.,* 240 F.3d 1341, 57 USPQ2d 1807, 1810 (Fed. Cir. 2001), citing *Am. Fertility,* 188 F.3d at 1347, 51 USPQ2d at 1836; *see also In Re Country Music Ass'n, Inc.,* 100 USPQ2d 1824, 1828 (TTAB 2011).

[5] Plaintiff argues that "PRETZEL CRISPS" is a compound term under the *Gould* standard, whereas defendant, citing to *Am. Fertility,* argues that ""PRETZEL CRISPS" is a phrase, comprised of terms that "had not previously been used in a unified fashion" and "did not exist in the public lexicon prior to the launch of Snack Factory's PRETZEL CRISPS crackers in 2004." Thus, we must decide whether the term "PRETZEL CRISPS," when applied to "pretzel crackers," is a unified term having a meaning beyond the sum of its parts as argued by defendant, or rather maintains the meaning of its constituent terms as argued by plaintiff.

[6] In analyzing the term, we find no additional meaning added to "PRETZEL CRISPS" in relation to "pretzel crackers," when the individual terms are combined. As noted, compound words that do not add new meaning may be analyzed by their constituent terms. *See 1800Mattress.com,* 92 USPQ2d at 1684, *citing Am. Fertility*, 51 USPQ2d 1832 ("[I]f the compound word would plainly have no different meaning from its constituent words, and dictionaries, or other evidentiary sources, establish the meaning of those words to be generic, then the compound word too has been proved generic. No additional proof of the genericness of the compound word is required."). Indeed, the Federal Circuit in *American Fertility* specifically confirmed *Gould*'s applicability to situations dealing with "compound terms formed by the union of words," which is the situation presented in this case. 51 USPQ2d at 1837. We therefore analyze the term as a compound term, using the ordinary grammatical construction.

[7] There is no question that the term "pretzel" in "PRETZEL CRISPS" refers to a type of pretzel, and therefore is generic for pretzels and pretzel snacks, including "pretzel crackers." We therefore discuss the meaning and effect of the term "crisps."

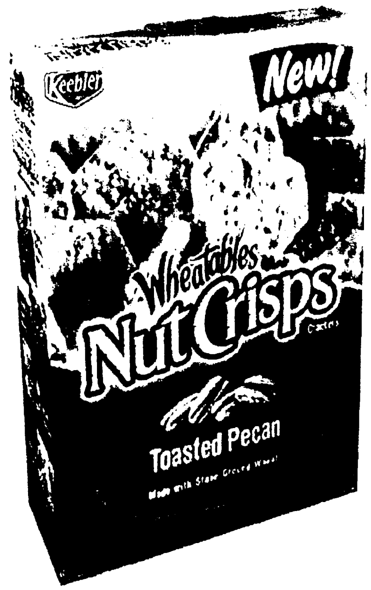
Defendant agrees that there are certain foods that may be "crisps" but argues that crackers are not appropriately identified as such. Plaintiff, on the other hand, argues that the term "crisp" has come to be known as one name for a "cracker," and a "pretzel crisp" is therefore a "pretzel cracker." In undertaking our analysis, we keep in mind that while we look to the "primary significance" of the term, what matters is the mark in relation to the identified goods, and we note that all possible generic names for a product must reside in the public domain. *See* J Thomas McCarthy, 2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 12:9 (4th ed. 2013). ("Any product may have many generic designations. Any one of those is incapable of trademark significance."); *see also 1800Mattress*, 92 USPQ2d at 1685 ("[A]ny term that the relevant public understands to refer to the genus ... is generic.").

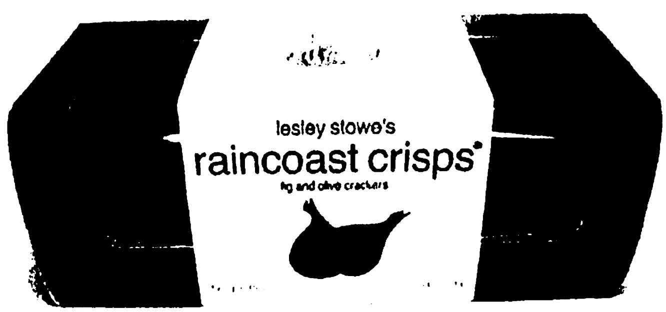
1. Competitive Use

[8] Plaintiff submitted into the record several instances of use by competitors of the term "crisps" to name or identify "crackers." These include the following uses on boxes of crackers:


Triscuit
Thin Crisps
Baked Whole Grain Wheat Crackers
ORIGINAL


H·E·B
Premium Quality
WHEAT CRISPS
FULLY FIT
LOW FAT!
LOW SODIUM!


Keebler
New!
Wheatables
Nut Crisps
Toasted Pecan


lesley stowe's
raincoast crisps

[9] Defendant has also admitted to referring in nutritional information to its own "pretzel crackers" as "crisps":[1]

Request for Admission No. 25: Admit that Defendant's packages for its PRETZEL CRISPS products provide nutrition facts for a serving size of a stated number of "crisps."

Response to Request for Admission No. 25: Subject to the foregoing General Objections, Princeton Vanguard admits this request.

[10] An image was included in the record:

[1] Defendant asserted that it has discontinued this use on its packaging.

2. Use by Media

[11] Plaintiff further submitted evidence of third party or media references naming or identifying "crackers" as "crisps," including the following:

- Kashi: TLC Pita Crisps: We bake everything we love into our new tasty little crackers. Real food ingredients -- like seven whole grains, cracked wheat berries, veggies, and natural sea salt -- go into each and every crisp. *http://www.kashi.com*.
- Raisin Rosemary Crisps: Ooh, these are interesting crackers! And by interesting, we mean stupendous, terrific and completely delicious. Trader Joe's Raisin Rosemary Crisps combine the most unlikely ingredients to create crackers of unequaled flavor, texture and plate presence. *www.traderjoes.com*.
- Vineyard Collection Focaccia Crisps Tuscan Style Crackers -- 8 oz.: May 22, 2012- for those of you who haven't tried these new cracker chips, they are wonderful! *www.napacabs.com*.

- 34[degree] Crisps Using a handful of natural ingredients, we carefully bake our wafer-thin crackers until they are subtly toasty and overtly tasty. *http://www.34-degrees.com/product.php*.
- Skinny Crisps: The low carb gluten free cracker! *http://shop.skinnycrisps.com*.

[12] There are also a couple of examples in the record of defendant's "PRETZEL CRISPS" "pretzel crackers" being referred to as "crisps."

- A good snack at one serving: Product: The Snack Factory Inc. Original Pretzel Crisps: These crisps are a variation on the classic twisted pretzel, same basic ingredients, only flattened. *Thestar.com*.
- For instance, The Snack Factory, based in Princeton, N.J., launched a line of Pretzel Crisps under the *Modern Classics line.* Created with the natural foods consumer in mind, these crisps offer only 110 calories per serving and come in Tuscan Three Cheese, Supreme, Cinnamon Toast and Classic varieties. *www.SnackandBakery.com*.

3. Registrations Disclaiming "Crisps"

[13] Plaintiff submitted evidence of registrations containing the term "CRISPS" for "crackers" that disclaim the term "CRISPS" to show that the term is generic for those goods. *See* TBMP § 704.03(b)(1)(B) and cases cited therein. These registrations include:

- POP-TARTS MINI CRISPS for "crackers;" Registration No. 4050507, disclaiming "mini crisps."
- CALIFORNIA CRISPS for "crackers;" Registration No. 2228609, disclaiming "crisps" and claiming acquired distinctiveness under Section 2(f).
- CHEEZ-IT CRISPS for "crackers;" Registration No. 3277216, disclaiming "crisps."
- RAINCOAST CRISPS for "crackers;" Registration No. 3972819, disclaiming "crisps."

4. Dictionary Definitions

[14] We take judicial notice of the relevant portions of the dictionary definition for "crisp":

> Crisp: adj. 2a. easily crumbled; brittle (a -- cracker) 2b. desirably firm and crunchy (-- lettuce).
>
> Crisp: n. 1a. something crisp or brittle (burned to a --);
>
> Merriam-Webster's Collegiate Dictionary (11th ed. 2004).

> Crisp: adj. 1. Firm but easily broken or crumbled; brittle; n. 1. Something crisp or easily crumbled.
>
> The American Heritage College Dictionary (4th Ed. 2002).

5. Requests for Admissions

[15] In light of the dictionary definitions and other evidence of record, the following responses to requests for admission by defendant are relevant to showing that "PRETZEL CRISPS" is generic for "pretzel crackers":

> *Request for Admission No. 8*: Admit that some crackers are crisp.
>
> *Response to Request for Admission No. 8*: Subject to the foregoing General Objections, Princeton Vanguard admits this request.
>
> *Request for Admission No. 10*: Admit that crackers are firm but easily crumbled or brittle.
>
> *Response to Request for Admission No. 10*: Subject to the foregoing General Objections, Princeton Vanguard denies this request, but admits that some crackers are firm but easily crumbled or brittle.
>
> *Request for Admission No. 17*: Admit that "crisps" is a commonly used term for crackers.
>
> *Response to Request for Admission No. 17*: Subject to the foregoing General Objections, Princeton Vanguard denies this request, but admits that the term "crisps" may be used to describe certain crackers.
>
> *Request for Admission No. 25*: Admit that Defendant's packages for its PRETZEL CRISPS products provide nutrition facts for a serving size of a stated number of "crisps."
>
> *Response to Request for Admission No. 25*: Subject to the foregoing General Objections, Princeton Vanguard admits this request.
>
> *Request for Admission No. 26*: Admit that packages for Pepperidge Farm Backed Naturals Pretzel Thins provide nutrition facts for a serving size of a stated number of "crisps."
>
> *Request for Admission No. 26*: Subject to the foregoing General Objections, Princeton Vanguard admits this request.

6. Expert Surveys

[16] As noted, both parties submitted survey evidence and expert declarations. Each party proffered the results from a "Teflon" survey conducted to test how

consumers perceive the term "PRETZEL CRISPS."[2] As explained below, the surveys reached differing results on the question of whether the term "PRETZEL CRISPS" is generic, and each party has criticized the survey conducted by its opponent.

[17] Professor McCarthy describes a "Teflon" survey as a mini-course in the generic versus trademark distinction, followed by a mini-test involving at least one brand name and one generic item to see whether the survey participants understand the distinction. J. Thomas McCarthy, 2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 12:16 (4th ed. 2013).

> In designing a TEFLON-type survey, both the initial "mini-test" and the other marks and generic names in the list must be carefully constructed and tailored to the facts of a particular case.

Id. See also Jacob Zimmerman v. National Association of Realtors, 70 USPQ2d 1425, 1435-36 n.15 (TTAB 2004) (flaws in the design and administration of the survey, including the mini-test, resulted in the survey having limited probative value).

a. Simonson survey conducted on behalf of plaintiff.

[18] Dr. Alex Simonson, founder and President of Simonson Assoc., Inc., was retained as an expert by counsel for plaintiff. He conducted a survey between August 15 and September 3, 2011. The screening criteria were defined as follows: "purchasers of salty snacks at supermarkets or grocery stores within the past 6 months or likely purchasers of salty snacks at supermarkets or grocery stores within the coming 6 months." In a "double-blind" survey, his interviewers conducted interviews, by phone, in the following manner, of 250 survey participants:

> 1. The interviewer read aloud to survey respondents definitions of "category names" (generic names) and "brand names" and asked if survey participants understood the definition of a common name and a brand name. Only 2 respondents indicated they did not, and they were removed from the survey. 248 then continued on. (Simonson report at 10).
>
> 2. Participants who said they understood the difference between a category name and brand name were then read a list of names individually for food and some unrelated products and asked whether they thought each name was a category name, a brand name, "don't know", or "not sure." The list, with results, follows:

[2] A "Teflon" survey refers to the format of the survey used in *E. I. du Pont de Nemours & Co. v. Yoshida International, Inc.,* 393 F. Supp. 502, 185 USPQ 597 (E.D.N.Y. 1975) to demonstrate that "Teflon" was not generic.

Name	Brand	Category	Don't know/Not Sure
RITZ BITZ	82%	12%	7%
LUCKY CHARMS	87%	10%	3%
I-POD	61%	28%	11%
AMERICAN AIRLINES	89%	9%	2%
TRISCUIT	80%	13%	7%
PRETZEL CRISPS	**41%**	**41%**	**18%**
GINGER ALE	25%	72%	3%
AUTOMOBILE	9%	91%	1%
POTATO CHIPS	8%	90%	2%
NEWSPAPER	5%	93%	2%
POPCORN	6%	93%	1%

[19] Based on these results, Dr. Simonson concluded in his report: "The results indicate that PRETZEL CRISPS is not perceived by a majority of relevant consumers as a brand name." Defendant's expert, Dr. E. Deborah Jay, was retained to rebut the conclusions of Dr. Simonson. She noted several problems with his methodology including the following: 1) the universe of survey participants was underinclusive, including only those who purchase salty snacks at certain places; 2) there were two options of giving no opinion, both "don't know" and "not sure," which may have confused participants, and caused some to choose one or the other incorrectly; and, perhaps most importantly 3) Dr. Simonson did not conduct a mini-test to ascertain whether survey participants understood the difference between brand and common (or category) names, but rather he simply *asked* whether they did. Indeed, as pointed out by Dr. Jay, only two survey participants indicated they did not, or less than 1%.

[20] We agree with Dr. Jay's criticisms of Dr. Simonson's survey. With respect to Dr. Simonson's failure to administer an initial mini-test, an analogous situation was at issue in the recently decided case of *Sheetz of Delaware, Inc. v. Doctor's Assoc., Inc.,* 108 USPQ2d 1341, 1360 (TTAB 2013). In *Sheetz*, the Board determined that "[a]sking a respondent whether he or she understood the difference is not the same as *testing* whether she or he understood the difference."(emphasis in original). As the Board there noted, we can give "little weight" to a survey where a mini-test was not performed and we do not know whether survey participants actually understood what they were being asked. *Id.* at 1361-1362, *citing Jacob Zimmerman v. National Association of Realtors,* 70 USPQ2d at 1435-36 n.5. We reach this conclusion further on the basis that the two "don't know" and "not sure" answers potentially were confusing to survey participants, and may have lead those who understood the survey question to elect to indicate they did not. Accordingly, for these reasons, we give Dr. Simonson's findings little probative weight.

b. Jay survey conducted on behalf of defendant.

[21] Dr. E. Deborah Jay, founder and President of Field Research Corp., was retained as an expert by counsel for defendant. She conducted a survey between the 16th and 25th of February, 2010. The screening criteria were defined as adults who had "personally purchased salty snacks for themselves or for someone else in the past three months or think that they would do this in the next three months."(Jay report at 1). Initially 500 adults were screened, but only 222 were found eligible after meeting the screening criteria in a "double-blind" survey, conducted by phone. As a screening gateway, in the *Teflon* format, respondents were given an explanation of the difference between brand and common names, and then asked both whether BAKED TOSTITOS is a brand or common name, and whether TORTILLA CHIPS is a brand or common name. Only those who answered both correctly proceeded with the survey. Those respondents then were questioned about a number of "brand" or "common" names with the option of ""don't know."

Of the 222 respondents who proceeded in the survey, the results were as follows:

Name	**Brand**	**Category**	**Don't know/Not Sure**
SUN CHIPS	96%	3%	<1%
CHEESE NIPS	85%	13%	2%
PRETZEL CRISPS	**55%**	**36%**	**9%**
FLAVOR TWISTS	48%	34%	18%
GOURMET POPCORN	25%	72%	3%
ONION RINGS	8%	91%	1%
MACADEMIA NUT	7%	92%	<1%

[22] Based on these results, Dr. Jay concluded in her report: "The survey found that the primary significance of the name ' PRETZEL CRISPS' to past and prospective purchasers of salty snacks is as a brand name and not a common (generic) name. Fifty-five percent of survey respondents thought that ' PRETZEL CRISPS' was a brand name, whereas 36% thought ' PRETZEL CRISPS' was a common (or generic) name."

[23] Dr. Simonson was retained by counsel for plaintiff to rebut the conclusions of Dr. Jay. He noted that less than 65% of the initial group "of qualified respondents" was entered into the survey due to the underinclusive nature of the questions, and that accordingly, the Jay survey is flawed.

7. References to the Combined Term "pretzel crisps"

[24] Although we may consider separately the meanings and uses of "pretzel" and "crisps" in our analysis of a combined term, plaintiff submitted some generic references to the combined term, as follows:

- Sustainable Reinvention: "Combining experience, strong business intuition and a mission to offer healthier products, Baptista's Bakery creates a unique niche. . . . The past four years have seen substantial bottom and top-line growth, as well as its customer base and breadth of products. "And you ain't seen nothing yet," quipped Mr. Howe. In addition to the twisted snack sticks, the plant's other mainstay products are its pretzel crisps and its newest item, the baked potato crisp." *Baking & Snack.* September 2007.
- There are even alternatives to alternative snacks. Don't want a fried potato chip? Try a baked one. If a baked chip has too many calories, try a pretzel crisp instead. *New Products Magazine.* September 2007.
- Off the Beaten Track, a Plus-Size Show: "After some more chit-chat, Ms. Blonsky headed toward the runway. She took her seat next to the stylist Phillip Bloch and set aside her gift bag. (It featured some beauty products, a bag of pistachios, a shot of wheat grass, a no-calorie sparkling kiwi strawberry beverage and a bag of pretzel crisps, which in a very plus-size fashion, a reporter finished as he wrote this story.) *The Wall Street Journal.* September 16, 2010.
- Time to stock up to chow down: "Walker, of the Rochelle Park ShopRite, said he'd just finished a special order for buffalo-wing-flavored pretzel crisps, the type of request he expected to keep hearing until game time on Sunday." *The Record*. February 2, 2008.
- C&C Unique Gift Baskets: Send this wonderful Holiday gift basket filled with gourmet snacks including Belgian truffle, Golden walnut cookies, sparkling cider, pretzel crisps, Tortuga rum cake, French vanilla cocoa, Bellagio gourmet mocha and more! *www.candcgiftbaskets.com*.
- Sabra in the News: November 16, 2010, Sabra pairs its most popular hummus flavors with pretzel crisps in single serve throw-in-your-beach-bag packs. *http://sabranews.blogspot.com.*

Discussion

[25] Based on the record evidence properly before us, we find that "PRETZEL CRISPS," as used by defendant, would be understood by the relevant public to refer to "pretzel crackers." The commonly understood meaning of the words ""pretzel" and "crisps," demonstrates that purchasers understand that "PRETZEL CRISPS" identifies "pretzel crackers."

[26] Defendant argued that the term cannot be generic because there is no dictionary definition for "PRETZEL CRISPS" and no entries in the encyclopedia. However, that is by no means dispositive. *See In re Gould Paper Corp.,* 834 F.2d 1017, 5 USPQ2d 1110, 1111 (Fed. Cir. 1987) (SCREENWIPE held generic even though there was no dictionary definition of the compound term); *In re Dairimetics, Ltd.,* 169 USPQ 572, 573 (TTAB 1971) (ROSE MILK refused registration on the

Supplemental Register even though there was no dictionary definition of ROSE MILK). It also does not matter if defendant was the first user or is the only user of the term PRETZEL CRISPS. The law does not permit "anyone to obtain a complete monopoly on use of a descriptive [or generic] term simply by grabbing it first."*KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 122 (2004) (citation omitted); *see also In re Pennington Seed, Inc.*, 466 F.3d 1053, 80 USPQ2d 1758, 1761-62 (Fed. Cir. 2006) (first user of seed varietal name not entitled to monopoly on the name of the varietal); *In re Bailey Meter Co.*, 102 F.2d 843, 41 USPQ 275, 276 (CCPA 1939) (being "the first and only one to adopt and use the mark sought to be registered does not prove that the mark is not descriptive"); Trademark Manual of Examining Procedure ("TMEP") § 1209.03(c) (Oct. 2013 ed.).

[27] Defendant also argued that the term "crisps" is not synonymous with crackers because there are several registrations containing "CRISPS" where the term was not disclaimed. Of the nine registrations submitted by defendant, however, only one was for "crackers," and the others were for other snack foods or cereals, which are not at issue in this case. As noted above, we weigh the evidence accordingly, and on the balance, do not find the overall evidence of registrations to affect our determination. Defendant also argues regarding competitive use that it has removed references to "crisps" in its nutritional information. While that may be so, that there is evidence in the record of defendant's prior references is instructive and, in any case, the record demonstrates the generic nature of the term "crisps." We accordingly find on this record that the designation "PRETZEL CRISPS" is generic for "pretzel crackers."

[28] In making this determination, while we consider the entirety of the record, including the surveys (which in any event arrive at different conclusions), we give controlling weight to the dictionary definitions, evidence of use by the public, including use by the media and by third-parties in the food industry, and evidence of use by defendant itself. *See In re Hotels.com LP,* 573 F.3d 1300, 91 USPQ2d 1532 (Fed. Cir. 2009). We note that in finding the term "PRETZEL CRISPS" as a whole to be generic, we have analyzed it as a combined term, but were we to analyze it as a phrase, on this record, our conclusion would be the same, as the words strung together as a unified phrase also create a meaning that we find to be understood by the relevant public as generic for ""pretzel crackers." *See In re W.B. Coleman Co.,* 93 USPQ2d 2019, 2025 (TTAB 2010) (analyzing proposed mark under *Gould* standard, but finding result would be same under *American Fertility*).

[29] <u>Decision</u>: … The opposition to Application No. 76700802 is sustained on the ground that "PRETZEL CRISPS" used in connection with "pretzel crackers," is generic.

Frito-Lay North America, Inc. v. Princeton Vanguard, LLC
786 F.3d 960 (Fed. Cir. 2015)

O'MALLEY, Circuit Judge:

[1] Princeton Vanguard, LLC ("Princeton Vanguard") appeals from the final decision of the Trademark Trial and Appeal Board ("the Board") … denying its application to register PRETZEL CRISPS on the Principal Register. *Frito–Lay N. Am., Inc. v. Princeton Vanguard, LLC,* 109 U.S.P.Q.2d 1949 (T.T.A.B. Feb. 28, 2014) ("*Board Decision* "). Because the Board applied the incorrect legal standard in evaluating whether the mark is generic, we vacate and remand for further proceedings.

BACKGROUND

…

DISCUSSION

[2] We review the Board's legal conclusions de novo and its factual findings for substantial evidence. *In re Pacer Tech.,* 338 F.3d 1348, 1349 (Fed.Cir.2003). Whether the Board applied the correct legal standard in assessing the mark is a question of law we review de novo. *See In re Dial–A–Mattress Operating Corp.,* 240 F.3d 1341, 1345 (Fed.Cir.2001). Whether an asserted mark is generic is a question of fact. *In re Hotels.com, LP,* 573 F.3d 1300, 1301 (Fed.Cir.2009). Accordingly, "[o]n appellate review of the Board's factual finding of genericness, we determine whether, on the entirety of the record, there was substantial evidence to support the determination." *Id.* at 1302. Substantial evidence requires "more than a mere scintilla" and is "'such relevant evidence as a reasonable mind would accept as adequate' to support a conclusion." *Pacer Tech.,* 338 F.3d at 1349 (quoting *Consol. Edison v. NLRB,* 305 U.S. 197, 229, 59 S.Ct. 206, 83 L.Ed. 126 (1938)).

[3] On appeal, Princeton Vanguard argues that the Board erred in its genericness analysis when it assessed the PRETZEL CRISPS mark as a compound term instead of a phrase. Specifically, Princeton Vanguard contends that the Board "took the short-cut of analyzing whether the words 'pretzel' and 'crisps' are each generic for a pretzel and a cracker, and then it merely assumed the public would understand the combined mark PRETZEL CRISPS to be generic for 'pretzel crackers' without due consideration of the actual evidence of record." Appellant Br. 9. According to Princeton Vanguard, by focusing solely on the mark's constituent parts, the Board: (1) deviated from this court's precedent, which requires consideration of the mark it its entirety; and (2) failed to consider the evidence of record, which shows that the purchasing public understands the term PRETZEL CRISPS to be a brand name.

[4] For the reasons explained below, we agree with Princeton Vanguard that the Board applied the incorrect legal standard when it failed to consider the relevant public's understanding of the PRETZEL CRISPS mark in its entirety.

A. The Board Applied the Incorrect Legal Standard

[5] A generic term "is the common descriptive name of a class of goods or services." *H. Marvin Ginn Corp. v. Int'l Ass'n of Fire Chiefs, Inc.,* 782 F.2d 987, 989 (Fed.Cir.1986). Because generic terms "are by definition incapable of indicating a particular source of the goods or services," they cannot be registered as trademarks. *Dial–A–Mattress,* 240 F.3d at 1344. "The critical issue in genericness cases is whether members of the relevant public primarily use or understand the term sought to be protected to refer to the genus of goods or services in question." *Marvin Ginn,* 782 F.2d at 989–90.

[6] We have said that determining a mark's genericness requires "a two-step inquiry: First, what is the genus of goods or services at issue? Second, is the term sought to be registered or retained on the register understood by the relevant public primarily to refer to that genus of goods or services?" *Id.* at 990. Evidence of the public's understanding of the mark may be obtained from "any competent source, such as consumer surveys, dictionaries, newspapers and other publications." *In re Northland Aluminum Prods., Inc.,* 777 F.2d 1556, 1559 (Fed.Cir.1985). In an opposition or cancellation proceeding, the opposer or petitioner bears the burden of proving genericness by a preponderance of the evidence. *See Magic Wand, Inc. v. RDB, Inc.,* 940 F.2d 638, 641–42 (Fed.Cir.1991).

[7] Applying the first prong of the *Marvin Ginn* test, the Board defined the genus of goods at issue as "pretzel crackers." *Board Decision,* 109 U.S.P.Q.2d at 1952. Turning to the second prong, the Board identified the relevant public as "ordinary consumers who purchase and eat pretzel crackers." *Id.* Neither party disputes these findings on appeal.

[8] The Board began its discussion of the public's perception of the mark by stating that it "first must decide how to analyze the term." *Id.* Although the Board acknowledged that the ultimate inquiry is whether the mark as a whole is generic, it then cited *In re Gould Paper Corp.,* 834 F.2d 1017 (Fed.Cir.1987), for the proposition that, "in cases where the proposed mark is a compound term (in other words a combination of two or more terms in ordinary grammatical construction), genericness may be established with evidence of the meaning of the constituent words." *Id.* (citing *Gould,* 834 F.2d at 1019). The Board indicated that, "[b]y contrast, 'where the proposed mark is a phrase ... the board cannot simply cite definitions and generic uses of the constituent terms of a mark; it must conduct an inquiry into the meaning of the disputed phrase as a whole.'" *Id.* (quoting *Dial–A–Mattress,* 240 F.3d at 1345 (citing *In re Am. Fertility Soc'y,* 188 F.3d 1341, 1347 (Fed.Cir.1999))).

[9] The Board appears to believe that there is a dichotomy in the standard applicable to a particular mark depending on whether it is a compound term or a phrase. According to the Board, if the mark is a compound term, then *Gould* applies, and it can focus on the individual words, but if it is a phrase, *American Fertility* requires that the Board consider the mark in its entirety. *Id.* at 1953. Because the Board found "no additional meaning added to 'PRETZEL CRISPS' in relation to 'pretzel crackers,' when the individual terms are combined," the Board analyzed it

as a compound term. *Id.* The Board then considered the terms individually and concluded that "pretzel" is generic for pretzels and pretzel snacks, and "crisps" is generic for crackers. *Id.*

[10] The problem with the Board's analysis is that there is only one legal standard for genericness: the two-part test set forth in *Marvin Ginn. Am. Fertility,* 188 F.3d at 1348. As noted, to determine whether a mark is generic under that test, the Board must first identify the genus of goods or services at issue, and then assess whether the public understands the mark, *as a whole,* to refer to that genus. *Marvin Ginn,* 782 F.2d at 990. On appeal, Frito–Lay cites our decisions in *Gould* and *American Fertility* to suggest that the Board can somehow short-cut its analysis of the public's perception where "the purported mark is a compound term consisting merely of two generic words." Appellee Br. 21. As discussed below, however, there is no such short-cut, and the test for genericness is the same, regardless of whether the mark is a compound term or a phrase. Neither *Gould* nor *American Fertility* hold otherwise.

[11] The applicant in *Gould* sought to register the mark SCREENWIPE for goods identified as "pre-moistened, anti-static cloth for cleaning computer and television screens." 834 F.2d at 1017. While the Board looked to the individual definitions of "screen" and "wipe," we found that "Gould's own submissions provided the most damaging evidence that its alleged mark is generic and would be perceived by the purchasing public as merely a common name for its goods rather than a mark identifying the good's source." *Id.* at 1018–19. Indeed, Gould described its own product as "a ... wipe ... for ... screens." *Id.* at 1019. Given this admission, we noted that the "compound immediately and unequivocally describes the purpose, function and nature of the goods as Gould itself tells us." *Id.* ("Gould has simply joined the two most pertinent and individually generic terms applicable to its product, and then attempts to appropriate the ordinary compound thus created as its trademark."). In that context, where the mark in its entirety has exactly the same meaning as the individual words, we stated that "the PTO has satisfied its evidentiary burden if, as it did in this case, it produces evidence ... that the separate words joined to form a compound have a meaning identical to the meaning common usage would ascribe to those words as a compound." *Id.* at 1018. Because "the terms remain as generic in the compound as individually," we concluded that the compound itself was generic. *Id.* at 1019.

[12] In *American Fertility,* we explained that: (1) *Gould* did not alter the legal standard for genericness; and (2) the correct legal test "is set forth in *Marvin Ginn* and is to be applied to a mark ... as a whole, for the whole may be greater than the sum of its parts." *Am. Fertility,* 188 F.3d at 1348. In that case, the Board held that the proposed mark—SOCIETY FOR REPRODUCTIVE MEDICINE—was generic based on evidence of record relating solely to the individual terms. *Id.* at 1344 ("Despite the lack of evidence of the public's understanding of the phrase as a whole, the Board held that the 'combination of the terms 'society' and 'reproductive medicine' results in a designation, SOCIETY FOR REPRODUCTIVE MEDICINE, which is also generic.'")

(citation omitted). We vacated the Board's decision on appeal, finding that it applied the incorrect legal standard when it "assumed the genericness of a phrase as a whole based solely on proof of the genericness of its individual terms." *Id.* at 1342.

[13] In reaching this conclusion in *American Fertility,* we clarified that the *Gould* decision "did not purport to modify *Marvin Ginn* ... and seemingly sought to follow" it by focusing on Gould's generic use in its entirety. *Id.* at 1347. We reiterated that *Marvin Ginn* requires evidence of the "genus of goods or services at issue" and the "understanding by the general public that the mark refers primarily to 'that genus of goods or services.'" *Id.* "Properly interpreted, *Gould* does not justify a short-cut around this test, but rather found that the evidence presented met this burden." *Id.* at 1348. We further indicated that the Board "cannot simply cite definitions and generic uses of the constituent terms of a mark ... in lieu of conducting an inquiry into the meaning of the disputed phrase as a whole to hold a mark ... generic." *Id.* at 1347. Accordingly, we remanded the case for the Board to apply the *Marvin Ginn* test to the mark as a whole. *Id.* at 1349.

…

[14] At the end of its decision, the Board stated in passing that, although it analyzed the term PRETZEL CRISPS as a compound term, "were we to analyze it as a phrase, on this record, our conclusion would be the same, as the words strung together as a unified phrase also create a meaning that we find to be understood by the relevant public as generic for 'pretzel crackers.'" *Board Decision,* 109 U.S.P.Q.2d at 1960. But the Board's decision lacks any indicia that it actually engaged in such an analysis. Specifically, as explained below, there is no evidence that the Board conducted the necessary step of comparing its findings with respect to the individual words to the record evidence demonstrating the public's understanding of the combined term: PRETZEL CRISPS. By failing to do so, the Board took the type of short-cut analysis we have said is prohibited and ignored evidence that might compel a contrary conclusion. *See Am. Fertility,* 188 F.3d at 1348 (stating that "*Gould* does not justify a short-cut around" the test articulated in *Marvin Ginn*). We conclude, therefore, that the Board applied the incorrect legal standard in its genericness determination. On remand, the Board must consider evidence of the relevant public's understanding of the term PRETZEL CRISPS in its entirety.

B. Evidence of Record

…

[15] Given our conclusion that the Board applied the incorrect standard for genericness and our decision to remand for application of the correct legal test, we need not analyze the parties' specific arguments with respect to the evidence of record….

[16] … Though the Board is not required to discuss every piece of evidence, it cannot focus primarily on evidence of the word "crisps" in isolation, select a few pieces of evidence involving the combined term "pretzel crisps," and conclude that the trademark is generic. Nor can it disregard the results of survey evidence without

explanation. Just as it may not short-cut its legal analysis, the Board may not short-cut its consideration of the factual record before it.

[17] [I]n finding the mark generic, the Board indicated that it considered the evidence of record "including the surveys (which in any event arrive at different conclusions)," but gave controlling weight to dictionary definitions, evidence of use by the public, and evidence of use by Princeton Vanguard. *Id.* at 1960. The Board seems to have treated the surveys as though they cancelled each other out, but failed to offer any explanation for doing so. The Board thus overlooked or disregarded a genericness survey as to which it apparently found no flaw. On remand, the Board will have the opportunity to make the relevant factual findings based on all of the evidence of record, and must give appropriate consideration to the proffered survey evidence.

CONCLUSION

[18] Because we find that the Board applied the incorrect legal standard in assessing whether the term PRETZEL CRISPS is generic, we vacate the Board's decision cancelling Registration No. 2,980,303 and its decision sustaining Frito–Lay's opposition to Application Serial No. 76/700,802. We remand for application of the appropriate standard as set forth in *Marvin Ginn* and discussed herein.

VACATED AND REMANDED

Comments and Questions

1. *What is the appropriate level of abstraction?* With respect to the genus/species distinction, how does one establish the appropriate level of abstraction at which one defines the genus, the species, and even the subspecies (or, for that matter, the family above the genus)? What prevents a plaintiff from claiming that the genus is, for example, beer, and the plaintiff merely wants rights in the name of a species of beer, which is "light beer"? *See Miller Brewing Co. v. G. Heileman Brewing Co*., 561 F.2d 75 (7th Cir. 1977) (finding LIGHT and LITE for beer to be generic).

2. *Surveying for Genericism: The "Thermos" Survey Method*. In *American Thermos Products Co. v. Aladdin Industries, Inc.*, 207 F. Supp. 9 (D. Conn. 1962), aff'd, 321 F.2d 577 (2d Cir. 1963), the defendant argued that the term "thermos" had lost its significance as a designation of source and become a generic term for vacuum-insulated containers. To support this argument, the defendant submitted a survey whose method has been copied in many subsequent genericism cases. *See, e.g.*, *E.T. Browne Drug Co. v. Cococare Products, Inc.*, 538 F.3d 185, 87 U.S.P.Q.2d 1655 (3d Cir. 2008) (evaluating *Thermos*-type survey). *See also* MCCARTHY §12:15. In essence, a *Thermos* survey describes to the survey respondent the general product at issue, asks the respondent to imagine him/herself walking into a store and asking for that product, and then inquires "What would you ask for—that is, what would you tell the clerk you wanted?" The survey will then typically ask some form of the question "Can you think of any other words that you would use to ask for the product?" In

American Thermos Products, 75% of the 3,300 respondents answered "Thermos" to the "what would you ask for" question. *American Thermos Products*, 207 F. Supp. at 21-22. The court found that the term "thermos" had become generic for vacuum-insulated bottles.

The Thermos survey method has been criticized on the ground that "for a very strong trademark, respondents with brand loyalty may answer with the trademark and drop what they consider to be a generic name, because it's so obvious to them." MCCARTHY §12:15. Imagine you walk into a fast food restaurant in order to purchase a carbonated cola-flavored beverage. What would you ask for? What do you think the results of such a survey of 100 respondents would be, and do they support McCarthy's criticism?

3. *Surveying for Genericism: The "Teflon" Survey Method*. In *E. I. DuPont de Nemours & Co. v. Yoshida International, Inc.*, 393 F. Supp. 502 (E.D.N.Y. 1975), Dupont, producer of TEFLON resins, brought a trademark action against the defendant Yoshida, producer of EFLON zippers. In response to Yoshida's argument that TEFLON had become generic, DuPont submitted two surveys, one of which was a telephone survey in which respondents were first given what was essentially a mini-course in the difference between "brand names" and "common names" and then asked if "teflon" was a brand name or a common name. The core of the survey script proceeded as follows:

> I'd like to read 8 names to you and get you to tell me whether you think it is a brand name or a common name; by *brand* name, I mean a word like *Chevrolet* which is made by one company; by *common* name, I mean *a word like automobile* which is made by a number of different companies. So if I were to ask you, "Is Chevrolet a brand name or a common name?," what would you say?
>
> Now, if I were to ask you, "Is washing machine a brand name or a common name?," what would you say?
>
> [If respondent understands continue. If not understand, explain again.]
>
> Now, would you say ——— is a brand name or a common name?

McCarthy §12:16. In one evening, 514 men and 517 women were surveyed in 20 cities. The survey results were as follows:

NAME	BRAND/%	COMMON/%	DON'T KNOW/%
STP	90	5	5
THERMOS	51	46	3
MARGARINE	9	91	1
TEFLON	68	31	2
JELLO	75	25	1
REFRIGERATOR	6	94	-
ASPIRIN	13	86	-
COKE	76	24	-

Interestingly, Yoshida submitted a Thermos survey to support its claim that TEFLON had become generic. As the court explained, this survey

> was conducted among adult women, 90.6% of whom expressed awareness of 'kitchen pots and pans that have their inside surfaces coated by chemical substances to keep grease or food from sticking to them.' Of the aware respondents, 86.1% apparently mentioned only 'TEFLON' or 'TEFLON II' [DuPont's mark for an improved means of applying its resin to metal surfaces] as their sole answer when asked, 'What is the name . . . or names of these pots and pans . . .?' Further, 71.7% of the aware women gave only 'TEFLON' or 'TEFLON II' as the name they would use to describe the pots and pans to a store clerk or friend.

E. I. DuPont de Nemours & Co., 393 F.Supp. at 525.

The court ultimately found DuPont's brand name vs. common name survey to be the most persuasive. In Yoshida's Thermos survey (as in other surveys in the case not discussed here), the court found, "respondents were, by the design of the questions, more often than not focusing on supplying the inquirer a 'name', without regard to whether the principal significance of the name supplied was 'its indication of the nature or class of an article, rather than an indication of its origin.'" *Id*. at 527 (quoting *King-Seeley Thermos Co*., 321 F.2d at 580). Only DuPont's brand name vs. common name survey

> really gets down to the critical element of the case.... [T]he responses of the survey reveal that the public is quite good at sorting out brand names from common names, and, for TEFLON, answers the critical question left unanswered by the ambiguities inherent in [the other surveys]—that of the principal significance of the TEFLON mark to the public. Not only have defendants failed to show that TEFLON's principal significance is as a common noun, plaintiff has succeeded in

> showing it to be a 'brand name'—an indicator, in the words of DuPont's questionnaire, of a product 'made by one company.'"

E. I. DuPont de Nemours & Co., 393 F.Supp. at 527.

Do you agree that the Teflon survey method is superior to the Thermos survey method for assessing whether a mark is generic?

4. *The* Antimonopoly *case and unique products*. In *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316 (9th Cir. 1982), the Ninth Circuit ruled that the declaratory defendant's trademark MONOPOLY for the well-known board game was generic. The court found the defendant's Teflon survey to be unpersuasive and relied instead on the declaratory plaintiff's Thermos survey, in which respondents "familiar with business board games of the kind in which players buy, sell, mortgage and trade city streets, utilities and railroads, build houses, collect rents and win by bankrupting all other players" were asked: "If you were going to buy this kind of game, what would you ask for, that is, what would you tell the sales clerk you wanted?" Approximately 80% answered "Monopoly." The Ninth Circuit considered the objections to the Thermos survey raised in *E. I. DuPont de Nemours & Co.* but ultimately found the plaintiff's Thermos survey to be "compelling evidence of a proposition that is also dictated by common sense: an overwhelming proportion of those who are familiar with the game would ask for it by the name 'Monopoly.'" *Anti-Monopoly*, 684 F.2d at 1324.

But what generated enormous controversy in the trademark bar was the plaintiff's "consumer motivation" survey. Based on language from a previous Ninth Circuit opinion in the case, *Anti-Monopoly, Inc. v. General Mills Fun Group*, 611 F.2d 296 (Ninth Cir. 1979), the plaintiff presented a survey of consumers who had recently purchased the monopoly board game or who would purchase it in the near future. This survey asked respondents which of two statements best expressed why they had or would purchase the game. "Sixty-five percent chose: 'I want a "Monopoly" game primarily because I am interested in playing "Monopoly," I don't much care who makes it.' Thirty-two percent chose: 'I would like Parker Brothers' Monopoly" game primarily because I like Parker Brothers' products.'" *Anti-Monopoly*, 684 F.2d at 1325. The Ninth Circuit took this as strong evidence that the "the primary significance of 'Monopoly' is product rather than source." *Id*.

What, if anything, is wrong with the Ninth Circuit's reasoning? In considering this question, note that the trademark bar was so appalled by the implications of the Ninth Circuit's reasoning that it successfully lobbied for an amendment to the Lanham Act overruling the Ninth Circuit. The Trademark Clarification Act of 1984 amended Section 14(3), 15 U.S.C. § 1064(3), to provide:

> A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has

become the generic name of goods or services on or in connection with which it has been used.

5. *Is WINDOWS for a computer operating system generic?* On December 20, 2011, Microsoft filed suit against Lindows.com ("Lindows") alleging that Lindows' mark LINDOWS for a Linux-based operating system infringed Microsoft's WINDOWS mark. Lindows argued that WINDOWS was generic at the time that Microsoft first began to use it in 1985. In *Microsoft Corp. v. Lindows.com, Inc*., C01 Civ. 2115C, 2002 WL 31499324 (W.D.Wash., Mar. 15, 2002), the district court denied Microsoft's motion for a preliminary injunction, finding that there were "serious questions regarding whether Windows is a non-generic name and thus eligible for the protections of federal trademark law." *Id*. at *18. The case eventually settled — with Microsoft agreeing to pay Lindows $20 million to change its name (to Linspire) and cease using the LINDOWS mark on any of its products.

6. Owners of very well-known marks are especially wary of their marks' falling prey to genericide through widespread generic usage. They typically developed and seek to enforce strict policies on how their marks are used. See, e.g., Google, Rules for proper usage, http://www.google.com/permissions/trademark/rules.html ("Use a generic term following the trademark, for example: GOOGLE search engine, Google search, GOOGLE web search"; "Use the trademark only as an adjective, never as a noun or verb, and never in the plural or possessive form."; "If you do not capitalize the entire mark, always spell and capitalize the trademark exactly as they are shown in the Google Trademarks and Suggested Accepted Generic Terms.").

d. Further Examples of *Abercrombie* Classifications

Provided here are numerous examples of courts' classification of trademarks' distinctiveness along the *Abercrombie* spectrum. You are very strongly encouraged to determine your own view on the appropriate classification before you consult how the court ruled. Do any of the following classifications strike you as incorrect?

- TIDE for laundry detergent. *See Wal-Mart Stores, Inc. v. Samara Bros*., 529 U.S. 205, 210 (2000) (giving TIDE for laundry detergent as an example of a suggestive mark).
- THE STORK CLUB for a restaurant. *See Stork Restaurant v. Sahati*, 166 F.2d 348, 355 (9th Cir. 1948) (finding the stork club to be arbitrary as to a restaurant and reasoning that "[i]t is in no way descriptive of the appellant's night club, for in its primary significance it would denote a club for storks. Nor is it likely that the sophisticates who are its most publicized customers are particularly interested in the stork.").
- GOOGLE for internet search service. *See* GILSON § 2.04 (giving GOOGLE for search engine as an example of a fanciful mark).

- SNAKELIGHT for a light with a flexible neck. *See Black & Decker Corp. v. Dunsford*, 944 F. Supp. 220 (S.D.N.Y. 1996) (finding the mark to be descriptive and reasoning that "Snakelight' is just what it says: a 'snake-like' light. In this context, the word 'snake' functions as an adjective, modifying the principal term, the generic noun 'light.' Taken as a whole, the name conveys the 'immediate idea' of the 'characteristics' of the product [citing *Abercrombie*]).
- CLOROX for bleach. *See Clorox Chemical Co. v. Chlorit Mfg. Corp*., 25 F. Supp. 702, 705 (D.N.Y. 1938) ("'Clorox' is a fanciful word, arbitrarily selected in no wise describes its ingredients.").
- STREETWISE for street maps. *See Streetwise Maps, Inc. v. VanDam, Inc*., 159 F.3d 739, 744 (2d Cir. 1998) ("The district court ranked the Streetwise mark as suggestive, meaning that the term "suggested" the features of the product and required the purchaser to use his or her imagination to figure out the nature of the product. We agree.").
- SUPREME for vodka. *See Supreme Wine Co. v. American Distilling Co*., 310 F.2d 888, 889 (2d Cir. 1962) (finding SUPREME for vodka to be descriptive on the ground that "[m]erely laudatory words, such as 'best', 'outstanding', or 'supreme' cannot of their own force indicate the source or origin of the labeled goods").
- PLAYBOY for a men's magazine. *See Playboy Enters., Inc. v. Chuckleberry Pub., Inc*., 687 F.2d 563, 566-67 (2d. Cir. 1982) (finding the mark to be suggestive and reasoning that "Playboy is defined in the Random House Dictionary of the English Language (unabridged ed. 1966) as 'a wealthy, carefree man who devotes most of his time to leisure, self-amusement, and hedonistic pleasures, conventionally frequenting parties and night clubs, romancing a rapid succession of attractive young women, and racing speedboats and sports cars.' Although the word may signify the aspirations of PLAYBOY's readership, it does not describe the product or its contents.").
- NO NAME for meat and other food products. *See J&B Wholesale Distributing, Inc. v. Redux Beverages, LLC*, 85 U.S.P.Q.2d 1623, 1626 (D. Minn. 2007) ("[S]tanding alone, 'No Name' does not bear any relation to the product -- that is it does not tell the consumer anything about the product. The Court thus finds that 'No Name' is an arbitrary mark that is entitled to protection.").
- BAIKALSKAYA for vodka produced in the Lake Baikal region of Russia, where "Baikalskaya" means "from Baikal" in Russian. *See In re Joint-Stock Co. "Baik*,*"* 80 USPQ2d 1305 (TTAB 2006) (finding BAIKALSKAYA for vodka to be primarily geographically descriptive)
- KODAK for photographic film. *See Wal-Mart Stores, Inc. v. Samara Bros*., 529 U.S. 205, 210 (2000) (giving Kodak for film as an example of a fanciful mark).

- GLOW for fragrance, shower gel, and body lotion products. *See Glow Indus., Inc. v. Lopez*, 252 F. Supp. 2d 962, 978 (C.D. Cal. 2002) (finding GLOW suggestive as to perfume and reasoning that "[t]he mark does not directly describe the attributes of Glow, Inc.'s perfume. Indeed, words other than the GLOW mark are used on the packaging to convey the fact that the perfume is a sandalwood scent. The mark thus appears to refer suggestively to the positive feeling one will achieve by using the product."); id. at 979 (finding GLOW suggestive as to shower gel and body lotion and reasoning that "'Glow' is not descriptive of the qualities or characteristics of shower gels or body lotions. Indeed, one who hears the word does not immediately think of such products. Rather, some amount of association is required to link the concept of glowing skin to use of a particular gel or lotion.").
- BRICK OVEN PIZZA for frozen pizza. See Schwan's IP, LLC v. Kraft Pizza Co., 460 F.3d 971 (8th Cir. 2006) (citing industry usage, media usage, and PTO rulings to find the term generic for pizza that is or appears to be baked in a brick oven).
- CITIBANK for banking services. *See Citibank, N.A. v. Citibanc Group, Inc.*, 724 F.2d 1540, 222 U.S.P.Q. 292 (11th Cir. 1984) (approving of the district court's finding that CITIBANK is suggestive for banking services).
- ODOL for mouthwash. See *In re Odol Chemical Corp*., 150 U.S.P.Q. 827 (TTAB 1966) (finding ODOL for mouthwash to be fanciful).
- MORNINGSIDE for financial services. *See Morningside Group Ltd. v. Morningside Capital Group L.L.C.*, 182 F.3d 133 (2d Cir. 1999) (finding MORNINGSIDE to be arbitrary as to financial services).
- NUMBER ONE IN FLOOR CARE for vacuums. *See* Hoo*ver Co. v. Royal Appliance Mfg. Co*., 238 F.3d 1357, 1360, 57 U.S.P.Q.2d 1720 (Fed. Cir. 2001) (finding the mark NUMBER ONE IN FLOOR CARE for vacuums to "generally laudatory… and thus…not inherently distinctive").
- MARCH MADNESS for annual basketball tournament. *See March Madness Athletic Ass'n, L.L.C. v. Netfire, Inc*., 310 F. Supp. 2d 786 (N.D. Tex. 2003) (finding without analysis the mark MARCH MADNESS to be descriptive of an annual basketball tournament).
- SPEEDY for bail bond services. *See Lederman Bonding Co. v. Sweetalia*, 83 U.S.P.Q.2d 1660, 2006 WL 2949290, at *3 (D. Colo. 2006) (finding SPEEDY for bail bond services to be descriptive "because it describes the quality of the bail bond services offered").
- BEAR for cold-weather outerwear. *See Bear U.S.A., Inc. v. A.J. Sheepskin & Leather Outerwear, Inc*., 909 F.Supp. 896, 904 (S.D.N.Y. 1995) ("The word 'bear, especially in conjunction with the image of a polar bear, is connected with the concept of cold weather and protection from the elements. It suggests that the type of outerwear and boots sold by plaintiff offer the sort

of protection afforded by bears' skins. The imagination and thought process involved in this mental association supports the conclusion that plaintiff's bear marks are suggestive, particularly as used in connection with boots and cold weather outwear.”).

- HOTELS.COM for service “providing information for others about temporary lodging; [and] travel agency services, namely, making reservations and bookings for temporary lodging for others by means of telephone and the global computer network.” *See In re Hotels.com, L.P.*, 573 F.3d 1300, 91 USPQ2d 1532 (Fed. Cir. 2009) (finding HOTELS.COM to be generic).
- QUANTUM for a health club. *See Quantum Fitness Corp. v. Quantum Lifestyle Ctrs.*, 83 F. Supp. 2d 810, 820 (S.D. Tex. 1999) (finding QUANTUM to be arbitrary for health club and reasoning, in part, that “[t]he absence of a connection between the term "quantum" and the plaintiff's products is evidenced by the frequent use of the word by third parties in a variety of different, unrelated lines of business”).
- VIAGRA for an erectile dysfunction drug. *See Pfizer Inc. v. Sachs*, 652 F. Supp. 2d 512, 520 (S.D.N.Y. 2009) (“The Viagra mark is fanciful, because the word “Viagra” was coined specifically for purposes of this trademark and has no meaning outside this context.”).
- Each of 928, 924, 944, 911, 911S, and 911SC for automobiles. *See Porsche Cars N. Am., Inc. v. Lloyd Design Corp.*, 2002 U.S. Dist. LEXIS 9612 (N.D. Ga. Mar. 26, 2002) (“[M]ost courts have held that model numbers, whether numbers or alphanumeric designations, are generally considered descriptive for the purposes of trademark protection. Although they may be "arbitrary" in the sense that they do not refer directly to a characteristic of the products, model numbers are generally intended merely to distinguish one specific product from another by a particular source, and are not intended to distinguish products from totally different sources.”).

2. The Distinctiveness Analysis of Nonverbal Marks

We have so far discussed the concept of trademark distinctiveness only in reference to word marks. But as we saw at the beginning of this Part, contemporary trademark law offers protection to far more than words and phrases. It protects image marks, sound marks, scent marks, and perhaps someday it will protect flavor or taste marks. *See In re N.V. Organon*, 79 U.S.P.Q.2d 1639, 2006 WL 1723556 (TTAB 2006) (denying registration to a mark consisting of “an orange flavor” for “pharmaceuticals for human use, namely, antidepressants in quick-dissolving tablets and pills” on the grounds that the mark lacked distinctiveness and was functional). Trademark law also protects “trade dress,” which may consist of a product’s packaging or configuration as well as nearly any other aspect of the product or service.

Over the past two decades, courts have struggled with how to analyze the distinctiveness of nonverbal marks, none more so than the Supreme Court in a series of three opinions:

- *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992) (analyzing the source-distinctiveness of a restaurant interior),
- *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159 (1995) (analyzing the source-distinctiveness of a single color), and
- *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000) (analyzing the source-distinctiveness of an apparel design).

In *Two Pesos*, the Court held that inherently distinctive trade dress could be protected without a showing of secondary meaning. In other words, and contrary to lower court case law primarily from the Second Circuit, the Court held that there was no special rule requiring that trade dress always show secondary meaning. In *Qualitex*, the Court held that a single color could qualify for trademark protection. Finally, in *Samara Bros*. (or *Wal-Mart*, as some courts prefer), the Court arguably rewrote *Two Pesos*. It described the universe of trade dress as consisting of at least two categories: product packaging trade dress and product configuration trade dress. Product packaging trade dress was deemed capable of being inherently distinctive and when it was, it did not require a showing of secondary meaning to receive protection. Product configuration trade dress, however, could never be inherently distinctive and must always be shown to have acquired distinctiveness in order to qualify for protection.

One area of distinctiveness doctrine that the Court has not explicitly addressed is how to analyze the inherent distinctiveness of product packaging. Should courts use the *Abercrombie* spectrum or some other scheme of classification? As we will see below, there is a significant circuit split on this issue.

a. Initial Supreme Court Approaches to the Analysis of Nonverbal Marks

In reading *Two Pesos*, consider the following questions:

- The jury in *Two Pesos* presented to the Court a strange set of factual findings. The trade dress at issue was inherently distinctive but it lacked secondary meaning. How is this logically possible? Or perhaps better asked, how must we define inherent distinctiveness and secondary meaning so that this can be logically possible?
- What concerns might have motivated the Second Circuit to create a rule that all trade dress must show secondary meaning to qualify for protection?
- The trade dress at issue in *Two Pesos* was unregistered and thus protected, if at all, under Section 43(a) of the Lanham Act, 15 U.S.C. §1125(a). Should the unregistered status of the trade dress have any bearing on the court's analysis of its distinctiveness?

- If, as *Two Pesos* holds, trade dress can be inherently distinctive, how should courts determine whether a specific instance of trade dress is in fact inherently distinctive? Should they simply apply the *Abercrombie* categories? Does *Two Pesos* offer any guidance on the matter?

Two Pesos, Inc. v. Taco Cabana, Inc.
505 U.S. 763 (1992)

Justice WHITE delivered the opinion of the Court.

[1] The issue in this case is whether the trade dress[1] of a restaurant may be protected under § 43(a) of the Trademark Act of 1946 (Lanham Act), 60 Stat. 441, 15 U.S.C. § 1125(a) 1982 ed.), based on a finding of inherent distinctiveness, without proof that the trade dress has secondary meaning.

I

[2] Respondent Taco Cabana, Inc., operates a chain of fast-food restaurants in Texas. The restaurants serve Mexican food. The first Taco Cabana restaurant was opened in San Antonio in September 1978, and five more restaurants had been opened in San Antonio by 1985. Taco Cabana describes its Mexican trade dress as

> "a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals. The patio includes interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building is a festive and vivid color scheme using top border paint and neon stripes. Bright awnings and umbrellas continue the theme." 932 F.2d 1113, 1117 (CA5 1991).

[3] In December 1985, a Two Pesos, Inc., restaurant was opened in Houston. Two Pesos adopted a motif very similar to the foregoing description of Taco Cabana's trade dress. Two Pesos restaurants expanded rapidly in Houston and other markets, but did not enter San Antonio. In 1986, Taco Cabana entered the Houston and Austin markets and expanded into other Texas cities, including Dallas and El Paso where Two Pesos was also doing business.

[4] In 1987, Taco Cabana sued Two Pesos in the United States District Court for the Southern District of Texas for trade dress infringement under § 43(a) of the

[1] The District Court instructed the jury: "'[T]rade dress' is the total image of the business. Taco Cabana's trade dress may include the shape and general appearance of the exterior of the restaurant, the identifying sign, the interior kitchen floor plan, the decor, the menu, the equipment used to serve food, the servers' uniforms and other features reflecting on the total image of the restaurant." 1 App. 83–84. The Court of Appeals accepted this definition and quoted from *Blue Bell Bio–Medical v. Cin–Bad, Inc.,* 864 F.2d 1253, 1256 (CA5 1989): "The 'trade dress' of a product is essentially its total image and overall appearance." See 932 F.2d 1113, 1118 (CA5 1991). It "involves the total image of a product and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques." *John H. Harland Co. v. Clarke Checks, Inc.,* 711 F.2d 966, 980 (CA11 1983). Restatement (Third) of Unfair Competition § 16, Comment *a* (Tent.Draft No. 2, Mar. 23, 1990).

Lanham Act, 15 U.S.C. § 1125(a) (1982 ed.),[2] and for theft of trade secrets under Texas common law. The case was tried to a jury, which was instructed to return its verdict in the form of answers to five questions propounded by the trial judge. The jury's answers were: Taco Cabana has a trade dress; taken as a whole, the trade dress is nonfunctional; the trade dress is inherently distinctive;[3] the trade dress has not acquired a secondary meaning[4] in the Texas market; and the alleged infringement creates a likelihood of confusion on the part of ordinary customers as to the source or association of the restaurant's goods or services. Because, as the jury was told, Taco Cabana's trade dress was protected if it either was inherently distinctive or had acquired a secondary meaning, judgment was entered awarding damages to Taco Cabana. In the course of calculating damages, the trial court held that Two Pesos had intentionally and deliberately infringed Taco Cabana's trade dress.[5]

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[2] Section 43(a) provides: "Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation." 60 Stat. 441.

This provision has been superseded by § 132 of the Trademark Law Revision Act of 1988, 102 Stat. 3946, 15 U.S.C. § 1121.

[3] The instructions were that, to be found inherently distinctive, the trade dress must not be descriptive.

[4] Secondary meaning is used generally to indicate that a mark or dress "has come through use to be uniquely associated with a specific source." Restatement (Third) of Unfair Competition § 13, Comment *e* (Tent.Draft No. 2, Mar. 23, 1990). "To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself." *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,* 456 U.S. 844, 851, n. 11, 102 S.Ct. 2182, 2187, n. 11, 72 L.Ed.2d 606 (1982).

[5] The Court of Appeals agreed: "The weight of the evidence persuades us, as it did Judge Singleton, that Two Pesos brazenly copied Taco Cabana's successful trade dress, and proceeded to expand in a manner that foreclosed several lucrative markets within Taco Cabana's natural zone of expansion." 932 F.2d, at 1127, n. 20.

[5] The Court of Appeals ruled that the instructions adequately stated the applicable law and that the evidence supported the jury's findings. In particular, the Court of Appeals rejected petitioner's argument that a finding of no secondary meaning contradicted a finding of inherent distinctiveness.

[6] In so holding, the court below followed precedent in the Fifth Circuit. In *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.,* 659 F.2d 695, 702 (CA5 1981), the court noted that trademark law requires a demonstration of secondary meaning only when the claimed trademark is not sufficiently distinctive of itself to identify the producer; the court held that the same principles should apply to protection of trade dresses. The Court of Appeals noted that this approach conflicts with decisions of other courts, particularly the holding of the Court of Appeals for the Second Circuit in *Vibrant Sales, Inc. v. New Body Boutique, Inc.,* 652 F.2d 299 (1981), cert. denied, 455 U.S. 909 (1982), that § 43(a) protects unregistered trademarks or designs only where secondary meaning is shown. *Chevron, supra,* at 702. We granted certiorari to resolve the conflict among the Courts of Appeals on the question whether trade dress that is inherently distinctive is protectible under § 43(a) without a showing that it has acquired secondary meaning. 502 U.S. 1071 (1992). We find that it is, and we therefore affirm.

II

[7] The Lanham Act[6] was intended to make "actionable the deceptive and misleading use of marks" and "to protect persons engaged in ... commerce against unfair competition." § 45, 15 U.S.C. § 1127. Section 43(a) "prohibits a broader range of practices than does § 32," which applies to registered marks, *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,* 456 U.S. 844, 858 (1982), but it is common ground that § 43(a) protects qualifying unregistered trademarks and that the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a). See *A.J. Canfield Co. v. Honickman,* 808 F.2d 291, 299, n. 9 (CA3 1986); *Thompson Medical Co. v. Pfizer Inc.,* 753 F.2d 208, 215–216 (CA2 1985).

[8] A trademark is defined in 15 U.S.C. § 1127 as including "any word, name, symbol, or device or any combination thereof" used by any person "to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." In order to be registered, a mark must be capable of distinguishing the applicant's goods from those of others. § 1052. Marks are often classified in categories of generally increasing distinctiveness; following the classic formulation set out by Judge Friendly, they may be (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. See *Abercrombie & Fitch Co. v. Hunting World, Inc.,* 537

[6] The Lanham Act, including the provisions at issue here, has been substantially amended since the present suit was brought. See Trademark Law Revision Act of 1988, 102 Stat. 3946, 15 U.S.C. § 1121.

F.2d 4, 9 (CA2 1976). The Court of Appeals followed this classification and petitioner accepts it. The latter three categories of marks, because their intrinsic nature serves to identify a particular source of a product, are deemed inherently distinctive and are entitled to protection. In contrast, generic marks—those that "refe[r] to the genus of which the particular product is a species," *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.,* 469 U.S. 189, 194 (1985), citing *Abercrombie & Fitch, supra,* at 9—are not registrable as trademarks. *Park 'N Fly, supra,* 469 U.S., at 194.

[9] Marks which are merely descriptive of a product are not inherently distinctive. When used to describe a product, they do not inherently identify a particular source, and hence cannot be protected. However, descriptive marks may acquire the distinctiveness which will allow them to be protected under the Act. Section 2 of the Lanham Act provides that a descriptive mark that otherwise could not be registered under the Act may be registered if it "has become distinctive of the applicant's goods in commerce." §§ 2(e), (f), 15 U.S.C. §§ 1052(e), (f). See *Park 'N Fly, supra,* at 194, 196. This acquired distinctiveness is generally called "secondary meaning." See *ibid.; Inwood Laboratories, supra,* 456 U.S., at 851, n. 11; *Kellogg Co. v. National Biscuit Co.,* 305 U.S. 111, 118 (1938). The concept of secondary meaning has been applied to actions under § 43(a). See, *e.g., University of Georgia Athletic Assn. v. Laite,* 756 F.2d 1535 (CA11 1985); *Thompson Medical Co. v. Pfizer Inc., supra.*

[10] The general rule regarding distinctiveness is clear: An identifying mark is distinctive and capable of being protected if it *either* (1) is inherently distinctive *or* (2) has acquired distinctiveness through secondary meaning. Restatement (Third) of Unfair Competition § 13, pp. 37–38, and Comment *a* (Tent. Draft No. 2, Mar. 23, 1990). Cf. *Park 'N Fly, supra,* 469 U.S., at 194. It is also clear that eligibility for protection under § 43(a) depends on nonfunctionality. See, *e.g., Inwood Laboratories, supra,* 456 U.S., at 863 (WHITE, J., concurring in result); see also, *e.g., Brunswick Corp. v. Spinit Reel Co.,* 832 F.2d 513, 517 (CA10 1987); *First Brands Corp. v. Fred Meyers, Inc.,* 809 F.2d 1378, 1381 (CA9 1987); *Stormy Clime Ltd. v. ProGroup, Inc.,* 809 F.2d 971, 974 (CA2 1987); *AmBrit, Inc. v. Kraft, Inc.,*812 F.2d 1531, 1535 (CA11 1986); *American Greetings Corp. v. Dan–Dee Imports, Inc.,* 807 F.2d 1136, 1141 (CA3 1986). It is, of course, also undisputed that liability under § 43(a) requires proof of the likelihood of confusion. See, *e.g., Brunswick Corp., supra,* at 516–517; *AmBrit, supra,* at 1535; *First Brands, supra,* at 1381; *Stormy Clime, supra,* at 974; *American Greetings, supra,* at 1141.

[11] The Court of Appeals determined that the District Court's instructions were consistent with the foregoing principles and that the evidence supported the jury's verdict. Both courts thus ruled that Taco Cabana's trade dress was not descriptive but rather inherently distinctive, and that it was not functional. None of these rulings is before us in this case, and for present purposes we assume, without deciding, that each of them is correct. In going on to affirm the judgment for respondent, the Court of Appeals, following its prior decision in *Chevron,* held that Taco Cabana's inherently distinctive trade dress was entitled to protection despite the lack of proof of secondary meaning. It is this issue that is before us for decision,

and we agree with its resolution by the Court of Appeals. There is no persuasive reason to apply to trade dress a general requirement of secondary meaning which is at odds with the principles generally applicable to infringement suits under § 43(a). Petitioner devotes much of its briefing to arguing issues that are not before us, and we address only its arguments relevant to whether proof of secondary meaning is essential to qualify an inherently distinctive trade dress for protection under § 43(a).

[12] Petitioner argues that the jury's finding that the trade dress has not acquired a secondary meaning shows conclusively that the trade dress is not inherently distinctive. The Court of Appeals' disposition of this issue was sound:

> "Two Pesos' argument—that the jury finding of inherent distinctiveness contradicts its finding of no secondary meaning in the Texas market—ignores the law in this circuit. While the necessarily imperfect (and often prohibitively difficult) methods for assessing secondary meaning address the empirical question of current consumer association, the legal recognition of an inherently distinctive trademark or trade dress acknowledges the owner's legitimate proprietary interest in its unique and valuable informational device, regardless of whether substantial consumer association yet bestows the additional empirical protection of secondary meaning." 932 F.2d, at 1120, n. 7.

[13] Although petitioner makes the above argument, it appears to concede elsewhere in its brief that it is possible for a trade dress, even a restaurant trade dress, to be inherently distinctive and thus eligible for protection under § 43(a). Recognizing that a general requirement of secondary meaning imposes "an unfair prospect of theft [or] financial loss" on the developer of fanciful or arbitrary trade dress at the outset of its use, petitioner suggests that such trade dress should receive limited protection without proof of secondary meaning. *Id.,* at 10. Petitioner argues that such protection should be only temporary and subject to defeasance when over time the dress has failed to acquire a secondary meaning. This approach is also vulnerable for the reasons given by the Court of Appeals. If temporary protection is available from the earliest use of the trade dress, it must be because it is neither functional nor descriptive, but an inherently distinctive dress that is capable of identifying a particular source of the product. Such a trade dress, or mark, is not subject to copying by concerns that have an equal opportunity to choose their own inherently distinctive trade dress. To terminate protection for failure to gain secondary meaning over some unspecified time could not be based on the failure of the dress to retain its fanciful, arbitrary, or suggestive nature, but on the failure of the user of the dress to be successful enough in the marketplace. This is not a valid basis to find a dress or mark ineligible for protection. The user of such a trade dress should be able to maintain what competitive position it has and continue to seek wider identification among potential customers.

[14] This brings us to the line of decisions by the Court of Appeals for the Second Circuit that would find protection for trade dress unavailable absent proof of secondary meaning, a position that petitioner concedes would have to be modified if the temporary protection that it suggests is to be recognized. In *Vibrant Sales, Inc. v. New Body Boutique, Inc.,* 652 F.2d 299 (1981), the plaintiff claimed protection under § 43(a) for a product whose features the defendant had allegedly copied. The Court of Appeals held that unregistered marks did not enjoy the "presumptive source association" enjoyed by registered marks and hence could not qualify for protection under § 43(a) without proof of secondary meaning. *Id.,* at 303, 304. The court's rationale seemingly denied protection for unregistered, but inherently distinctive, marks of all kinds, whether the claimed mark used distinctive words or symbols or distinctive product design. The court thus did not accept the arguments that an unregistered mark was capable of identifying a source and that copying such a mark could be making any kind of a false statement or representation under § 43(a).

[15] This holding is in considerable tension with the provisions of the Lanham Act. If a verbal or symbolic mark or the features of a product design may be registered under § 2, it necessarily is a mark "by which the goods of the applicant may be distinguished from the goods of others," 60 Stat. 428, and must be registered unless otherwise disqualified. Since § 2 requires secondary meaning only as a condition to registering descriptive marks, there are plainly marks that are registrable without showing secondary meaning. These same marks, even if not registered, remain inherently capable of distinguishing the goods of the users of these marks. Furthermore, the copier of such a mark may be seen as falsely claiming that his products may for some reason be thought of as originating from the plaintiff.

[16] Some years after *Vibrant,* the Second Circuit announced in *Thompson Medical Co. v. Pfizer Inc.,* 753 F.2d 208 (1985), that in deciding whether an unregistered mark is eligible for protection under § 43(a), it would follow the classification of marks set out by Judge Friendly in *Abercrombie & Fitch,* 537 F.2d, at 9. Hence, if an unregistered mark is deemed merely descriptive, which the verbal mark before the court proved to be, proof of secondary meaning is required; however, "[s]uggestive marks are eligible for protection without any proof of secondary meaning, since the connection between the mark and the source is presumed." 753 F.2d, at 216. The Second Circuit has nevertheless continued to deny protection for trade dress under § 43(a) absent proof of secondary meaning, despite the fact that § 43(a) provides no basis for distinguishing between trademark and trade dress. See, *e.g., Stormy Clime Ltd. v. ProGroup, Inc.,* 809 F.2d, at 974; *Union Mfg. Co. v. Han Baek Trading Co.,* 763 F.2d 42, 48 (1985); *LeSportsac, Inc. v. K mart Corp.,* 754 F.2d 71, 75 (1985).

[17] The Fifth Circuit was quite right in *Chevron,* and in this case, to follow the *Abercrombie* classifications consistently and to inquire whether trade dress for which protection is claimed under § 43(a) is inherently distinctive. If it is, it is capable of identifying products or services as coming from a specific source and

secondary meaning is not required. This is the rule generally applicable to trademarks, and the protection of trademarks and trade dress under § 43(a) serves the same statutory purpose of preventing deception and unfair competition. There is no persuasive reason to apply different analysis to the two. The "proposition that secondary meaning must be shown even if the trade dress is a distinctive, identifying mark, [is] wrong, for the reasons explained by Judge Rubin for the Fifth Circuit in *Chevron.*" *Blau Plumbing, Inc. v. S.O.S. Fix–It, Inc.,* 781 F.2d 604, 608 (CA7 1986). The Court of Appeals for the Eleventh Circuit also follows *Chevron, AmBrit, Inc. v. Kraft, Inc.,* 805 F.2d 974, 979 (1986), and the Court of Appeals for the Ninth Circuit appears to think that proof of secondary meaning is superfluous if a trade dress is inherently distinctive, *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.,* 826 F.2d 837, 843 (1987).

[18] It would be a different matter if there were textual basis in § 43(a) for treating inherently distinctive verbal or symbolic trademarks differently from inherently distinctive trade dress. But there is none. The section does not mention trademarks or trade dress, whether they be called generic, descriptive, suggestive, arbitrary, fanciful, or functional. Nor does the concept of secondary meaning appear in the text of § 43(a). Where secondary meaning does appear in the statute, 15 U.S.C. § 1052 (1982 ed.), it is a requirement that applies only to merely descriptive marks and not to inherently distinctive ones. We see no basis for requiring secondary meaning for inherently distinctive trade dress protection under § 43(a) but not for other distinctive words, symbols, or devices capable of identifying a producer's product.

[19] Engrafting onto § 43(a) a requirement of secondary meaning for inherently distinctive trade dress also would undermine the purposes of the Lanham Act. Protection of trade dress, no less than of trademarks, serves the Act's purpose to "secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation." *Park 'N Fly,* 469 U.S., at 198, 105 S.Ct., at 663, citing S.Rep. No. 1333, 79th Cong., 2d Sess., 3–5 (1946) (citations omitted). By making more difficult the identification of a producer with its product, a secondary meaning requirement for a nondescriptive trade dress would hinder improving or maintaining the producer's competitive position.

[20] Suggestions that under the Fifth Circuit's law, the initial user of any shape or design would cut off competition from products of like design and shape are not persuasive. Only nonfunctional, distinctive trade dress is protected under § 43(a). The Fifth Circuit holds that a design is legally functional, and thus unprotectible, if it is one of a limited number of equally efficient options available to competitors and free competition would be unduly hindered by according the design trademark protection. See *Sicilia Di R. Biebow & Co. v. Cox,* 732 F.2d 417, 426 (1984). This

serves to assure that competition will not be stifled by the exhaustion of a limited number of trade dresses.

[21] On the other hand, adding a secondary meaning requirement could have anticompetitive effects, creating particular burdens on the startup of small companies. It would present special difficulties for a business, such as respondent, that seeks to start a new product in a limited area and then expand into new markets. Denying protection for inherently distinctive nonfunctional trade dress until after secondary meaning has been established would allow a competitor, which has not adopted a distinctive trade dress of its own, to appropriate the originator's dress in other markets and to deter the originator from expanding into and competing in these areas.

[22] As noted above, petitioner concedes that protecting an inherently distinctive trade dress from its inception may be critical to new entrants to the market and that withholding protection until secondary meaning has been established would be contrary to the goals of the Lanham Act. Petitioner specifically suggests, however, that the solution is to dispense with the requirement of secondary meaning for a reasonable, but brief, period at the outset of the use of a trade dress. Reply Brief for Petitioner 11–12. If § 43(a) does not require secondary meaning at the outset of a business' adoption of trade dress, there is no basis in the statute to support the suggestion that such a requirement comes into being after some unspecified time.

III

[23] We agree with the Court of Appeals that proof of secondary meaning is not required to prevail on a claim under § 43(a) of the Lanham Act where the trade dress at issue is inherently distinctive, and accordingly the judgment of that court is affirmed.

It is so ordered.

Justice SCALIA, concurring [omitted]

Justice STEVENS, concurring in the judgment.

[1] As the Court notes in its opinion, the text of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982 ed.), “does not mention trademarks or trade dress.” *Ante,* at 2760. Nevertheless, the Court interprets this section as having created a federal cause of action for infringement of an unregistered trademark or trade dress and concludes that such a mark or dress should receive essentially the same protection as those that are registered. Although I agree with the Court's conclusion, I think it is important to recognize that the meaning of the text has been transformed by the federal courts over the past few decades. I agree with this transformation, even though it marks a departure from the original text, because it is consistent with the purposes of the statute and has recently been endorsed by Congress.

[2] It is appropriate to begin with the relevant text of § 43(a). See, *e.g., Moskal v. United States,* 498 U.S. 103 (1990); *K mart Corp. v. Cartier, Inc.,* 486 U.S. 281, 291 (1988); *United States v. Turkette,* 452 U.S. 576, 580 (1981). Section 43(a)[7] provides a federal remedy for using either "a false designation of origin" or a "false description or representation" in connection with any goods or services. The full text of the section makes it clear that the word "origin" refers to the geographic location in which the goods originated, and in fact, the phrase "false designation of origin" was understood to be limited to false advertising of geographic origin. For example, the "false designation of origin" language contained in the statute makes it unlawful to represent that California oranges came from Florida, or vice versa.[8]

[3] For a number of years after the 1946 enactment of the Lanham Act, a "false description or representation," like "a false designation of origin," was construed narrowly. The phrase encompassed two kinds of wrongs: false advertising[9] and the common-law tort of "passing off."[10] False advertising meant representing that goods

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[7] Section 43(a) replaced and extended the coverage of § 3 of the Trademark Act of 1920, 41 Stat. 534, as amended. Section 3 was destined for oblivion largely because it referred only to false designation of origin, was limited to articles of merchandise, thus excluding services, and required a showing that the use of the false designation of origin occurred "willfully and with intent to deceive." *Ibid.* As a result, "[a]lmost no reported decision can be found in which relief was granted to either a United States or foreign party based on this newly created remedy." Derenberg, Federal Unfair Competition Law at the End of the First Decade of the Lanham Act: Prologue or Epilogue?, 32 N.Y.U.L.Rev. 1029, 1034 (1957).

[8] This is clear from the fact that the cause of action created by this section is available only to a person doing business in the locality falsely indicated as that of origin. See n. 1, *supra.*

[9] The deleterious effects of false advertising were described by one commentator as follows: "[A] campaign of false advertising may completely discredit the product of an industry, destroy the confidence of consumers and impair a communal or trade good will. Less tangible but nevertheless real is the injury suffered by the honest dealer who finds it necessary to meet the price competition of inferior goods, glamorously misdescribed by the unscrupulous merchant. The competition of a liar is always dangerous even though the exact injury may not be susceptible of precise proof." Handler, Unfair Competition, 21 Iowa L.Rev. 175, 193 (1936).

[10] The common-law tort of passing off has been described as follows:

"Beginning in about 1803, English and American common law slowly developed an offshoot of the tort of fraud and deceit and called it 'passing off' or 'palming off.' Simply stated, passing off as a tort consists of one passing off his goods as the goods of another. In 1842 Lord Langdale wrote:

or services possessed characteristics that they did not actually have and passing off meant representing one's goods as those of another. Neither "secondary meaning" nor "inherent distinctiveness" had anything to do with false advertising, but proof of secondary meaning was an element of the common-law passing-off cause of action. See, *e.g., G. & C. Merriam Co. v. Saalfield,* 198 F. 369, 372 (CA6 1912) ("The ultimate offense always is that defendant has passed off his goods as and for those of the complainant").

II

[4] Over time, the Circuits have expanded the categories of "false designation of origin" and "false description or representation." One treatise[11] identified the Court of Appeals for the Sixth Circuit as the first to broaden the meaning of "origin" to include "origin of source or manufacture" in addition to geographic origin.[12] Another early case, described as unique among the Circuit cases because it was so "forward-looking,"[13] interpreted the "false description or representation" language to mean more than mere "palming off." *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.,* 214 F.2d 649 (CA3 1954). The court explained: "We find nothing in the legislative history of the Lanham Act to justify the view that [§ 43(a)] is merely declarative of existing law.... It seems to us that Congress has defined a statutory civil wrong of false representation of goods in commerce and has given a broad class of suitors injured or likely to be injured by such wrong the right to relief in the federal courts." *Id.,* at 651. Judge Clark, writing a concurrence in 1956, presciently observed: "Indeed, there is indication here and elsewhere that the bar has not yet realized the potential impact of this statutory provision [§ 43(a)]." *Maternally Yours, Inc. v. Your Maternity Shop, Inc.,* 234 F.2d 538, 546(CA2). Although some have criticized the expansion as unwise,[14] it is now "a firmly embedded reality."[15] The United States Trade[mark]

"'I think that the principle on which both the courts of law and equity proceed is very well understood. A man is not to sell his own goods under the pretence that they are the goods of another man....'

"In 19th century cases, trademark infringement embodied much of the elements of fraud and deceit from which trademark protection developed. That is, the element of fraudulent intent was emphasized over the objective facts of consumer confusion." 1 J. McCarthy, Trademarks and Unfair Competition § 5.2, p. 133 (2d ed. 1984) (McCarthy) (footnotes omitted).

[11] 2 *id.,* § 27:3, p. 345.

[12] Federal–Mogul–Bower Bearings, Inc. v. Azoff, 313 F.2d 405, 408 (6th Cir. 1963).

[13] Derenberg, 32 N.Y.U.L.Rev., at 1047, 1049.

[14] See, *e.g.,* Germain, Unfair Trade Practices Under § 43(a) of the Lanham Act: You've Come a Long Way Baby—Too Far, Maybe?, 64 Trademark Rep. 193, 194 (1974) ("It is submitted that the cases have applied Section 43(a) to situations it

Association Trademark Review Commission noted this transformation with approval: "Section 43(a) is an enigma, but a very popular one. Narrowly drawn and intended to reach false designations or representations as to the geographical origin of products, the section has been widely interpreted to create, in essence, a federal law of unfair competition.... It has definitely eliminated a gap in unfair competition law, and its vitality is showing no signs of age."[16]

[5] Today, it is less significant whether the infringement falls under "false designation of origin" or "false description or representation"[17] because in either case § 43(a) may be invoked. The federal courts are in agreement that § 43(a) creates a federal cause of action for trademark and trade dress infringement claims. 1 J. Gilson, Trademark Protection and Practice § 2.13, p. 2–178 (1991). They are also in agreement that the test for liability is likelihood of confusion: "[U]nder the Lanham Act [§ 43(a)], the ultimate test is whether the public is likely to be deceived or confused by the similarity of the marks.... Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical—is there a 'likelihood of confusion?'" *New West Corp. v. NYM Co. of California, Inc.,* 595 F.2d 1194, 1201 (CA9 1979) (footnote omitted). And the Circuits are in general agreement, with perhaps the exception of the Second Circuit,[18] that secondary

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was not intended to cover and have used it in ways that it was not designed to function").

[15] 2 McCarthy § 27:3, p. 345.

[16] The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 Trademark Rep. 375, 426 (1987). [In the body of his opinion, Justice Stevens appears to have misnamed the United States Trademark Association, which was the predecessor organization of the International Trademark Association].

[17] Indeed, in count one of the complaint, respondent alleged that petitioner "is continuing to affix, apply, or use in connection with its restaurants, goods and services a false designation o[f] origin, or a false description and representation, tending to falsely describe or represent the same," and that petitioner "has falsely designated the origin of its restaurants, goods and services and has falsely described and represented the same...." App. 44–45; see Tr. of Oral Arg. 37.

[18] Consistent with the common-law background of § 43(a), the Second Circuit has said that proof of secondary meaning is required to establish a claim that the defendant has traded on the plaintiff's good will by falsely representing that his goods are those of the plaintiff. See, *e.g., Crescent Tool Co. v. Kilborn & Bishop Co.,* 247 F. 299 (1917). To my knowledge, however, the Second Circuit has not explained why "inherent distinctiveness" is not an appropriate substitute for proof of secondary meaning in a trade dress case. Most of the cases in which the Second Circuit has said that secondary meaning is required did not involve findings of inherent distinctiveness. For example, in *Vibrant Sales, Inc. v. New Body Boutique, Inc.,* 652

meaning need not be established once there is a finding of inherent distinctiveness in order to establish a trade dress violation under § 43(a).

III

[6] Even though the lower courts' expansion of the categories contained in § 43(a) is unsupported by the text of the Act, I am persuaded that it is consistent with the general purposes of the Act. For example, Congressman Lanham, the bill's sponsor, stated: "The purpose of [the Act] is to protect legitimate business and the consumers of the country."[19] 92 Cong.Rec. 7524 (1946). One way of accomplishing these dual goals was by creating uniform legal rights and remedies that were appropriate for a national economy. Although the protection of trademarks had once been "entirely a State matter," the result of such a piecemeal approach was that there were almost "as many different varieties of common law as there are States" so that a person's right to a trademark "in one State may differ widely from the rights which [that person] enjoys in another." H.R.Rep. No. 944, 76th Cong., 1st Sess., 4 (1939). The House Committee on Trademarks and Patents, recognizing that "trade is no longer local, but ...national," saw the need for "national legislation along

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F.2d 299 (1981), cert. denied, 455 U.S. 909, 102 S.Ct. 1257, 71 L.Ed.2d 448 (1982), the product at issue—a velcro belt—was functional and lacked "any distinctive, unique or non-functional mark or feature." 652 F.2d, at 305. Similarly, in *Stormy Clime Ltd. v. ProGroup, Inc.,* 809 F.2d 971, 977 (1987), the court described functionality as a continuum, and placed the contested rainjacket closer to the functional end than to the distinctive end. Although the court described the lightweight bag in *LeSportsac, Inc. v. K mart Corp.,* 754 F.2d 71 (1985), as having a distinctive appearance and concluded that the District Court's finding of nonfunctionality was not clearly erroneous, *id.,* at 74, it did not explain why secondary meaning was also required in such a case.

[19] The Senate Report elaborated on these two goals:

> "The purpose underlying any trade-mark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well-established rule of law protecting both the public and the trade-mark owner." S.Rep. No. 1333, 79th Cong., 2d Sess., 3 (1946).

By protecting trademarks, Congress hoped "to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not. This is the end to which this bill is directed." *Id.*, at 4.

national lines [to] secur[e] to the owners of trademarks in interstate commerce definite rights." *Ibid.*[20]

[7] Congress has revisited this statute from time to time, and has accepted the "judicial legislation" that has created this federal cause of action. Recently, for example, in the Trademark Law Revision Act of 1988, 102 Stat. 3935, Congress codified the judicial interpretation of § 43(a), giving its *imprimatur* to a growing body of case law from the Circuits that had expanded the section beyond its original language.

[8] Although Congress has not specifically addressed the question whether secondary meaning is required under § 43(a), the steps it has taken in this subsequent legislation suggest that secondary meaning is not required if inherent distinctiveness has been established.[21] First, Congress broadened the language of § 43(a) to make explicit that the provision prohibits "any word, term, name, symbol, or device, or any combination thereof" that 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). That language makes clear that a confusingly similar trade dress is actionable under § 43(a), without necessary reference to "falsity." Second, Congress approved and confirmed the extensive judicial development under the provision, including its application to trade dress that the federal courts had come to apply.[22] Third, the

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[20] Forty years later, the USTA Trademark Review Commission assessed the state of trademark law. The conclusion that it reached serves as a testimonial to the success of the Act in achieving its goal of uniformity: "The federal courts now decide, under federal law, all but a few trademark disputes. State trademark law and state courts are less influential than ever. Today the Lanham Act is the paramount source of trademark law in the United States, as interpreted almost exclusively by the federal courts." Trademark Review Commission, 77 Trademark Rep., at 377.

[21] "When several acts of Congress are passed touching the same subject-matter, subsequent legislation may be considered to assist in the interpretation of prior legislation upon the same subject." *Tiger v. Western Investment Co.,* 221 U.S. 286, 309 (1911); see *NLRB v. Bell Aerospace Co. Division of Textron, Inc.,* 416 U.S. 267, 275 (1974); *Red Lion Broadcasting Co. v. FCC,* 395 U.S. 367, 380–381 (1969); *United States v. Stafoff,* 260 U.S. 477, 480 (1923) (opinion of Holmes, J.).

[22] As the Senate Report explained, revision of § 43(a) is designed "to codify the interpretation it has been given by the courts. Because Section 43(a) of the Act fills an important gap in federal unfair competition law, the committee expects the courts to continue to interpret the section.

"As written, Section 43(a) appears to deal only with false descriptions or representations and false designations of geographic origin. Since its enactment in 1946, however, it has been widely interpreted as creating, in essence, a federal law legislative history of the 1988 amendments reaffirms Congress' goals of protecting both businesses and consumers with the Lanham Act.[23] And fourth, Congress explicitly extended to any violation of § 43(a) the basic Lanham Act remedial provisions whose text previously covered only registered trademarks.[24] The aim of the amendments was to apply the same protections to unregistered marks as were already afforded to registered marks. See S.Rep. No. 100–515, p. 40 (1988). These steps buttress the conclusion that § 43(a) is properly understood to provide protection in accordance with the standards for registration in § 2. These aspects of the 1988 legislation bolster the claim that an inherently distinctive trade dress may be protected under § 43(a) without proof of secondary meaning.

IV

[9] In light of the consensus among the Courts of Appeals that have actually addressed the question, and the steps on the part of Congress to codify that consensus, *stare decisis* concerns persuade me to join the Court's conclusion that secondary meaning is not required to establish a trade dress violation under § 43(a) once inherent distinctiveness has been established. Accordingly, I concur in the judgment, but not in the opinion, of the Court.

Justice THOMAS, concurring in the judgment [omitted]

Comments and Questions

1. *Taco Cabana eventually purchased Two Pesos*. After winning the $3.7 million jury award in the above case, Taco Cabana again sued Two Pesos for failing to make court-ordered changes in its trade dress. As part of the settlement of this dispute, Taco Cabana eventually purchased Two Pesos. *See* http://en.wikipedia.org/wiki/Taco_Cabana. *See also* Ron Ruggless, *Taco Cabana Buys Rival Two Pesos*, NATION'S RESTAURANT NEWS, Jan. 25, 1993.

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of unfair competition. For example, it has been applied to cases involving the infringement of unregistered marks, violations of trade dress and certain nonfunctional configurations of goods and actionable false advertising claims." S.Rep. No. 100–515, p. 40 (1988) U.S.Code Cong. & Admin.News 1988, pp. 5577, 5605.

[23] "Trademark protection is important to both consumers and producers. Trademark law protects the public by making consumers confident that they can identify brands they prefer and can purchase those brands without being confused or misled. Trademark laws also protec[t] trademark owners. When the owner of a trademark has spent conside[r]able time and money bringing a product to the marketplace, trademark law protects the producer from pirates and counterfeiters." *Id.,* at 4.

[24] See 15 U.S.C. §§ 1114, 1116–1118.

2. *The advantages and disadvantages of defining trade dress broadly and narrowly*. Courts commonly claim that trade dress constitutes the "total image and overall appearance" of a product, *Blue Bell Bio-Medical v. Cin-Bad, Inc*., 864 F.2d 1253, 1256 (5th Cir. 1989). *See also Chun King Sales, Inc. v. Oriental Foods, Inc*., 136 F. Supp. 659, 664 (D. Cal. 1955) (analyzing "the *tout ensemble* of the article as it appears to the average buyer"). Yet courts also typically require that the plaintiff specify and even enumerate the combination of elements it is claiming as protectable trade dress. *See, e.g., Sports Traveler, Inc. v. Advance Magazine Publishers, Inc*., 25 F. Supp. 2d 154, 162 (S.D.N.Y. 1998) ("Despite this mandate to focus on the overall appearance of the product, a plaintiff must still articulate the specific elements of the trade dress that render the trade dress unique or novel, that is, capable of being an identifier for the product's source."); *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc*., 280 F.3d 619, 635 (6th Cir. 2002) (stating that a plaintiff is "expected to list the elements of the designs and the unique combinations it [seeks] to protect…."). *Cf. General Motors Corp. v. Lanard Toys, Inc*., 468 F.3d 405, 415 (6th Cir. 2006) (finding sufficient plaintiff's definition of the trade dress of its hummer and humvee vehicles as "the exterior appearance and styling of the vehicle design which includes the grille, slanted and raised hood, split windshield, rectangular doors, squared edges, etc.").

What strategic considerations may come into play in how a plaintiff defines its trade dress? What are the costs and benefits of defining it too broadly or too narrowly?

In reading *Qualitex*, consider the following questions:

- It is often remarked that the Court's holding in *Qualitex* is in significant tension with its previous holding in *Two Pesos*. Do you detect any tension between the holdings of the two cases?
- Does Justice Breyer's analysis apply as well to a combination of two or more colors?
- In light of *Qualitex*, how do you predict courts will treat smells, textures, and tastes? Are such marks capable of inherent distinctiveness?
- Based on Justice Stevens' concurrence in *Two Pesos* and Justice Breyer's opinion for the Court in *Qualitex*, how would you characterize the approach over time of lawmakers and courts to the protectable subject matter of trademark law?

Qualitex Co. v. Jacobson Products Co., Inc.
514 U.S. 159 (1995)

Justice BREYER delivered the opinion of the Court.

[1] The question in this case is whether the Trademark Act of 1946 (Lanham Act), 15 U.S.C. §§ 1051–1127 (1988 ed. and Supp. V), permits the registration of a trademark that consists, purely and simply, of a color. We conclude that, sometimes, a color will meet ordinary legal trademark requirements. And, when it does so, no special legal rule prevents color alone from serving as a trademark.

I

[2] The case before us grows out of petitioner Qualitex Company's use (since the 1950's) of a special shade of green-gold color on the pads that it makes and sells to dry cleaning firms for use on dry cleaning presses. In 1989, respondent Jacobson Products (a Qualitex rival) began to sell its own press pads to dry cleaning firms; and it colored those pads a similar green gold. In 1991, Qualitex registered the special green-gold color on press pads with the Patent and Trademark Office as a trademark. Registration No. 1,633,711 (Feb. 5, 1991). Qualitex subsequently added a trademark infringement count, 15 U.S.C. § 1114(1), to an unfair competition claim, § 1125(a), in a lawsuit it had already filed challenging Jacobson's use of the green-gold color.

[3] Qualitex won the lawsuit in the District Court. 1991 WL 318798 (CD Cal.1991). But, the Court of Appeals for the Ninth Circuit set aside the judgment in Qualitex's favor on the trademark infringement claim because, in that Circuit's view, the Lanham Act does not permit Qualitex, or anyone else, to register "color alone" as a trademark. 13 F.3d 1297, 1300, 1302 (1994).

[4] The Courts of Appeals have differed as to whether or not the law recognizes the use of color alone as a trademark. Compare *NutraSweet Co. v. Stadt Corp.,* 917 F.2d 1024, 1028 (CA7 1990) (absolute prohibition against protection of color alone), with *In re Owens–Corning Fiberglas Corp.,* 774 F.2d 1116, 1128 (CA Fed. 1985) (allowing registration of color pink for fiberglass insulation), and *Master Distributors, Inc. v. Pako Corp.,* 986 F.2d 219, 224 (CA8 1993) (declining to establish *per se* prohibition against protecting color alone as a trademark). Therefore, this Court granted certiorari. 512 U.S. 1287 (1994). We now hold that there is no rule absolutely barring the use of color alone, and we reverse the judgment of the Ninth Circuit.

II

[5] The Lanham Act gives a seller or producer the exclusive right to "register" a trademark, 15 U.S.C. § 1052 (1988 ed. and Supp. V), and to prevent his or her competitors from using that trademark, § 1114(1). Both the language of the Act and the basic underlying principles of trademark law would seem to include color within the universe of things that can qualify as a trademark. The language of the Lanham Act describes that universe in the broadest of terms. It says that trademarks

"includ[e] any word, name, symbol, or device, or any combination thereof." § 1127. Since human beings might use as a "symbol" or "device" almost anything at all that is capable of carrying meaning, this language, read literally, is not restrictive. The courts and the Patent and Trademark Office have authorized for use as a mark a particular shape (of a Coca–Cola bottle), a particular sound (of NBC's three chimes), and even a particular scent (of plumeria blossoms on sewing thread). See, *e.g.,* Registration No. 696,147 (Apr. 12, 1960); Registration Nos. 523,616 (Apr. 4, 1950) and 916,522 (July 13, 1971); *In re Clarke,* 17 U.S.P.Q.2d 1238, 1240 (TTAB 1990). If a shape, a sound, and a fragrance can act as symbols why, one might ask, can a color not do the same?

[6] A color is also capable of satisfying the more important part of the statutory definition of a trademark, which requires that a person "us[e]" or "inten[d] to use" the mark

> "to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." 15 U.S.C. § 1127.

True, a product's color is unlike "fanciful," "arbitrary," or "suggestive" words or designs, which almost *automatically* tell a customer that they refer to a brand. *Abercrombie & Fitch Co. v. Hunting World, Inc.,* 537 F.2d 4, 9–10 (CA2 1976) (Friendly, J.); see *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 768 (1992). The imaginary word "Suntost," or the words "Suntost Marmalade," on a jar of orange jam immediately would signal a brand or a product "source"; the jam's orange color does not do so. But, over time, customers may come to treat a particular color on a product or its packaging (say, a color that in context seems unusual, such as pink on a firm's insulating material or red on the head of a large industrial bolt) as signifying a brand. And, if so, that color would have come to identify and distinguish the goods— *i.e.,* "to indicate" their "source"—much in the way that descriptive words on a product (say, "Trim" on nail clippers or "Car–Freshner" on deodorizer) can come to indicate a product's origin. See, *e.g., J. Wiss & Sons Co. v. W.E. Bassett Co.,* 59 C.C.P.A. 1269, 1271 (Pat.), 462 F.2d 567, 569 (1972); *Car–Freshner Corp. v. Turtle Wax, Inc.,* 268 F.Supp. 162, 164 (SDNY 1967). In this circumstance, trademark law says that the word (*e.g.,* "Trim"), although not inherently distinctive, has developed "secondary meaning." See *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,* 456 U.S. 844, 851, n. 11, (1982) ("[S]econdary meaning" is acquired when "in the minds of the public, the primary significance of a product feature ... is to identify the source of the product rather than the product itself"). Again, one might ask, if trademark law permits a descriptive word with secondary meaning to act as a mark, why would it not permit a color, under similar circumstances, to do the same?

[7] We cannot find in the basic objectives of trademark law any obvious theoretical objection to the use of color alone as a trademark, where that color has attained "secondary meaning" and therefore identifies and distinguishes a particular brand (and thus indicates its "source"). In principle, trademark law, by preventing

others from copying a source-identifying mark, "reduce[s] the customer's costs of shopping and making purchasing decisions," 1 J. McCarthy, McCarthy on Trademarks and Unfair Competition § 2.01[2], p. 2–3 (3d ed. 1994) (hereinafter McCarthy), for it quickly and easily assures a potential customer that *this* item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. The law thereby "encourage[s] the production of quality products," *ibid.,* and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer's inability quickly to evaluate the quality of an item offered for sale. See, *e.g.,* 3 L. Altman, Callmann on Unfair Competition, Trademarks and Monopolies § 17.03 (4th ed. 1983); Landes & Posner, The Economics of Trademark Law, 78 T.M. Rep. 267, 271–272 (1988); *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.,* 469 U.S. 189, 198 (1985); S.Rep. No. 100–515, p. 4 (1988) U.S.Code Cong. & Admin.News, 1988, pp. 5577, 5580. It is the source-distinguishing ability of a mark—not its ontological status as color, shape, fragrance, word, or sign—that permits it to serve these basic purposes. See Landes & Posner, Trademark Law: An Economic Perspective, 30 J.Law & Econ. 265, 290 (1987). And, for that reason, it is difficult to find, in basic trademark objectives, a reason to disqualify absolutely the use of a color as a mark.

[8] Neither can we find a principled objection to the use of color as a mark in the important "functionality" doctrine of trademark law. The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, 35 U.S.C. §§ 154, 173, after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity). See *Kellogg Co. v. National Biscuit Co.,* 305 U.S. 111, 119–120 (1938) (Brandeis, J.); *Inwood Laboratories, Inc., supra,* 456 U.S., at 863 (White, J., concurring in result) ("A functional characteristic is 'an important ingredient in the commercial success of the product,' and, after expiration of a patent, it is no more the property of the originator than the product itself") (citation omitted). Functionality doctrine therefore would require, to take an imaginary example, that even if customers have come to identify the special illumination-enhancing shape of a new patented light bulb with a particular manufacturer, the manufacturer may not use that shape as a trademark, for doing so, after the patent had expired, would impede competition—not by protecting the reputation of the original bulb maker, but by frustrating competitors' legitimate efforts to produce an equivalent illumination-enhancing bulb. See, *e.g., Kellogg Co., supra,* 305 U.S., at 119–120 (trademark law cannot be used to extend monopoly over

"pillow" shape of shredded wheat biscuit after the patent for that shape had expired). This Court consequently has explained that, "[i]n general terms, a product feature is functional," and cannot serve as a trademark, "if it is essential to the use or purpose of the article or if it affects the cost or quality of the article," that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage. *Inwood Laboratories, Inc., supra,* 456 U.S., at 850, n. 10. Although sometimes color plays an important role (unrelated to source identification) in making a product more desirable, sometimes it does not. And, this latter fact—the fact that sometimes color is not essential to a product's use or purpose and does not affect cost or quality—indicates that the doctrine of "functionality" does not create an absolute bar to the use of color alone as a mark. See *Owens–Corning,* 774 F.2d, at 1123 (pink color of insulation in wall "performs no nontrademark function").

[9] It would seem, then, that color alone, at least sometimes, can meet the basic legal requirements for use as a trademark. It can act as a symbol that distinguishes a firm's goods and identifies their source, without serving any other significant function. See U.S. Dept. of Commerce, Patent and Trademark Office, Trademark Manual of Examining Procedure § 1202.04(e), p. 1202–13 (2d ed. May, 1993) (hereinafter PTO Manual) (approving trademark registration of color alone where it "has become distinctive of the applicant's goods in commerce," provided that "there is [no] competitive need for colors to remain available in the industry" and the color is not "functional"); see also 1 McCarthy §§ 3.01[1], 7.26, pp. 3–2, 7–113 ("requirements for qualification of a word or symbol as a trademark" are that it be (1) a "symbol," (2) "use[d] ... as a mark," (3) "to identify and distinguish the seller's goods from goods made or sold by others," but that it not be "functional"). Indeed, the District Court, in this case, entered findings (accepted by the Ninth Circuit) that show Qualitex's green-gold press pad color has met these requirements. The green-gold color acts as a symbol. Having developed secondary meaning (for customers identified the green-gold color as Qualitex's), it identifies the press pads' source. And, the green-gold color serves no other function. (Although it is important to use *some* color on press pads to avoid noticeable stains, the court found "no competitive need in the press pad industry for the green-gold color, since other colors are equally usable." 21 U.S.P.Q.2d, at 1460.) Accordingly, unless there is some special reason that convincingly militates against the use of color alone as a trademark, trademark law would protect Qualitex's use of the green-gold color on its press pads.

III

[10] Respondent Jacobson Products says that there are four special reasons why the law should forbid the use of color alone as a trademark. We shall explain, in turn, why we, ultimately, find them unpersuasive.

[11] *First,* Jacobson says that, if the law permits the use of color as a trademark, it will produce uncertainty and unresolvable court disputes about what shades of a

color a competitor may lawfully use. Because lighting (morning sun, twilight mist) will affect perceptions of protected color, competitors and courts will suffer from "shade confusion" as they try to decide whether use of a similar color on a similar product does, or does not, confuse customers and thereby infringe a trademark. Jacobson adds that the "shade confusion" problem is "more difficult" and "far different from" the "determination of the similarity of words or symbols." Brief for Respondent 22.

[12] We do not believe, however, that color, in this respect, is special. Courts traditionally decide quite difficult questions about whether two words or phrases or symbols are sufficiently similar, in context, to confuse buyers. They have had to compare, for example, such words as "Bonamine" and "Dramamine" (motion-sickness remedies); "Huggies" and "Dougies" (diapers); "Cheracol" and "Syrocol" (cough syrup); "Cyclone" and "Tornado" (wire fences); and "Mattres" and "1–800–Mattres" (mattress franchisor telephone numbers). See, *e.g., G.D. Searle & Co. v. Chas. Pfizer & Co.,* 265 F.2d 385, 389 (CA7 1959); *Kimberly–Clark Corp. v. H. Douglas Enterprises, Ltd.,* 774 F.2d 1144, 1146–1147 (CA Fed.1985); *Upjohn Co. v. Schwartz,* 246 F.2d 254, 262 (CA2 1957); *Hancock v. American Steel & Wire Co. of N.J.,* 40 C.C.P.A. (Pat.) 931, 935, 203 F.2d 737, 740–741 (1953); *Dial–A–Mattress Franchise Corp. v. Page,* 880 F.2d 675, 678 (CA2 1989). Legal standards exist to guide courts in making such comparisons. See, *e.g.,* 2 McCarthy § 15.08; 1 McCarthy §§ 11.24–11.25 ("[S]trong" marks, with greater secondary meaning, receive broader protection than "weak" marks). We do not see why courts could not apply those standards to a color, replicating, if necessary, lighting conditions under which a colored product is normally sold. See Ebert, Trademark Protection in Color: Do It By the Numbers!, 84 T.M.Rep. 379, 405 (1994). Indeed, courts already have done so in cases where a trademark consists of a color plus a design, *i.e.,* a colored symbol such as a gold stripe (around a sewer pipe), a yellow strand of wire rope, or a "brilliant yellow" band (on ampules). See, *e.g., Youngstown Sheet & Tube Co. v. Tallman Conduit Co.,* 149 U.S.P.Q. 656, 657 (TTAB 1966); *Amsted Industries, Inc. v. West Coast Wire Rope & Rigging Inc.,* 2 U.S.P.Q.2d 1755, 1760 (TTAB 1987); *In re Hodes–Lange Corp.,* 167 U.S.P.Q. 255, 256 (TTAB 1970).

[13] *Second,* Jacobson argues, as have others, that colors are in limited supply. See, *e.g., NutraSweet Co.,* 917 F.2d, at 1028; *Campbell Soup Co. v. Armour & Co.,* 175 F.2d 795, 798 (CA3 1949). Jacobson claims that, if one of many competitors can appropriate a particular color for use as a trademark, and each competitor then tries to do the same, the supply of colors will soon be depleted. Put in its strongest form, this argument would concede that "[h]undreds of color pigments are manufactured and thousands of colors can be obtained by mixing." L. Cheskin, Colors: What They Can Do For You 47 (1947). But, it would add that, in the context of a particular product, only some colors are usable. By the time one discards colors that, say, for reasons of customer appeal, are not usable, and adds the shades that competitors cannot use lest they risk infringing a similar, registered shade, then one is left with only a handful of possible colors. And, under these circumstances, to permit one, or

a few, producers to use colors as trademarks will "deplete" the supply of usable colors to the point where a competitor's inability to find a suitable color will put that competitor at a significant disadvantage.

[14] This argument is unpersuasive, however, largely because it relies on an occasional problem to justify a blanket prohibition. When a color serves as a mark, normally alternative colors will likely be available for similar use by others. See, *e.g., Owens–Corning,* 774 F.2d, at 1121 (pink insulation). Moreover, if that is not so—if a "color depletion" or "color scarcity" problem does arise—the trademark doctrine of "functionality" normally would seem available to prevent the anticompetitive consequences that Jacobson's argument posits, thereby minimizing that argument's practical force.

[15] The functionality doctrine, as we have said, forbids the use of a product's feature as a trademark where doing so will put a competitor at a significant disadvantage because the feature is "essential to the use or purpose of the article" or "affects [its] cost or quality." *Inwood Laboratories, Inc.,* 456 U.S., at 850, n. 10. The functionality doctrine thus protects competitors against a disadvantage (unrelated to recognition or reputation) that trademark protection might otherwise impose, namely, their inability reasonably to replicate important non-reputation-related product features. For example, this Court has written that competitors might be free to copy the color of a medical pill where that color serves to identify the kind of medication (*e.g.,* a type of blood medicine) in addition to its source. See *id.,* at 853, 858, n. 20 ("[S]ome patients commingle medications in a container and rely on color to differentiate one from another"); see also J. Ginsburg, D. Goldberg, & A. Greenbaum, Trademark and Unfair Competition Law 194–195 (1991) (noting that drug color cases "have more to do with public health policy" regarding generic drug substitution "than with trademark law"). And, the federal courts have demonstrated that they can apply this doctrine in a careful and reasoned manner, with sensitivity to the effect on competition. Although we need not comment on the merits of specific cases, we note that lower courts have permitted competitors to copy the green color of farm machinery (because customers wanted their farm equipment to match) and have barred the use of black as a trademark on outboard boat motors (because black has the special functional attributes of decreasing the apparent size of the motor and ensuring compatibility with many different boat colors). See *Deere & Co. v. Farmhand, Inc.,* 560 F.Supp. 85, 98 (SD Iowa 1982), aff'd, 721 F.2d 253 (CA8 1983); *Brunswick Corp. v. British Seagull Ltd.,* 35 F.3d 1527, 1532 (CA Fed.1994), cert. pending, No. 94–1075; see also *Nor–Am Chemical v. O.M. Scott & Sons Co.,* 4 U.S.P.Q.2d 1316, 1320 (ED Pa.1987) (blue color of fertilizer held functional because it indicated the presence of nitrogen). The Restatement (Third) of Unfair Competition adds that, if a design's "aesthetic value" lies in its ability to "confe[r] a significant benefit that cannot practically be duplicated by the use of alternative designs," then the design is "functional." Restatement (Third) of Unfair Competition § 17, Comment *c,* pp. 175–176 (1993). The "ultimate test of aesthetic functionality,"

it explains, "is whether the recognition of trademark rights would significantly hinder competition." *Id.,* at 176.

[16] The upshot is that, where a color serves a significant nontrademark function—whether to distinguish a heart pill from a digestive medicine or to satisfy the "noble instinct for giving the right touch of beauty to common and necessary things," G. Chesterton, Simplicity and Tolstoy 61 (1912)—courts will examine whether its use as a mark would permit one competitor (or a group) to interfere with legitimate (nontrademark-related) competition through actual or potential exclusive use of an important product ingredient. That examination should not discourage firms from creating esthetically pleasing mark designs, for it is open to their competitors to do the same. See, *e.g., W.T. Rogers Co. v. Keene,* 778 F.2d 334, 343 (CA7 1985) (Posner, J.). But, ordinarily, it should prevent the anticompetitive consequences of Jacobson's hypothetical "color depletion" argument, when, and if, the circumstances of a particular case threaten "color depletion."

…

[17] *Fourth,* Jacobson argues that there is no need to permit color alone to function as a trademark because a firm already may use color as part of a trademark, say, as a colored circle or colored letter or colored word, and may rely upon "trade dress" protection, under § 43(a) of the Lanham Act, if a competitor copies its color and thereby causes consumer confusion regarding the overall appearance of the competing products or their packaging, see 15 U.S.C. § 1125(a) (1988 ed., Supp. V). The first part of this argument begs the question. One can understand why a firm might find it difficult to place a usable symbol or word on a product (say, a large industrial bolt that customers normally see from a distance); and, in such instances, a firm might want to use color, pure and simple, instead of color as part of a design. Neither is the second portion of the argument convincing. Trademark law helps the holder of a mark in many ways that "trade dress" protection does not. See 15 U.S.C. § 1124 (ability to prevent importation of confusingly similar goods); § 1072 (constructive notice of ownership); § 1065 (incontestible status); § 1057(b) (prima facie evidence of validity and ownership). Thus, one can easily find reasons why the law might provide trademark protection in addition to trade dress protection.

IV

[18] Having determined that a color may sometimes meet the basic legal requirements for use as a trademark and that respondent Jacobson's arguments do not justify a special legal rule preventing color alone from serving as a trademark (and, in light of the District Court's here undisputed findings that Qualitex's use of the green-gold color on its press pads meets the basic trademark requirements), we conclude that the Ninth Circuit erred in barring Qualitex's use of color as a trademark. For these reasons, the judgment of the Ninth Circuit is

Reversed.

Comments and Questions

1. *Color Marks and Non-English-Speaking and Illiterate Consumers*. Perhaps it makes sense that a company like Tiffany & Co. would assert exclusive rights in the distinctive robin's-egg blue color of its packaging, *see* U.S. Reg. No. 2,359,351 (June 20, 2000) ("The mark consists of a shade of blue often referred to as robin's-egg blue which is used on boxes."), or even that 3M Corp. would assert exclusive rights in the canary yellow color of its Post-It Pads, see U.S. Reg. No. 2,390,667 (Oct. 3, 2000) ("The mark consists of the color canary yellow used over the entire surface of the goods."), but why would a manufacturer of dry cleaning press pad covers claim rights in the color of its press pad covers? Laura Heymann points to one possible explanation. *See* Laura A. Heymann, *The Reasonable Person in Trademark Law*, 52 ST. LOUIS. L.J. 781, 792 (2008). Though the Supreme Court opinion makes no mention of the issue, the *Qualitex* district court opinion noted that "many [dry cleaning businesses] are foreign speaking with limited skills in reading or speaking English." *Qualitex Co. v. Jacobson Prods. Co., Inc*., No. 90 Civ. 1183, 1991 WL 318798, at *1 (C.D. Cal. Sep. 5,1991), aff'd in part and rev'd in part, 13 F.3d 1297 (9th Cir. 1994), rev'd, 514 U.S. 159 (1995).

b. Product Packaging Trade Dress and Product Configuration Trade Dress

Between *Two Pesos* in 1992 and *Samara Bros*. in 2000, lower courts struggled to establish a workable test by which to determine whether a particular instance of trade dress was inherently distinctive. Courts had particular difficulty establishing a test to determine whether trade dress in the form of product configuration—i.e., in the form of design features of the product itself—was inherently distinctive. As we will see, in *Samara Bros*. the Supreme Court solved this problem of product configuration rather abruptly.

i. The Differing Distinctiveness Analysis of Product Packaging and Product Configuration

In reading through the *Samara Bros*., consider the following questions:

- In *Samara Bros*., the Supreme Court accepted certiorari on the following question: "What must be shown to establish that a product's design is inherently distinctive for purposes of Lanham Act trade-dress protection?" *Wal-Mart Stores, Inc. v. Samara Brothers, Inc*., 528 U.S. 808 (1999). How did the Court answer this question?
- Is the court's holding in *Samara Bros*. consistent with its holding in *Two Pesos*?

The apparel at issue in *Samara Bros.*

Wal-Mart Stores, Inc. v. Samara Bros., Inc.
529 U.S. 205 (2000)

Justice SCALIA delivered the opinion of the Court.

[1] In this case, we decide under what circumstances a product's design is distinctive, and therefore protectible, in an action for infringement of unregistered trade dress under § 43(a) of the Trademark Act of 1946 (Lanham Act), 60 Stat. 441, as amended, 15 U.S.C. § 1125(a).

I

Respondent Samara Brothers, Inc., designs and manufactures children's clothing. Its primary product is a line of spring/summer one-piece seersucker outfits decorated with appliques of hearts, flowers, fruits, and the like. A number of chain stores, including JCPenney, sell this line of clothing under contract with Samara.

[2] Petitioner Wal-Mart Stores, Inc., is one of the Nation's best known retailers, selling among other things children's clothing. In 1995, Wal-Mart contracted with one of its suppliers, Judy-Philippine, Inc., to manufacture a line of children's outfits for sale in the 1996 spring/summer season. Wal-Mart sent Judy-Philippine photographs of a number of garments from Samara's line, on which Judy-Philippine's garments were to be based; Judy-Philippine duly copied, with only

minor modifications, 16 of Samara's garments, many of which contained copyrighted elements. In 1996, Wal-Mart briskly sold the so-called knockoffs, generating more than $1.15 million in gross profits.

[3] In June 1996, a buyer for JCPenney called a representative at Samara to complain that she had seen Samara garments on sale at Wal-Mart for a lower price than JCPenney was allowed to charge under its contract with Samara. The Samara representative told the buyer that Samara did not supply its clothing to Wal-Mart. Their suspicions aroused, however, Samara officials launched an investigation, which disclosed that Wal-Mart and several other major retailers—Kmart, Caldor, Hills, and Goody's—were selling the knockoffs of Samara's outfits produced by Judy-Philippine.

[4] After sending cease-and-desist letters, Samara brought this action in the United States District Court for the Southern District of New York against Wal-Mart, Judy-Philippine, Kmart, Caldor, Hills, and Goody's for copyright infringement under federal law, consumer fraud and unfair competition under New York law, and—most relevant for our purposes—infringement of unregistered trade dress under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). All of the defendants except Wal-Mart settled before trial.

[5] After a weeklong trial, the jury found in favor of Samara on all of its claims. Wal-Mart then renewed a motion for judgment as a matter of law, claiming, *inter alia,* that there was insufficient evidence to support a conclusion that Samara's clothing designs could be legally protected as distinctive trade dress for purposes of § 43(a). The District Court denied the motion, 969 F.Supp. 895 (S.D.N.Y.1997), and awarded Samara damages, interest, costs, and fees totaling almost $1.6 million, together with injunctive relief, see App. to Pet. for Cert. 56-58. The Second Circuit affirmed the denial of the motion for judgment as a matter of law, 165 F.3d 120 (1998), and we granted certiorari, 528 U.S. 808, 120 S.Ct. 308, 145 L.Ed.2d 35 (1999).

II

[6] The Lanham Act provides for the registration of trademarks, which it defines in § 45 to include "any word, name, symbol, or device, or any combination thereof [used or intended to be used] to identify and distinguish [a producer's] goods ... from those manufactured or sold by others and to indicate the source of the goods...." 15 U.S.C. § 1127. Registration of a mark under § 2 of the Lanham Act, 15 U.S.C. § 1052, enables the owner to sue an infringer under § 32, 15 U.S.C. § 1114; it also entitles the owner to a presumption that its mark is valid, see § 7(b), 15 U.S.C. § 1057(b), and ordinarily renders the registered mark incontestable after five years of continuous use, see § 15, 15 U.S.C. § 1065. In addition to protecting registered marks, the Lanham Act, in § 43(a), gives a producer a cause of action for the use by any person of "any word, term, name, symbol, or device, or any combination thereof ... which ... is likely to cause confusion ... as to the origin, sponsorship, or approval of

his or her goods....” 15 U.S.C. § 1125(a). It is the latter provision that is at issue in this case.

[7] The breadth of the definition of marks registrable under § 2, and of the confusion-producing elements recited as actionable by § 43(a), has been held to embrace not just word marks, such as “Nike,” and symbol marks, such as Nike's “swoosh” symbol, but also “trade dress”—a category that originally included only the packaging, or “dressing,” of a product, but in recent years has been expanded by many Courts of Appeals to encompass the design of a product. See, *e.g., Ashley Furniture Industries, Inc. v. Sangiacomo N. A., Ltd.,* 187 F.3d 363 (C.A.4 1999) (bedroom furniture); *Knitwaves, Inc. v. Lollytogs, Ltd.,* 71 F.3d 996 (C.A.2 1995) (sweaters); *Stuart Hall Co., Inc. v. Ampad Corp.,* 51 F.3d 780 (C.A.8 1995) (notebooks). These courts have assumed, often without discussion, that trade dress constitutes a “symbol” or “device” for purposes of the relevant sections, and we conclude likewise. “Since human beings might use as a ‘symbol’ or ‘device’ almost anything at all that is capable of carrying meaning, this language, read literally, is not restrictive.” *Qualitex Co. v. Jacobson Products Co.,* 514 U.S. 159, 162 (1995). This reading of § 2 and § 43(a) is buttressed by a recently added subsection of § 43(a), § 43(a)(3), which refers specifically to “civil action[s] for trade dress infringement under this chapter for trade dress not registered on the principal register.” 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V).

[8] The text of § 43(a) provides little guidance as to the circumstances under which unregistered trade dress may be protected. It does require that a producer show that the allegedly infringing feature is not “functional,” see § 43(a)(3), and is likely to cause confusion with the product for which protection is sought, see § 43(a)(1)(A), 15 U.S.C. § 1125(a)(1)(A). Nothing in § 43(a) explicitly requires a producer to show that its trade dress is distinctive, but courts have universally imposed that requirement, since without distinctiveness the trade dress would not “cause confusion ... as to the origin, sponsorship, or approval of [the] goods,” as the section requires. Distinctiveness is, moreover, an explicit prerequisite for registration of trade dress under § 2, and “the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a).” *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 768 (1992) (citations omitted).

[9] In evaluating the distinctiveness of a mark under § 2 (and therefore, by analogy, under § 43(a)), courts have held that a mark can be distinctive in one of two ways. First, a mark is inherently distinctive if “[its] intrinsic nature serves to identify a particular source.” *Ibid.* In the context of word marks, courts have applied the now-classic test originally formulated by Judge Friendly, in which word marks that are “arbitrary” (“Camel” cigarettes), “fanciful” (“Kodak” film), or “suggestive” (“Tide” laundry detergent) are held to be inherently distinctive. See *Abercrombie & Fitch Co. v. Hunting World, Inc.,* 537 F.2d 4, 10-11 (C.A.2 1976). Second, a mark has acquired distinctiveness, even if it is not inherently distinctive, if it has developed secondary meaning, which occurs when, “in the minds of the public, the primary

significance of a [mark] is to identify the source of the product rather than the product itself." *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,* 456 U.S. 844, 851, n. 11 (1982).[1]

[10] The judicial differentiation between marks that are inherently distinctive and those that have developed secondary meaning has solid foundation in the statute itself. Section 2 requires that registration be granted to any trademark "by which the goods of the applicant may be distinguished from the goods of others"—subject to various limited exceptions. 15 U.S.C. § 1052. It also provides, again with limited exceptions, that "nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce"—that is, which is not inherently distinctive but has become so only through secondary meaning. § 2(f), 15 U.S.C. § 1052(f). Nothing in § 2, however, demands the conclusion that *every* category of mark necessarily includes some marks "by which the goods of the applicant may be distinguished from the goods of others" *without* secondary meaning—that in every category some marks are inherently distinctive.

[11] Indeed, with respect to at least one category of mark—colors—we have held that no mark can ever be inherently distinctive. See *Qualitex, supra,* at 162-163,. In *Qualitex,* petitioner manufactured and sold green-gold dry-cleaning press pads. After respondent began selling pads of a similar color, petitioner brought suit under § 43(a), then added a claim under § 32 after obtaining registration for the color of its pads. We held that a color could be protected as a trademark, but only upon a showing of secondary meaning. Reasoning by analogy to the *Abercrombie & Fitch* test developed for word marks, we noted that a product's color is unlike a "fanciful," "arbitrary," or "suggestive" mark, since it does not "almost *automatically* tell a customer that [it] refer[s] to a brand," 514 U.S., at 162-163, and does not "immediately ... signal a brand or a product 'source,'" *id.,* at 163. However, we noted that, "over time, customers may come to treat a particular color on a product or its packaging ... as signifying a brand." *Ibid.* Because a color, like a "descriptive" word mark, could eventually "come to indicate a product's origin," we concluded that it could be protected *upon a showing of secondary meaning. Ibid.*

[12] It seems to us that design, like color, is not inherently distinctive. The attribution of inherent distinctiveness to certain categories of word marks and

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[1] The phrase "secondary meaning" originally arose in the context of word marks, where it served to distinguish the source-identifying meaning from the ordinary, or "primary," meaning of the word. "Secondary meaning" has since come to refer to the acquired, source-identifying meaning of a nonword mark as well. It is often a misnomer in that context, since nonword marks ordinarily have no "primary" meaning. Clarity might well be served by using the term "acquired meaning" in both the word-mark and the nonword-mark contexts—but in this opinion we follow what has become the conventional terminology.

product packaging derives from the fact that the very purpose of attaching a particular word to a product, or encasing it in a distinctive packaging, is most often to identify the source of the product. Although the words and packaging can serve subsidiary functions—a suggestive word mark (such as "Tide" for laundry detergent), for instance, may invoke positive connotations in the consumer's mind, and a garish form of packaging (such as Tide's squat, brightly decorated plastic bottles for its liquid laundry detergent) may attract an otherwise indifferent consumer's attention on a crowded store shelf—their predominant function remains source identification. Consumers are therefore predisposed to regard those symbols as indication of the producer, which is why such symbols "almost *automatically* tell a customer that they refer to a brand," *id.,* at 162-163, and "immediately ... signal a brand or a product 'source,'" *id.,* at 163. And where it is not reasonable to assume consumer predisposition to take an affixed word or packaging as indication of source—where, for example, the affixed word is descriptive of the product ("Tasty" bread) or of a geographic origin ("Georgia" peaches)—inherent distinctiveness will not be found. That is why the statute generally excludes, from those word marks that can be registered as inherently distinctive, words that are "merely descriptive" of the goods, § 2(e)(1), 15 U.S.C. § 1052(e)(1), or "primarily geographically descriptive of them," see § 2(e)(2), 15 U.S.C. § 1052(e)(2). In the case of product design, as in the case of color, we think consumer predisposition to equate the feature with the source does not exist. Consumers are aware of the reality that, almost invariably, even the most unusual of product designs—such as a cocktail shaker shaped like a penguin—is intended not to identify the source, but to render the product itself more useful or more appealing.

[13] The fact that product design almost invariably serves purposes other than source identification not only renders inherent distinctiveness problematic; it also renders application of an inherent-distinctiveness principle more harmful to other consumer interests. Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness. How easy it is to mount a plausible suit depends, of course, upon the clarity of the test for inherent distinctiveness, and where product design is concerned we have little confidence that a reasonably clear test can be devised. Respondent and the United States as *amicus curiae* urge us to adopt for product design relevant portions of the test formulated by the Court of Customs and Patent Appeals for product packaging in *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.,* 568 F.2d 1342 (1977). That opinion, in determining the inherent distinctiveness of a product's packaging, considered, among other things, "whether it was a 'common' basic shape or design, whether it was unique or unusual in a particular field, [and] whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods." *Id.,* at 1344 (footnotes omitted). Such a test would rarely provide the basis for summary

disposition of an anticompetitive strike suit. Indeed, at oral argument, counsel for the United States quite understandably would not give a definitive answer as to whether the test was met in this very case, saying only that "[t]his is a very difficult case for that purpose." Tr. of Oral Arg. 19.

[14] It is true, of course, that the person seeking to exclude new entrants would have to establish the nonfunctionality of the design feature, see § 43(a)(3), 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V)—a showing that may involve consideration of its esthetic appeal, see *Qualitex, supra,* at 170, 115 S.Ct. 1300. Competition is deterred, however, not merely by successful suit but by the plausible threat of successful suit, and given the unlikelihood of inherently source-identifying design, the game of allowing suit based upon alleged inherent distinctiveness seems to us not worth the candle. That is especially so since the producer can ordinarily obtain protection for a design that *is* inherently source identifying (if any such exists), but that does not yet have secondary meaning, by securing a design patent or a copyright for the design—as, indeed, respondent did for certain elements of the designs in this case. The availability of these other protections greatly reduces any harm to the producer that might ensue from our conclusion that a product design cannot be protected under § 43(a) without a showing of secondary meaning.

[15] Respondent contends that our decision in *Two Pesos* forecloses a conclusion that product-design trade dress can never be inherently distinctive. In that case, we held that the trade dress of a chain of Mexican restaurants, which the plaintiff described as "a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals," 505 U.S., at 765 (internal quotation marks and citation omitted), could be protected under § 43(a) without a showing of secondary meaning, see *id.,* at 776. *Two Pesos* unquestionably establishes the legal principle that trade dress can be inherently distinctive, see, *e.g., id.,* at 773, 112 S.Ct. 2753, but it does not establish that *product-design* trade dress can be. *Two Pesos* is inapposite to our holding here because the trade dress at issue, the decor of a restaurant, seems to us not to constitute product *design.* It was either product packaging—which, as we have discussed, normally *is* taken by the consumer to indicate origin—or else some *tertium quid* that is akin to product packaging and has no bearing on the present case.

[16] Respondent replies that this manner of distinguishing *Two Pesos* will force courts to draw difficult lines between product-design and product-packaging trade dress. There will indeed be some hard cases at the margin: a classic glass Coca-Cola bottle, for instance, may constitute packaging for those consumers who drink the Coke and then discard the bottle, but may constitute the product itself for those consumers who are bottle collectors, or part of the product itself for those consumers who buy Coke in the classic glass bottle, rather than a can, because they think it more stylish to drink from the former. We believe, however, that the frequency and the difficulty of having to distinguish between product design and product packaging will be much less than the frequency and the difficulty of having to decide when a product design is inherently distinctive. To the extent there are

close cases, we believe that courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning. The very closeness will suggest the existence of relatively small utility in adopting an inherent-distinctiveness principle, and relatively great consumer benefit in requiring a demonstration of secondary meaning.

[17] We hold that, in an action for infringement of unregistered trade dress under § 43(a) of the Lanham Act, a product's design is distinctive, and therefore protectible, only upon a showing of secondary meaning. The judgment of the Second Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

Comments and Questions

1. *Assuming product configuration*. Does Justice Scalia's admonition that "courts should err on the side of caution and classify ambiguous trade dress as product design" make sense as a policy matter? What are the costs and benefits of this approach to trademark owners, to their competitors, and to their consumers?

ii. Distinguishing Product Packaging from Product Configuration

The Supreme Court's holding in *Samara Bros*. eliminated one problem—how to analyze the inherent distinctiveness of product configuration trade dress—but created another—how to determine whether a particular product feature or combination of product features qualifies as product packaging trade dress, product configuration trade dress, or perhaps some other kind of trade dress. The opinion excerpts that follow offer examples of how courts have sought to determine where along the packaging/configuration divide particular forms of trade dress fall. In reading the opinions, consider the following question: How should a court treat various forms of decoration applied to the surface of the product (e.g., stripes on the side of an athletic shoe)? Is such decoration product packaging, production configuration, or something else?

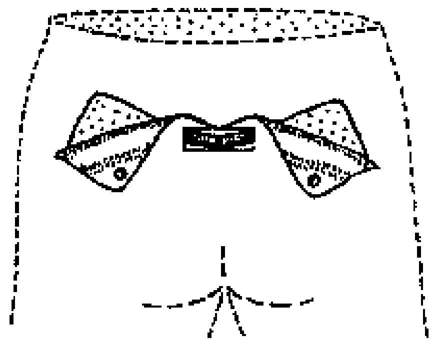
In re Slokevage
441 F.3d 957 (Fed. Cir. 2006)

LOURIE, Circuit Judge.

[1] Joanne Slokevage ("Slokevage") appeals from the decision of the United States Patent and Trademark Office, Trademark Trial and Appeal Board ("Board") sustaining the refusal of the examiner to register her trade dress mark for clothing. *In re Joanne Slokevage,* Serial No. 75602873 (TTAB Nov. 10, 2004) ("*Final Decision*"). Because the Board's finding that Slokevage's trade dress was product design and thus could not be inherently distinctive, and that the trade dress was not unitary are supported by substantial evidence, we affirm.

BACKGROUND

[2] Slokevage filed an application to register a mark on the Principal Register for "pants, overalls, shorts, culottes, dresses, skirts." Slokevage described the mark in her application as a "configuration" that consists of a label with the words "FLASH DARE!" in a V-shaped background, and cut-out areas located on each side of the label. The cut-out areas consist of a hole in a garment and a flap attached to the garment with a closure device. This trade dress configuration, which is located on the rear of various garments, is depicted below:



[3] Although Slokevage currently seeks to register a mark for the overall configuration of her design, she has already received protection for various aspects of the trade dress configuration. For example, she received a design patent for the cut-out area design. She also registered on the Supplemental Register[2] a design mark for the cut-out area. In addition, she registered the word mark "FLASH DARE!" on the Principal Register.

[4] The trademark examiner initially refused registration of the proposed mark on the ground that it constituted a clothing configuration that is not inherently distinctive. The examiner afforded Slokevage the opportunity to submit evidence of acquired distinctiveness or to disclaim the design elements of the configuration, but Slokevage chose not to submit evidence of acquired distinctiveness or to disclaim the design elements. Rather, she argued that the trade dress was inherently distinctive. The examiner, relying on section 2(f) of the Trademark Act, 15 U.S.C. § 1052(f), made final his refusal to register the mark on the ground that the clothing configuration constitutes "product design/configuration," and pursuant to the decision of the U.S. Supreme Court in *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.,* 529 U.S. 205, 120 S.Ct. 1339, 146 L.Ed.2d 182 (2000), "product design" cannot be inherently distinctive. The examiner noted that Slokevage's reference in her

[2] Pursuant to section 23 of the Lanham Act, the United States Patent and Trademark Office ("PTO") maintains a Supplemental Register for marks "capable of distinguishing applicant's goods or services and not registrable on the principal register." 15 U.S.C. § 1091(a).

application to the trade dress as a "cut-away flap design" supported a determination that the configuration constitutes product design....

[5] Slokevage appealed the refusal of the examiner to register the trade dress configuration, and the Board affirmed the examiner's decision. The Board found that the cut-out areas, consisting of the holes and flaps, constituted product design. Relying on *Wal-Mart,* the Board observed that a product design "will not be regarded as a source indicator at the time of its introduction." According to the Board, Slokevage's trade dress, as product design, could not be inherently distinctive, and therefore could not be registered absent a showing of acquired distinctiveness.

…

DISCUSSION

[6] We apply a limited standard of review to Board decisions, reviewing legal determinations *de novo* and factual findings for substantial evidence. *In re Pacer Tech.,* 338 F.3d 1348, 1349 (Fed.Cir.2003). "Substantial evidence requires the reviewing court to ask whether a reasonable person might find that the evidentiary record supports the agency's conclusion." *On-Line Careline, Inc. v. Am. Online, Inc.,* 229 F.3d 1080, 1085 (Fed.Cir.2000).

[7] As a preliminary matter, Slokevage argues that whether trade dress is product design or not is a legal determination, whereas the government asserts that it is a factual issue. The resolution of that question is an issue of first impression for this court. We conclude that the determination whether trade dress is product design is a factual finding because it is akin to determining whether a trademark is inherently distinctive or whether a mark is descriptive, which are questions of fact. *See, e.g., Hoover Co. v. Royal Appliance Mfg. Co.,* 238 F.3d 1357, 1359 (Fed.Cir.2001) ("The issue of inherent distinctiveness is a factual determination made by the board"); *see also In re Nett Designs, Inc.,* 236 F.3d 1339, 1341 (Fed.Cir.2001) ("Placement of a term on the fanciful-suggestive-descriptive-generic continuum is a question of fact"). Inherent distinctiveness or descriptiveness involves consumer perception and whether consumers are predisposed towards equating a symbol with a source. *See In re MBNA Am. Bank, N.A.,* 340 F.3d 1328, 1332 (Fed.Cir.2003); *In re Nett Designs, Inc.,* 236 F.3d at 1341-42. Such issues are determined based on testimony, surveys, and other evidence as questions of fact. Determining whether trade dress is product design or product packaging involves a similar inquiry. *Wal-Mart,* 529 U.S. at 213, 120 S.Ct. 1339 (discussing product packaging and design in the context of consumers ability to equate the product with the source). We therefore will defer to the Board's finding on product design, affirming the Board if its decision is supported by substantial evidence….

I. Trade Dress and Product Design

[8] On appeal, Slokevage argues that the Board erred in determining that the trade dress[3] for which she seeks protection is product design and thus that it cannot be inherently distinctive. She asserts that the Board's reliance on the Supreme Court's decision in *Wal-Mart* to support its position that Slokevage's trade dress is product design is misplaced. In particular, she contends that *Wal-Mart* does not provide guidance on how to determine whether trade dress is product design. Moreover, she maintains that the trade dress at issue in *Wal-Mart,* which was classified as product design without explanation, is different from Slokevage's trade dress because the *Wal-Mart* trade dress implicated the overall appearance of the product and was a theme made up of many unique elements. Slokevage argues that her trade dress, in contrast, involves one component of a product design, which can be used with a variety of types of clothing. Slokevage further asserts that her trade dress is located on the rear hips of garments, which is a location that consumers frequently recognize as identifying the source of the garment.

[9] The PTO responds that the Board correctly concluded that Slokevage's trade dress is product design and that it properly relied on *Wal-Mart* for support of its determination. According to the PTO, in the *Wal-Mart* decision the Supreme Court determined that a design of clothing is product design. The PTO further asserts that the trade dress at issue in *Wal-Mart,* which was classified as product design, is similar to Slokevage's trade dress. The trade dress in *Wal-Mart* consists of design elements on a line of garments, and Slokevage's trade dress similarly consists of a design component common to the overall design of a variety of garments. The PTO notes that Slokevage's trade dress application refers to her trade dress as a "configuration" including a "clothing feature," and that "product configuration" is synonymous with "product design." The PTO also argues that under *Wal-Mart* product design cannot be inherently distinctive, the rationale being that consumers perceive product design as making the product more useful or desirable, rather than indicating source. According to the PTO, the trade dress at issue here makes the product more desirable to consumers, rather than indicates source. Finally, the PTO notes that even if it were a close case as to whether Slokevage's trade dress constitutes product design, the Court's opinion in *Wal-Mart* states that in "close cases," trade dress should be categorized as product design, thereby requiring proof of acquired distinctiveness for protection. 529 U.S. at 215.

[10] We agree with the Board that Slokevage's trade dress constitutes product design and therefore cannot be inherently distinctive. The Lanham Act provides protection not only for words and symbols, but also for "trade dress," a category of trademarks that has been described as involving the "total image of a product,"

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[3] Slokevage admits that the configuration she is seeking to protect is "trade dress" and thus we will accept for purposes of this appeal that the configuration is "trade dress."

including "features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques." *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 764 n. 1 (1992). The Supreme Court has recently observed that trade dress is a category that originally included only the packaging of a product, but has been expanded by courts to encompass the design of a product. *Wal-Mart,* 529 U.S. at 209. In order for an applicant to gain protection for trade dress, the trade dress must be distinctive, either inherently or by acquiring distinctiveness. *Two-Pesos,* 505 U.S. at 769, 112 S.Ct. 2753. Trade dress is inherently distinctive when its "intrinsic nature serves to identify a particular source of a product," and, in contrast, acquires distinctiveness when the public comes to associate the product with its source. *Id.* at 768-769. The Supreme Court has determined that certain types of trade dress, in particular, product design and color, can never be inherently distinctive. *See Qualitex Co. v. Jacobson Prods. Co.,* 514 U.S. 159, 162 (1995) (color can never be inherently distinctive); *Wal-Mart,* 529 U.S. at 212 (product design is not inherently distinctive).

[11] Directly relevant to our discussion of product design is the Court's discussion in *Wal-Mart.* That case addressed whether product design could ever be inherently distinctive and answered the question in the negative. The trade dress in *Wal-Mart* involved children's clothing decorated with "hearts, flowers, fruits, and the like." 529 U.S. at 207. The Court labeled that trade dress product design and ultimately concluded that product design is entitled to protection only if it has acquired distinctiveness. *Id.* at 216. The Court reasoned that "in the case of product design ... we think consumer predisposition to equate the feature with the source does not exist" and stated that "even the most unusual of product designs—such as a cocktail shaker shaped like a penguin—is intended not to identify the source, but to render the product itself more useful or more appealing." *Id.* at 213. Thus, the Court established a bright-line rule—product design cannot be inherently distinctive, and always requires proof of acquired distinctiveness to be protected. The Court did not recite the factors that distinguish between product packaging and product design trade dress, but stated that in "close cases" courts should classify the trade dress as product design. *Id.* at 215.

[12] Both parties agree that if we determine that the trade dress at issue is product design, then it cannot be inherently distinctive under the decision in *Wal-Mart.* The issue pertinent to this appeal, however, is whether Slokevage's proposed trade dress is product design. Although the decision in *Wal-Mart* does not expressly address the issue of what constitutes product design, it is informative to this case because it provides examples of trade dress that are product design. The Court observed that a "cocktail shaker shaped like a penguin" is product design and that the trade dress at issue in that case, "a line of spring/summer one-piece seersucker outfits decorated with appliques of hearts, flowers, fruits, and the like" is product design. *Wal-Mart,* 529 U.S. at 207. These examples demonstrate that product design can consist of design features incorporated into a product. Slokevage urges that her trade dress is not product design because it does not alter the entire product but is

more akin to a label being placed on a garment. We do not agree. The holes and flaps portion are part of the design of the clothing—the cut-out area is not merely a design placed on top of a garment, but is a design incorporated into the garment itself. Moreover, while Slokevage urges that product design trade dress must implicate the entire product, we do not find support for that proposition. Just as the product design in *Wal-Mart* consisted of certain design features featured on clothing, Slokevage's trade dress similarly consists of design features, holes and flaps, featured in clothing, revealing the similarity between the two types of design.

[13] In addition, the reasoning behind the Supreme Court's determination that product design cannot be inherently distinctive is also instructive to our case. The Court reasoned that, unlike a trademark whose "predominant function" remains source identification, product design often serves other functions, such as rendering the "product itself more useful or more appealing." *Wal-Mart,* 529 U.S. at 212, 213. The design at issue here can serve such utilitarian and aesthetic functions. For example, consumers may purchase Slokevage's clothing for the utilitarian purpose of wearing a garment or because they find the appearance of the garment particularly desirable. Consistent with the Supreme Court's analysis in *Wal-Mart,* in such cases when the purchase implicates a utilitarian or aesthetic purpose, rather than a source-identifying function, it is appropriate to require proof of acquired distinctiveness.

[14] Finally, the Court in *Wal-Mart* provided guidance on how to address trade dress cases that may be difficult to classify: "To the extent that there are close cases, we believe that courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning." 529 U.S. at 215. Even if this were a close case, therefore, we must follow that precedent and classify the trade dress as product design. We thus agree with the Board that Slokevage's trade dress is product design and therefore that she must prove acquired distinctiveness in order for her trade dress mark to be registered.

McKernan v. Burek
118 F.Supp.2d 119 (D.Mass. 2000)

McKernan's Tunnel Permit

Burek's Tunnel Permit

Sandwich Ship Supply's Tunnel Permit

In *McKernan*, the plaintiff McKernan sold a novelty bumper sticker that purported to be a "Cape Cod Canal Tunnel Permit." (This was meant to be hilarious. There is no tunnel to Cape Cod.) He brought a trademark infringement suit against Burek and others who were producing similar bumper stickers. McKernan conceded that his bumper sticker design had no secondary meaning. The parties filed cross-motions for summary judgment. Judge Lasker analyzed whether the bumper sticker was product packaging or product configuration as follows:

> The Tunnel Permit presents one of the "hard cases at the margin" referred to by the Supreme Court [in *Wal-Mart.*]. It is particularly difficult to try to distinguish between the packaging and the product when discussing an ornamental bumper sticker. The packaging and the product are so intertwined that distinguishing between them may be regarded as a scholastic endeavor.
>
> Nevertheless, the Supreme Court's opinion in *Wal–Mart* provides some guidance. The example given in *Wal–Mart,* of the classic Coca–Cola bottle is instructive: an item is the product if it is the essential commodity being purchased and consumed rather than the dress which presents the product.
>
> Here, the essential commodity being purchased is a joke on a bumper sticker. All of the visual elements contained in the Tunnel Permit are a part of this joke and indispensable to it. What is being purchased and consumed is the novelty sticker, not dress identifying the prestige or standing of its source. Because McKernan is seeking protection for the product being consumed, the proper classification of what McKernan seeks to protect is product design. This view of the matter is strengthened by the *Wal–Mart* Court's remarkably clear advice that in close cases trial courts should "err on the side of caution and classify ambiguous trade dress as product design." *Wal–Mart,* 529 U.S. at 215.

> Accordingly, because McKernan seeks to protect his product design which, by definition, cannot be "inherently distinctive," his claim under § 43(a) fails.

Id. at 123-24.

Best Cellars, Inc. v. Wine Made Simple, Inc.
320 F.Supp.2d 60, 69-70 (S.D.N.Y. 2003)

[4]

In *Best Cellars*, the plaintiff, a wine retailer based in New York City, broadly claimed as its trade dress

> the total effect of the interior design of its store, which it describes as: (1) eight words differentiating taste categories; (2) eight colors differentiating taste categories; (3) eight computer manipulated images differentiating taste categories; (4) taste categories set above display fixtures by order of weight; (5) single display bottles set on stainless-steel wire pedestals; (6) square 4"x4" cards with verbal descriptions of each wine ("shelf talkers") with text arranged by template; (7) shelf talkers positioned at eye level, below each display bottle; (8) bottles vertically aligned in rows of nine; (9) storage cabinets located beneath vertically aligned bottled; (10) materials palette consisting of light wood and stainless steel; (11) mixture of vertical racks and open shelving display fixtures; (12) no fixed aisles; (13) bottles down and

[4] From Rockwell Group, http://www.rockwellgroup.com/projects/entry/best-cellars.

> back-lit; and (14) limited selection (approximately 100) of relatively inexpensive wine.

Id. at 70.

Judge Lynch briefly analyzed whether this constituted product packaging trade dress or product configuration trade dress as follows:

> Unlike more traditional trade dress cases that concern product packaging (like water bottles, *see Nora Beverages, Inc. v. Perrier Group of America, Inc.,* 269 F.3d 114 (2d Cir.2001)) or product designs (like children's clothing, *see Samara Bros.,* 529 U.S. at 213), this case concerns the interior decor of a retail establishment where customers purchase other products. In this, the case is similar to *Two Pesos,* which concerned the interior decor of Mexican-themed restaurants. *See Two Pesos,* 505 U.S. at 764–65 n. 1 (noting that trade dress "may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques" (citations and internal quotation marks omitted)). As the Supreme Court explained, the interior decor category fits awkwardly into the classifications of trade dress law, constituting either product packaging or a *"tertium quid"* akin to product packaging. *Samara Bros.,* 529 U.S. at 215. Interior decor is thus clearly *not* product design. Accordingly, it is appropriate to analyze the Best Cellars' interior decor trade dress under the product packaging standard for inherent distinctiveness….

Id. at 69-70.

Fedders Corp. v. Elite Classics
268 F. Supp. 2d 1051 (S.D. Ill. 2003)

In *Fedders*, the plaintiff, a manufacturer of single room air conditioners claimed as its trade dress the "undulating curve on the left or right of the faceplate separating the portion of the faceplate on which the controls are positioned from the air intake louvers." Judge Gilbert analyzed the question of product packaging / product configuration as follows:

> In this case, the key question is whether the subject trade dress—the undulating curve on the decorative front—is part of the product design or packaging. The defendants argue that the curve is part of the product design, and that, therefore, evidence of secondary meaning is required. On the other hand, Fedders notes that the curve is not functional, but rather, purely esthetic. Moreover, Fedders argues that the curve is a unique design that is associated with its Chassis line of air conditioners. Therefore, according to Fedders, the curve is "inherently distinctive," and no evidence of secondary meaning is necessary….
>
> In this case, the Court believes that Fedders's undulating curve is not "packaging", but rather product design. The curve serves a purpose other than to identify the maker. It serves the purpose of making the air conditioners more esthetically appealing.

Id. at 1061-62.

In re Brouwerij Bosteels
96 U.S.P.Q.2d 1414 (TTAB 2010)


[5]

In *Brouwerij Bosteels*, the applicant sought registration of a trademark for beer consisting of a beer glass and stand, as pictured above. The TTAB concluded:

[5] From In re Brouwerij Bosteels, 96 U.S.P.Q.2d 1414 (TTAB 2010)

> [W]e deem the alleged mark to be trade dress in the nature of product packaging, not trade dress in the nature of a product configuration. This is because the identified product applicant seeks to register the alleged mark for is 'beer,' not a 'beer glass and stand with wording and scrollwork.' Where, as here, applicant seeks to register trade dress in the nature of product packaging, the question of inherent distinctiveness can be considered.

Id. at 1428.

Art Attacks Ink, LLC v. MGA Entertainment Inc.
581 F.3d 1138 (9th Cir. 2009)

The Ninth Circuit assumed, without analysis, that the below cartoon characters airbrushed onto t-shirts constituted product design and found no secondary meaning.

[6]

Comments and Questions

1. Is the three stripes design for the surface of athletic shoes shown in the registration below product configuration, product packaging, or some "tertium quid"? (The dotted lines do not constitute part of the claimed mark. The registration includes them only to show placement of the mark).

[6] From Michael Atkins, Seattle Trademark Lawyer, Sept. 16, 2009, http://seattletrademarklawyer.com/blog/2009/9/16/ninth-circuit-finds-no-secondary-meaning-no-foul-in-trade-dr.html.

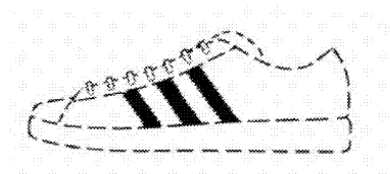
Int. Cl.: 25

Prior U.S. Cls.: 22 and 39

Reg. No. 3,029,135

United States Patent and Trademark Office **Registered Dec. 13, 2005**

TRADEMARK
PRINCIPAL REGISTER



ADIDAS-SALOMON AG (FED REP GERMANY AKTIENGESELLSCHAFT (AG))
ADI-DASSLER STRASSE 1-2
D-91074 HERZOGENAURACH, FED REP GERMANY

FOR: FOOTWEAR, IN CLASS 25 (U.S. CLS. 22 AND 39).

FIRST USE 1-1-1952; IN COMMERCE 1-1-1952.

THE MARK CONSISTS OF THREE PARALLEL STRIPES WITH SERRATED EDGES APPLIED TO FOOTWEAR. THE STRIPES ARE POSITIONED ON THE FOOTWEAR UPPER IN THE AREA BETWEEN THE LACES AND THE SOLE. THE DOTTED OUTLINE OF THE FOOTWEAR IS NOT CLAIMED AS PART OF THE MARK AND IS INTENDED ONLY TO SHOW THE POSITION OF THE MARK.

SEC. 2(F).

SER. NO. 78-539,734, FILED 12-29-2004.

ALINA MORRIS, EXAMINING ATTORNEY

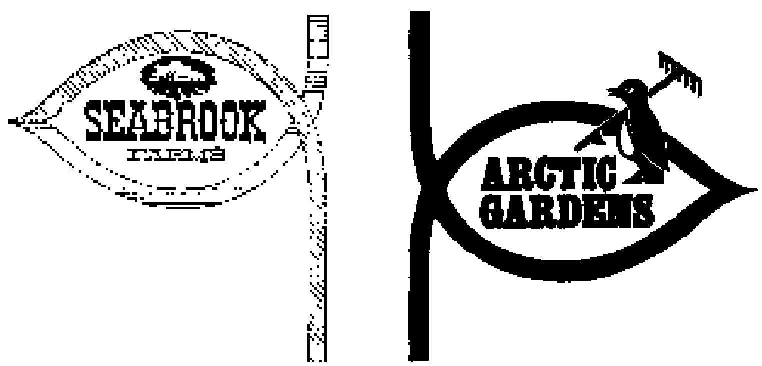
c. Analyzing the Inherent Distinctiveness of Product Packaging Trade Dress

Product configuration trade dress and single colors (whether applied to the packaging of the product or the product itself) are per se incapable of inherent distinctiveness, and it is likely that courts would also find smells, tastes, and textures also to be incapable of inherent distinctiveness. But this leaves a wide array of nonverbal marks, including product packaging trade dress, that remain capable of inherent distinctiveness. The question, then, is how to determine whether a particular mark that falls into one of these categories is in fact inherently distinctive. While the *Abercrombie* spectrum works reasonably well for verbal marks, it is not clear that it is well-suited to the inherent distinctiveness analysis of nonverbal marks. Instead, as we will see in the *Amazing Spaces* opinion below, most courts have adopted the so-called *Seabrook* factors, from *Seabrook Foods, Inc. v. Bar–Well Foods Ltd*., 568 F.2d 1342 (CPPA 1977), to analyze the inherent distinctiveness of nonverbal marks.

In *Seabrook*, the plaintiff Seabrook had registered, for frozen vegetables, a mark consisting in part of a pointed loop (or "stylized leaf design", as Seabrook called it) as shown below. Seabrook opposed the registration of Bar-Well's mark, also for frozen foods, that incorporated a similar pointed loop design on the ground that Bar-Well's use of the mark would confuse consumers. The Court of Customs & Patent Appeals (the predecessor court to the Court of Appeals for the Federal Circuit) set forth various factors relevant to the question of whether consumers would perceive the pointed loop design (absent the words and image of a farm) as inherently distinctive of source:

> In determining whether a design is arbitrary or distinctive this court has looked to whether it was a 'common' basic shape or design, whether it was unique or unusual in a particular field, whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods, or whether it was capable of creating a commercial impression distinct from the accompanying words.

Id. at 1344. The CCPA ultimately determined that the design at issue would be perceived merely as decoration. *Id*. These factors soon came to inform most courts analysis of the inherent distinctiveness of all nonverbal trademarks (including, before *Samara Bros*., product configuration trade dress).



As discussed below in *Amazing Spaces* and as shown in *Fun-Damental Too, Ltd. v. Gemmy Industries Corp*., 111 F.3d 993 (2d Cir. 1997), the Second Circuit has not explicitly adopted the *Seabrook* factors and continues to try to apply *Abercrombie* to the analysis of the distinctiveness of nonverbal marks.

Note that the two leading treatises on trademark law disagree on which test works better. McCarthy strongly endorses *Seabrook*:

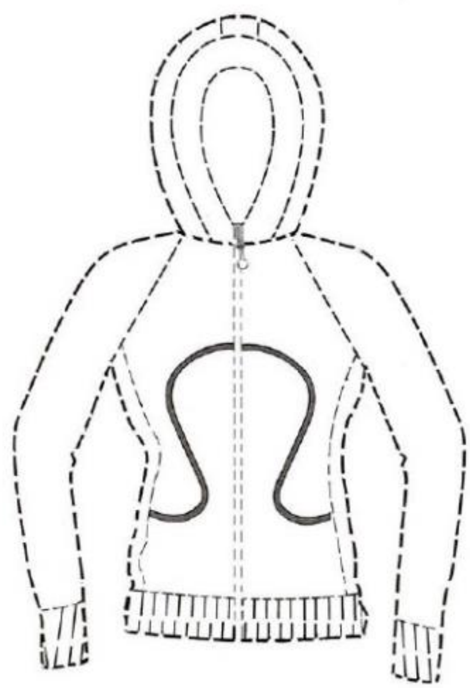
> In the author's view, the *Seabrook* test is by far the preferable test to classify inherently distinctive trade dress in packaging and containers. Necessarily focusing upon the probable reaction of the ordinary consumer, it focuses upon the key issue in these cases: is the design so different in this market that it will immediately be perceived as a source identifier, not merely or solely as an attractive decoration or embellishment. The *Abercrombie* spectrum was developed specifically for word marks and does not translate into the world of shapes and designs.

MCCARTHY §8:13. The Gilson treatise remain loyal to *Abercrombie*:

> The *Abercrombie* classifications are not an ideal fit for product packaging trade dress cases; is a squeeze bottle with a top that squirts liquid suggestive of dish soap or spring water or is it generic for those products because it is so widely used? Nevertheless, pending further clarification from the Supreme Court, lower courts should continue to use the *Abercrombie* spectrum in classifying product packaging trade dress.

GILSON §2A.03[1][a][ii].

Note further that if a court finds a feature of product packaging to lack both inherent and acquired distinctiveness or a feature of product configuration to lack acquired distinctiveness, then the court will often (but not always) deem the feature to be "mere ornamentation." For example, in *In re Lululemon Athletica Canada, Inc*., 105 U.S.P.Q.2d 1684 (TTAB 2013), the TTAB analyzed the wave design for apparel shown below. The TTAB did not apparently consider the design to be product configuration (and thus per se incapable of inherent distinctiveness). It nevertheless found that the design lacked inherent distinctiveness and acquired distinctiveness and would be perceived by consumers as mere ornamentation.



As you read through the following opinion excerpts, consider the following questions:

- Which test is better: *Abercrombie* or *Seabrook*? On what grounds should courts prefer one or the other? Which test tends to be more plaintiff-friendly, i.e., more prone to find the trade dress at issue to be inherently distinctive?

- Could *Seabrook* be successfully modified to apply to the inherent distinctiveness analysis of verbal marks as well?

Fun-Damental Too, Ltd. v. Gemmy Industries Corp.
111 F.3d 993, 997-998, 999-1001 (2d Cir. 1997)

[Plaintiff Fun-Damental Too, Ltd. ("Fun-Damental") brought suit for trademark infringement against defendants alleging that defendants had copied the trade dress of Fun-Damental's "Toilet Bank" (see photo below) in the sale of their own "Currency Can."

Judge Mukasey of the S.D.N.Y. granted a preliminary injunction in favor of Fun-Damental. Defendants appealed. Excerpted here are the court's description of the Toilet Bank's trade dress and the court's analysis of the inherent distinctiveness, if any, of that trade dress.]

CARDAMONE, Circuit Judge

…

[1] Plaintiff's product is displayed in stores in a royal blue triangular-shaped box. The Toilet Bank itself is visible within the open-style box, which allows a consumer access to the toilet handle so that the flushing sound may be tested. The toy's bowl is covered with a clear plastic cover that includes a raised three-dimensional circle to which is affixed a gray sticker depicting a coin. The bank is held in place in its box by a 1/4 inch strap running up one side of the toilet bowl, through the plastic cover, and down the other side.

[2] The product name "TOILET BANK" appears in yellow letters on the royal blue box's lower front panel. The four inch-high upper rear panel is decorated with the product name and two pictures demonstrating how to use the product. The top

picture shows a hand holding a coin over the toilet bowl, and the bottom one shows an index finger depressing the handle with the message "REAL FLUSHING SOUND" in white letters on a red bubble. In the upper right hand corner of this panel is a yellow starburst with the words "REAL FLUSHING SOUND" in red letters. Below it is a yellow arrow pointing down toward the handle with the legend in red: "TRY ME" and in smaller letters: "PRESS HANDLE." The same message appears on a red arrow sticker, affixed to the toilet tank, pointing diagonally towards the silver handle.

…

[3] We ordinarily evaluate inherent distinctiveness of trade dress by applying the trademark classifications as set forth by Judge Friendly in *Abercrombie & Fitch Co. v. Hunting World, Inc.,* 537 F.2d 4, 9 (2d Cir.1976). *See Paddington Corp. v. Attiki Importers & Distrib., Inc.,* 996 F.2d 577, 583 (2d Cir.1993) (adopting Judge Friendly's test to evaluate the inherent distinctiveness of product packaging). Within this framework, trade dress is classified on a spectrum of increasing distinctiveness as generic, descriptive, suggestive, or arbitrary/fanciful….

[4] The Supreme Court has emphasized that an inherently distinctive trade dress is one whose "intrinsic nature serves to identify a particular source of a product," *Two Pesos, Inc. v. Taco Cabana, Inc*., 505 U.S. 763, 768 (1992), although it may not yet have widespread identification among consumers. *Id.* at 771. Consumers generally rely on packaging for information about the product and its source. But the varieties of labels and packaging available to wholesalers and manufacturers are virtually unlimited. As a consequence, a product's trade dress typically will be arbitrary or fanciful and meet the inherently distinctive requirement for § 43(a) protection. *Mana Prods., Inc. v. Columbia Cosmetics Mfg., Inc.,* 65 F.3d 1063, 1069 (2d Cir.1995); *Chevron Chem. Co. v. Voluntary Purchasing Groups, Inc.,* 659 F.2d 695, 703 (5th Cir.1981).

[5] Yet trade dress protection has limits. A trade dress that consists of the shape of a product that conforms to a well-established industry custom is generic and hence unprotected. For example, the cosmetics industry's common use of black, rectangular-shaped compacts renders that packaging generic. *Mana,* 65 F.3d at 1070; *see also Paddington,* 996 F.2d at 583 (soda industry practice would render green cans generic for the purpose of packaging lime-flavored soda). In short, despite the broad opportunity to design an arbitrary or fanciful trade dress, a specific trade dress must still be evaluated to determine whether it is so distinctive as to point to a single source of origin and thereby be entitled to Lanham Act protection.

[6] Defendants urge us to adopt a more stringent standard of distinctiveness than that used by the trial court. Recently we declined to use the *Abercrombie* spectrum of distinctiveness in a trade dress case that involved features of the product itself. *Knitwaves, Inc. v. Lollytogs Ltd.,* 71 F.3d 996 (2d Cir.1995). In an attempt to extend that rationale, defendants suggest we adopt an alternative test for inherent distinctiveness of trade dress set forth in *Seabrook Foods, Inc. v. Bar–Well*

Foods Ltd., 568 F.2d 1342, 1344 (C.C.P.A.1977). Under *Seabrook,* the inquiry is whether the design or shape of a package is a common, basic one, or whether it is unique or unusual in a particular field; whether the design is a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a trade dress or ornamentation for such goods, or whether it is one capable of creating a commercial impression separate from the accompanying words. *Id.*

[7] We see no reason to abandon the *Abercrombie* distinctiveness spectrum in this case. Several reasons lead us to decline. First, we have expressly ruled that the *Abercrombie* classifications apply to packaging. *Paddington,* 996 F.2d at 583. Second, *Knitwaves* is a pure product configuration case, separate from product packaging, the category of trade dress at issue in this case. In *Knitwaves,* the trade dress lay in the product itself, rather than in a symbol—a trademark or packaging—associated with the product. It was therefore difficult to define some aspect or feature of the trade dress as "descriptive" or "arbitrary" in relation to the product. *See Knitwaves,* 71 F.3d at 1007–08 (quoting *Duraco Prods. v. Joy Plastic Enters., Ltd.,* 40 F.3d 1431, 1440–41 (3d Cir.1994)). In contrast, a store display of a product's packaging style creates an image of the product more readily separated from the product itself. Moreover, although there may be a finite set of ways to configure a product, the variety of packaging available for a given product is limited only by the bounds of imagination. These factors render packaging more suitable than product configuration for classification under the *Abercrombie* system as arbitrary or fanciful, suggestive, descriptive, or generic.

[8] Third, use of the *Abercrombie* test tracks the purpose of the Lanham Act to identify source. That is, it is consistent with the Supreme Court's emphasis on a trade dress' capacity to "identify a particular source of the product." *Two Pesos,* 505 U.S. at 771. While a more stringent test is necessary in the product configuration context, applying *Abercrombie* to product packaging serves the aims of the Lanham Act because consumers are more likely to rely on the packaging of a product than on the product's design as an indication of source. Restatement (Third) of Unfair Competition § 16 cmt. b (1995). In contrast, over-inclusive protection of the product design risks conferring benefits beyond the intended scope of the Lanham Act and entering what is properly the realm of patent law. *See Fabrication Enters., Inc. v. Hygenic Corp.,* 64 F.3d 53, 59 n. 4 (2d Cir.1995). Thus, though the *Abercrombie* classifications were originally developed for analysis of word marks, we conclude that because of the endless number of product packaging options the *Abercrombie* test is appropriately applied in this trade dress case.

B. Distinctiveness in the Instant Case

[9] Defendants insist that the Toilet Bank's trade dress is not inherently distinctive, principally because the elements identified as part of that characterization are generic. Classification under the *Abercrombie* spectrum of

distinctiveness is a question of fact reviewed under the clearly erroneous standard. *See Bristol–Myers Squibb Co. v. McNeil–P.P.C., Inc.,* 973 F.2d 1033, 1039–40 (2d Cir.1992) (classification of trademarks). We evaluate trade dress distinctiveness by looking at all its elements and considering the total impression the trade dress gives to the observer. *Paddington,* 996 F.2d at 584. Concededly, a number of individual features of the Toilet Bank's trade dress are common in the toy industry; for example, the triangular shape of the box and its open styling are found everywhere on toy store shelves. The red arrows stating "Try Me," the starburst (separate from the notation "flushing sound"), and the raised blister are similarly quite usual legends in the toy business. Although some of the individual elements of a trade dress are generic or descriptive, the impression given by all of them in combination may be inherently distinctive. Such was what the district court found here; and we cannot say that this finding is clearly erroneous.

[10] Gemmy maintains that the trial court improperly considered the similarities between its product and Fun–Damental's when making the inherently distinctive determination regarding the Toilet Bank's trade dress. We disagree. Although Fun–Damental makes no claim regarding the copying of its product, it was appropriate to consider the packaging in conjunction with the product, rather than simply the empty box. "[T]rade dress today encompasses a broad concept of how a product presented to the public looks, including its color, design, container, and all the elements that make up its total appearance." *Mana,* 65 F.3d at 1069.

[11] This "total look" approach is the only workable way to consider such elements of the trade dress as the arrow sticker that is affixed to the Toilet Bank's tank. Because the box is open in order to display the product, it was proper to analyze Fun–Damental's trade dress as seen by consumers—including the Toilet Bank product. Further, there is no risk of "spillover" protection for the Toilet Bank as a product here since the injunction is limited to the sale of a similar product in a *particular* package, rather than an absolute ban on the sale of the Currency Can in an open-style box. In sum, we conclude that looking at the product itself in the context of its packaging is a proper method of analyzing open-style packaging for trade dress protection.

Amazing Spaces, Inc. v. Metro Mini Storage
608 F.3d 225 (5th Cir. 2010)

[The relevant facts are as follows: Plaintiff Amazing Spaces, Inc. ("Amazing Spaces") and defendant Metro Mini Storage ("Metro") are rival self-storage businesses in Houston, Texas. Amazing Spaces claims a star design as its service mark, which it registered at the PTO in 2004 (see the registration certificate below). Metro used a similar design on its storage buildings. In response to Amazing Spaces' suit for trademark infringement, Metro argued that Amazing Spaces' star design mark lacked both inherent and acquired distinctiveness and was improperly registered. The district court agreed and granted Metro's motion for summary judgment on the issue. On appeal, after considering, among other things, the weight to be accorded to the PTO registration (an issue we will discuss in Part I.D below), the Fifth Circuit turned to the question of whether the star design was inherently distinctive.]

APPENDIX

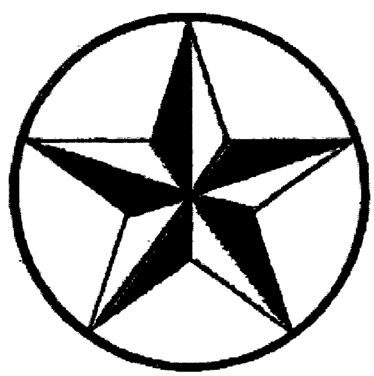
Int. Cl.: 39

Prior U.S. Cls.: 100 and 105

Reg. No. 2,859,845

United States Patent and Trademark Office **Registered July 6, 2004**

SERVICE MARK
PRINCIPAL REGISTER



AMAZING SPACES (TEXAS CORPORATION)
9040 LOUETTA ROAD, SUITE B
SPRING, TX 77379

FOR: STORAGE SERVICES, IN CLASS 39 (U.S. CLS. 100 AND 105).

FIRST USE 4-0-1998; IN COMMERCE 4-0-1998.

SER. NO. 76-540,854, FILED 8-15-2003.

DOMINIC J. FERRAIUOLO, EXAMINING ATTORNEY

KING, Circuit Judge

…

2. Inherent Distinctiveness

[1] As mentioned above, "a mark is inherently distinctive if 'its intrinsic nature serves to identify a particular source.'" *Wal–Mart Stores,* 529 U.S. at 210 (quoting *Two Pesos,* 505 U.S. at 768). Inherent distinctiveness is attributable to a mark when the mark "almost *automatically* tells a customer that it refers to a brand and ... immediately signal[s] a brand or a product source." *Id.* at 212 (quoting *Qualitex Co. v. Jacobson Prods. Co.,* 514 U.S. 159, 162–63 (1995)). The parties disagree over not only the answer to whether the Star Symbol is inherently distinctive but also over the

proper method for conducting the inquiry. Metro urges that the familiar *Abercrombie* test cannot be used to categorize the Star Symbol and instead asks that we apply the *Seabrook Foods* test to determine that the Star Symbol is not inherently distinctive. Amazing Spaces, by contrast, presses the application of the *Abercrombie* test, under which it claims the Star Symbol is inherently distinctive, and it argues alternatively that the Star Symbol is inherently distinctive under the *Seabrook Foods* test.

a. *Abercrombie*

[2] In *Abercrombie,* Judge Friendly sought to arrange the universe of marks into a spectrum of distinctiveness. *See* 537 F.2d at 9. …

[3] We agree with Metro that the Star Symbol resists categorization under the *Abercrombie* test, and we consequently do not rely on a rote application of its categories in determining whether the Star Symbol is inherently distinctive. The Supreme Court's most recent recitation of the *Abercrombie* categories noted its use only in the context of marks consisting of words. *See Wal–Mart Stores,* 529 U.S. at 210 ("*In the context of word marks,* courts have applied the now-classic test originally formulated by Judge Friendly ...." (emphasis added) (citing *Abercrombie,* 537 F.2d at 10–11)). The Court's precedent also supports the proposition that some marks, although deserving of legal protection, do not fit within the *Abercrombie* spectrum. In *Qualitex,* the Court declined to apply the *Abercrombie* test to a mark consisting purely of a shade of color used in a product's trade dress, holding that the mark could constitute a legally protectable mark only through a showing of secondary meaning. 514 U.S. at 162–63. The Court further extended that logic when, in *Wal–Mart Stores,* it stated that "[i]t seems to us that [product] design, like color, is not inherently distinctive" and held that marks consisting of a product's design were protectable only upon proof of secondary meaning—a conclusion it could not have reached had it applied the *Abercrombie* test. *Wal–Mart Stores,* 529 U.S. at 212. Professor McCarthy, a luminary in the field of trademark law, has likewise suggested that the *Abercrombie* test may not apply to all marks, stating that "[u]se of the spectrum of descriptive, suggestive, arbitrary and fanciful is largely confined to word marks. It is usually not suitable for nonword designations such as shapes and images ... [, which] must be judged by other guidelines." 2 MCCARTHY ON TRADEMARKS § 11:2, at 11–7. The RESTATEMENT, in a section addressed to symbols, graphic designs, and colors, agrees:

> A symbol or graphic design is not inherently distinctive unless the nature of the designation and the manner of its use make it likely that prospective purchasers will perceive the designation as an indication of source. Commonplace symbols and designs are not inherently distinctive since their appearance on numerous products makes it unlikely that consumers will view them as distinctive of the goods or services of a particular seller. Thus, unless the symbol or design is

> striking, unusual, or otherwise likely to differentiate the products of a particular producer, the designation is not inherently distinctive.

RESTATEMENT § 13 cmt. d, at 107.

[4] As the district court discovered, the challenge of placing the Star Symbol into *Abercrombie*'s constellation of categories is a futile endeavor. We have described the *Abercrombie* categories as follows…

[5] The district court briefly probed the utility of applying the *Abercrombie* test and concluded that the Star Symbol did not fit as a generic, descriptive, or suggestive mark. *See Amazing Spaces,* 665 F.Supp.2d at 737. The district court first rejected the notion that the Star Symbol was generic because "[a] five-pointed star within a circle does not refer to a product or service provided by a self-storage company" and "[t]he evidence of widespread use of a five-point star or a five-point star set within a circle by many diverse businesses and government offices supports the conclusion that the star mark is not related to or a generic symbol for self-storage goods or services." *Id.* It next determined that the Star Symbol was not descriptive because "[i]t does not identify a characteristic or quality of self-storage service, such as its function or quality." *Id.* Nor was the Star Symbol suggestive, according to the district court, because "[t]here is no basis to conclude that a five-pointed star set within a circle suggests an attribute of self-storage services." *Id.* We discern no flaws in the district court's analysis with respect to these three categories. However, the logical extension of the district court's analysis is the conclusion that the Star Symbol is arbitrary or fanciful, which under the *Abercrombie* test would render it inherently distinctive and thus entitled to protection. Yet the district court refused to so conclude, stating that "the star mark cannot be classified as arbitrary or fanciful unless it is inherently distinctive so as to serve as a source identifier for Amazing Spaces." *Id.* It then turned to the *Seabrook Foods* test in conducting its inquiry into the Star Symbol's inherent distinctiveness. *See id.*

[6] We agree that the Star Symbol—indeed, any mark—lacks inherent distinctiveness if its intrinsic nature does not serve to identify its source. *See Wal–Mart Stores,* 529 U.S. at 210 ("[A] mark is inherently distinctive if 'its intrinsic nature serves to identify a particular source.'" (quoting *Two Pesos,* 505 U.S. at 768)). Furthermore, as we have already indicated, we approve the district court's decision to apply a test other than *Abercrombie* in this case. However, we disagree somewhat with the district court's reasoning that a mark cannot be categorized as arbitrary or fanciful unless it is inherently distinctive. Under the *Abercrombie* test, it is the categorization of a mark that dictates its inherent distinctiveness, not the other way around. A rote application of the *Abercrombie* test yields the conclusion that the Star Symbol is an arbitrary or fanciful mark because it "'bear[s] no relationship to the products or services to which [it is] applied.'" *Pebble Beach,* 155 F.3d at 540 (quoting

Zatarains, 698 F.2d at 791).[1] Were we to apply the *Abercrombie* test mechanically to the Star Symbol, without an eye to the question the test seeks to answer, we would be left with the conclusion that the Star Symbol is inherently distinctive. The district court, aware of that result, proceeded to apply the *Seabrook Foods* test. *See Amazing Spaces,* 665 F.Supp.2d at 737.

[7] Both the Supreme Court and scholars have questioned the applicability of the *Abercrombie* test to marks other than words. *See Wal–Mart Stores,* 529 U.S. at 210–13, (noting that the *Abercrombie* test was developed and applied "[i]n the context of word marks" and declining to apply it to a mark consisting of product design); *Qualitex,* 514 U.S. at 162–63 (referring to the *Abercrombie* test but not applying it to a mark consisting of a shade of color); RESTATEMENT § 13 cmt. d, at 107 ("[U]nless the symbol or design is striking, unusual, or otherwise likely to differentiate the products of a particular producer, the designation is not inherently distinctive."); 1 MCCARTHY ON TRADEMARKS § 7:33, at 7–88.1–89 ("Ordinary geometric shapes ... are regarded as nondistinctive and protectable only upon proof of secondary meaning.... However, uncommon or unusual shapes and symbols ... can be regarded as inherently distinctive.... The issue is whether this shape is so unusual for this type of goods or services that its distinctiveness can be assumed."); 1 MCCARTHY ON TRADEMARKS § 8:13, at 8–58.1 ("Only in some cases does [*Abercrombie*] classification make sense [for trade dress].... The word spectrum of marks simply does not translate into the world of shapes and images."); 2 MCCARTHY ON TRADEMARKS § 11:2, at 11–7 ("Use of the spectrum of descriptive, suggestive, arbitrary and fanciful is largely confined to word marks. It is usually not suitable for nonword designations such as shapes and images making up trade

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[1] One commentator has noted that marks consisting of symbols and designs are typically arbitrary with respect to their associated goods and services where the marks are "nonrepresentational":

> Nonverbal and nonrepresentational designs and figures are perfectly acceptable as trademarks. Indeed, they have the advantage of being totally arbitrary, and so cannot be descriptive of the goods or services. The only problem which may be encountered is the question of whether such designs or figures are regarded by the public as identifying indicia or merely as decorations. Especially is this true of such simple figures as rectangles, diamonds, circles, triangles, or lines.

LOUIS ALTMAN & MALLA POLLACK, 3 CALLMAN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 18:24 (4th ed.2010) (footnotes omitted). Under this reasoning, nonverbal marks—even though "arbitrary"—must still be shown to serve as identifying indicia. Professor McCarthy appears to share the view that such marks are arbitrary when they are nonrepresentational. *See* 1 MCCARTHY ON TRADEMARKS § 7:36, at 7–91 ("A picture that is merely a representation of the goods themselves is regarded as merely descriptive of the goods.").

dress."). We do not go so far as to hold that the *Abercrombie* test is eclipsed every time a mark other than a word is at issue. Instead, we hold that the *Abercrombie* test fails to illuminate the fundamental inquiry in this case: whether the Star Symbol's "'intrinsic nature serves to identify'" Amazing Spaces and its storage services. *Wal–Mart Stores,* 529 U.S. at 210 (quoting *Two Pesos,* 505 U.S. at 768, 112 S.Ct. 2753). For the answer to that question, we now turn to the *Seabrook Foods* test employed by the district court.

b. *Seabrook Foods*

[8] In contrast to the *Abercrombie* test, the *Seabrook Foods* test, articulated by the U.S. Court of Customs and Patent Appeals in 1977, applies expressly to marks consisting of symbols and designs:

> In determining whether a design is arbitrary or distinctive this court has looked to [1] whether it was a "common" basic shape or design, [2] whether it was unique or unusual in a particular field, [3] whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods, or [4] whether it was capable of creating a commercial impression distinct from the accompanying words.

Seabrook Foods, 568 F.2d at 1344 (footnotes omitted).[2] The first three of the *Seabrook Foods* "'questions are merely different ways to ask whether the design, shape or combination of elements is so unique, unusual or unexpected in this market that one can assume without proof that it will automatically be perceived by customers as an indicator of origin—a trademark.'" *I.P. Lund Trading ApS v. Kohler Co.,* 163 F.3d 27, 40 (1st Cir.1998) (quoting 1 MCCARTHY ON TRADEMARKS § 8:13, at 8–58.5).[3] As is true of the *Abercrombie* test, the *Seabrook Foods* test seeks an

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[2] As noted above, the district court omitted discussion of the fourth factor, which by its terms applies only when a party seeks trademark protection for a background design typically accompanied by words. *See Amazing Spaces,* 665 F.Supp.2d at 736. Similarly, we will not consider the fourth *Seabrook Foods* factor.

[3] The Second Circuit has also used a related test that asks "whether [the mark] is 'likely to serve primarily as a designator of origin of the product.' " *Knitwaves, Inc. v. Lollytogs Ltd.,* 71 F.3d 996, 1008 (2d Cir.1995) (quoting *Duraco Prods., Inc. v. Joy Plastic Enters.,* 40 F.3d 1431, 1449 (3d Cir.1994)). Although the *Knitwaves* court quoted the *Duraco Products* court for part of its test, it rejected the requirements that the product configuration "be 'unusual and memorable' and 'conceptually separable from the product.' " *Id.* at 1009 n. 6 (quoting *Duraco Prods.,* 40 F.3d at 1449); *see also Stuart Hall Co. v. Ampad Corp.,* 51 F.3d 780, 787–88 (8th Cir.1995) (rejecting the *Duraco Products* test as inconsistent with *Two Pesos* by imposing additional, non-statutory requirements). The First Circuit has, in turn, criticized the

answer to the question whether a mark's "'intrinsic nature serves to identify a particular source.'" *Wal–Mart Stores,* 529 U.S. at 210 (quoting *Two Pesos,* 505 U.S. at 768, 112 S.Ct. 2753); *accord* 1 MCCARTHY ON TRADEMARKS § 3:3, at 3–6 ("[A] designation must be proven to perform the job of identification: to identify one source and distinguish it from other sources. If it does not do this, then it is not protectable as a trademark, service mark, trade dress or any similar exclusive right.").[4]

[9] We agree with the assessment of the *I.P. Lund Trading* court and Professor McCarthy that the *Seabrook Foods* factors are variations on a theme rather than discrete inquiries. In *Star Industries v. Bacardi & Co.,* the Second Circuit noted that "'[c]ommon basic shapes' or letters are, as a matter of law, not inherently distinctive ..., [but] stylized shapes or letters may qualify, provided the design is not commonplace but rather unique or unusual in the relevant market." 412 F.3d 373, 382 (2d Cir.2005) (citing *Seabrook Foods,* 568 F.2d at 1344; *Permatex Co. v. Cal. Tube Prods., Inc.,* 175 U.S.P.Q. 764, 766 (TTAB1972)). This statement, turning on whether the symbol or design is "common," comprises, essentially, the first two *Seabrook Foods* factors. However, the third *Seabrook Foods* factor similarly asks whether a symbol or design is "common" in the sense that it is likely to be perceived by the public as ornamentation rather than a mark. *See Wiley v. Am. Greetings Corp.,* 762 F.2d 139, 142 (1st Cir.1985) (equating a red heart shape on a teddy bear to "an ordinary geometric shape" because it "carrie[d] no distinctive message of origin to the consumer, ... given the heart shape's widespread use as decoration for any number of products put out by many different companies").[5] A "common" symbol or

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Knitwaves test as inconsistent with *Two Pesos* because it fails to keep the inherent distinctiveness inquiry separate from the secondary meaning inquiry. *See I.P. Lund Trading,* 163 F.3d at 41. This case does not require us to delve into the propriety of these variations on the *Seabrook Foods* test, and we do not do so.

[4] We note, of course, that the *Wal–Mart* Court was urged by the respondent in that case and by the United States as *amicus curiae* to adopt the *Seabrook Foods* test writ large for product design but declined to do so. *Id.* at 213–14, 120 S.Ct. 1339. The Court's concern was that "[s]uch a test would rarely provide the basis for summary disposition of an anticompetitive strike suit." *Id.* at 214, 120 S.Ct. 1339. However, as discussed below, we are of the opinion that the relevant portions of the *Seabrook Foods* test do provide a basis for summary disposition in this case. Because we conclude that the Star Symbol is not inherently distinctive under the *Seabrook Foods* test, we do not address whether it constitutes a "reasonably clear test," *id.* at 213, such that it would be preferable to the *Abercrombie* test in the ordinary trademark or service mark dispute.

[5] The interrelationship between these inquiries is also reflected in Professor McCarthy's discussion of common geometric shapes:

design—lacking inherent distinctiveness—is the antithesis of a symbol or design that "'is so unique, unusual or unexpected in this market that one can assume without proof that it will automatically be perceived by customers as an indicator of origin—a trademark.'" *I.P. Lund Trading,* 163 F.3d at 40 (quoting 1 MCCARTHY ON TRADEMARKS § 8:13, at 8–58.5); *accord* RESTATEMENT § 13 cmt. d, at 107 ("Commonplace symbols and designs are not inherently distinctive since their appearance on numerous products makes it unlikely that consumers will view them as distinctive of the goods or services of a particular seller.").

[10] The district court determined that the Star Symbol was "not a plain five-pointed star" but was instead "shaded and set within a circle," rendering it "sufficient[ly] styliz[ed]" to be "more than a common geometric shape." *Amazing Spaces,* 665 F.Supp.2d at 737. It then proceeded to conclude that the Star Symbol "[wa]s not inherently distinctive and d[id] not act as an indicator of origin for any self-storage business, including Amazing Spaces." *Id.* at 738. It supported this assertion with a discussion of "[t]he ubiquitous nature of the five-pointed star set within a circle" in Texas, specifically its "use[ ] as a decoration or ornamentation on innumerable buildings, signs, roads, and products." *Id.* The court concluded that this ubiquity—including use of the same or a similar star design in 63 businesses and 28 other self-storage locations—"preclude[d] a finding that [the Star Symbol wa]s inherently distinctive or that it c[ould] serve as an indicator of origin for a particular business." *Id.*

[11] Undoubtedly, the Star Symbol is stylized relative to an unshaded five-pointed star design not set within a circle. However, we disagree that the issue of stylization revolves around comparing a design's actual appearance to its corresponding platonic form. Instead, as discussed above, asking whether a shape is stylized is merely another way of asking whether the design is "commonplace" or "unique or unusual in the relevant market," *Star Indus.,* 412 F.3d at 382 (citing *Permatex,* 175 U.S.P.Q. at 766), or whether it is "a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation," *Seabrook Foods,* 568 F.2d at

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> Most common geometric shapes are regarded as not being inherently distinctive, in view of the common use of such shapes in all areas of advertising. Thus, such ordinary shapes as circles, ovals, squares, etc., either when used alone or as a background for a word mark, cannot function as a separate mark unless (1) the shape is likely to create a commercial impression on the buyer separate from the word mark or any other indicia and (2) the shape is proven to have secondary meaning.... The rationale is that such designs have been so widely and commonly used as mere decorative graphic elements that the origin-indicating ability of such designs has been diminished.

1 MCCARTHY ON TRADEMARKS § 7:29, at 7–73–74 (footnotes omitted).

1344.[6] The stylization inquiry is properly conceived of as asking whether a particular symbol or design is stylized such that prospective purchasers of goods or

[6] The parties dispute the scope of the "relevant market"—specifically, whether the district court correctly considered use of a similar or identical star design beyond the self-storage service industry. Amazing Spaces contends that we should limit our analysis to the self-storage services industry, while Metro argues that we may take into account uses of star designs in a larger context. The second *Seabrook Foods* factor refers to uniqueness or unusualness "in a particular field," 568 F.2d at 1344, and the Second Circuit has stated that a stylized design may be protectable when it "is not commonplace but rather unique or unusual in the relevant market," *Star Indus.,* 412 F.3d at 382. Similarly, the third factor refers to whether a mark is commonly used as ornamentation for a "particular class of goods." *Seabrook Foods,* 568 F.2d at 1344. In contrast, the First Circuit, in considering whether a red heart on the chest of a teddy bear was inherently distinctive, appeared to consider the broader use of red hearts in determining whether the use at issue was unique or unusual. *See Wiley,* 762 F.2d at 142 ("[T]he record contains so many examples of use of a red heart motif on teddy bears and other stuffed animals, *not to mention all manner of other toys and paraphernalia,* that no reasonable argument on this point can be made." (emphasis added)). The rule in the RESTATEMENT asks whether, "because of the nature of the designation and *the context in which it is used,* prospective purchasers are likely to perceive it as a designation that ... identifies goods or services produced or sponsored by a particular person." RESTATEMENT § 13(a), at 104 (emphasis added). It further explains that

> [c]ommonplace symbols and designs are not inherently distinctive since their appearance on numerous products makes it unlikely that consumers will view them as distinctive of the goods or services of a particular seller. Thus, unless the symbol or design is striking, unusual, or otherwise likely to differentiate the products of a particular producer, the designation is not inherently distinctive.

Id. § 13 cmt. d, at 107. Finally, and most importantly, the Lanham Act defines "service mark" as a mark used "to identify and distinguish the services of one person ... from the services of others and to indicate the source of the services." Lanham Act § 45, 15 U.S.C. § 1127. Because a mark must distinguish one person's services from another, we agree that our inquiry is whether the Star Symbol identifies and distinguishes Amazing Spaces's self-storage services from others' self-storage services. This does not mean, however, that we must blind ourselves to uses beyond the self-storage services industry: the fact that the same or a similar star is used in countless other ways certainly bears on whether it is "likely that prospective purchasers will perceive [a given star design] as an indication of source" within a particular industry because a "[c]ommonplace symbol[']s ... appearance on numerous products makes it unlikely that consumers will view [it] as distinctive of the goods or services of a particular seller." RESTATEMENT § 13 cmt. d, at 107.

services are likely to differentiate it from other, similar symbols or designs.[7] *See Wiley,* 762 F.2d at 142 (holding that a red heart on a teddy bear "carrie[d] no distinctive message of origin to the consumer ... given the heart shape's widespread use as decoration for any number of products put out by many different companies"); *Brooks Shoe Mfg. Co. v. Suave Shoe Corp.,* 716 F.2d 854, 858 (11th Cir.1983) (holding that a design consisting of a "V," "7," or arrow on athletic shoes was common ornamentation such that it was not inherently distinctive); RESTATEMENT § 13 cmt. d, at 107 ("The manner in which a symbol or design is used is also relevant to the likelihood that it will be perceived as an indication of source. In some instances a design is likely to be viewed as mere ornamentation rather than as a symbol of identification."); 1 MCCARTHY ON TRADEMARKS § 3.3, at 3–11 ("Usually, if when viewed in context, it is not immediately obvious that a certain designation is being used as an indication of origin, then it probably is not. In that case, it is not a trademark."). The record evidence is replete with similar or identical five-pointed stars, both raised and set in circles, and used in similar manners, such that—notwithstanding the residual evidence of the presumption of validity—no reasonable jury could find that the Star Symbol is even a mere refinement of this commonly adopted and well-known form of ornamentation.[8] The Star Symbol is thus not "'so unique, unusual or unexpected in this market that one can assume without proof that it will automatically be perceived by customers as an

[7] Under this analysis, use by third parties of a design bears on whether the design is inherently distinctive, not merely whether the design "is a 'strong' or a 'weak' [ ]mark." *Exxon Corp. v. Tex. Motor Exchange of Houston, Inc.,* 628 F.2d 500, 504 (5th Cir.1980); *cf. Union Nat'l Bank of Tex., Laredo, Tex.,* 909 F.2d at 848 n. 25 (noting that widespread industry use can render a mark not inherently distinctive, but third-party use otherwise typically affects the issue of whether there is a likelihood of confusion between marks).

[8] This is what differentiates the Star Symbol from the examples of registered marks containing stars that Amazing Spaces cites to support the protectability of five-pointed stars. The Dallas Cowboys star is stylized through the inclusion of a white border. The star in the Wal–Mart registration is a plain, five-pointed star, but the registered mark consists of more than just the star—the mark is the words "Wal" and "Mart" on either side of the star. The LanChile Airlines star is set against a circle that is 50% filled in, and it is adjacent to the words "LanChile Airlines." Finally, the USA Truck mark is a complex design consisting of a white star within a blue circle, set against a white rectangle with blue borders and a red stripe running across the middle. Each of these marks contains elements distinguishing it from the commonplace stars in the record. *See Union Nat'l Bank of Tex., Laredo, Tex.,* 909 F.2d at 848 n. 25 (noting that the appropriate inquiry is whether the mark as a whole is protectable, not whether its component parts are individually protectable (citing *Estate of P.D. Beckwith v. Comm'r of Patents,* 252 U.S. 538, 40 S.Ct. 414, 64 L.Ed. 705 (1919))).

indicator of origin—a trademark,'" *I.P. Lund Trading,* 163 F.3d at 40 (quoting 1 MCCARTHY ON TRADEMARKS § 8:13, at 8–58.5), and it "does not almost *automatically* tell a customer that it refers to a brand ... [or] immediately signal a brand or a product source," *Wal–Mart Stores,* 529 U.S. at 212, 120 S.Ct. 1339 (alterations and internal quotation marks omitted). Because the Star Symbol does not, by "'its intrinsic nature[,] serve[ ] to identify a particular source,'" *id.* at 210, it is not inherently distinctive, and it can be protected only upon a showing of secondary meaning.

[The court ultimately found that the star design lacked secondary meaning. It remanded the case, however, on the question, among others, of whether the overall appearance of Amazing Spaces' facilities, rather than simply the star design alone, was protectable trade dress].

Fiji Water Co., LLC v. Fiji Mineral Water USA, LLC
741 F.Supp.2d 1165, 1176-77 (C.D.Cal. 2010)

[The essential facts are as follows: Plaintiff produced water bottled in Fiji under the mark FIJI and with trade dress as defined and shown below. Defendant also produced water bottled in Fiji under the mark VITI and with trade dress as shown below. Plaintiff sued for trademark (and trade dress) infringement and won a preliminary injunction. Excerpted here are the court's description of the plaintiff's trade dress and the court's analysis of the inherent distinctiveness of that trade dress.]

CORMAC J. CARNEY, District Judge

…

[1] FIJI also alleges that the VITI product infringes the FIJI trade dress, which includes the following elements: the use of a bottle with a dominantly square shape, with a recessed central body portion defined by the protruding shoulders and base portions of the bottle, a blue bottle cap, a transparent outer front label with a pink accent in the lower right hand corner, a depiction of a blue background and palm tree fronds on the inside of the back label, a three-dimensional effect created by having a transparent label on the front panel of the bottle revealing the inner side of the back label, a rainwater drop on the front label, a statement on the front label stating "From the islands of Fiji/Natural Artesian Water," and prominent use of the four-letter, two-syllable word FIJI, in block white lettering with a metallic outline around the letters.

…

[2] The second element that FIJI must establish to succeed on the merits for its trade dress infringement claim is that its trade dress is inherently distinctive or has acquired secondary meaning. Packaging such as the FIJI bottle shape and label design is inherently distinctive if "[its] intrinsic nature serves to identify a particular source." *Wal–Mart Stores, Inc. v. Samara Bros., Inc*., 529 U.S. 205, 210, (2000); see also 1 *McCarthy on Trademarks* § 8:12.50 (4th ed. 2010) (bottle is packaging). To determine whether packaging is so "unique, unusual, or unexpected in this market that one can assume without proof that it will automatically be perceived by consumers as an indicator of origin," the court may look to (1) whether the design is a common, basic shape or design, (2) whether it was unique or unusual in a particular field, (3) whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods, or (4) whether it was capable of creating a commercial impression distinct from the accompanying words. *Seabrook Foods, Inc. v. Bar–Well Foods Ltd*., 568 F.2d 1342 (CPPA 1977). *See Wal–Mart Stores, Inc*., 529 U.S. at 210 (noting that the *Abercrombie* spectrum of distinctiveness is properly applied to word marks); see also 1 *McCarthy on Trademarks* § 8:13 (4th ed. 2010) (commenting that *Seabrook* test is preferred for classifying inherently distinctive trade dress in packaging and containers); *DCNL, Inc. v. Almar Sales Co*., 47 U.S.P.Q.2d 1406, 1997 WL 913941 (N.D.Cal.1997), aff'd without opinion, 178 F.3d 1308 (9th Cir.1998).

[3] Although the square bottle and blue cap elements may be fairly common in the bottled water industry, the stylized hibiscus, the palm fronds and the three-dimensional effect of the transparent front label with palm fronds on the inside back label are not a common design. *Contra Paddington Corp. v. Attiki Imps. & Distribs., Inc*., 996 F.2d 577 (2d Cir.1993) (giving examples of designs that are not inherently distinctive in certain markets, such as packaging lime soda in green cans or showing a shining car on a bottle of car wax). The stylized white block letters with metallic

outline for the word "FIJI," together with the tropical foliage using hues of blue and green and the raindrop invites consumers to imagine fresh, clear water from a remote tropical island. Reviewing the 2008 Bottled Water Guide that FIJI submitted reveals no other brands that combine the elements of the square bottle, three-dimensional labeling effect, and tropical motif. FIJI has won international awards for print and packaging excellence and design innovation in the food packaging industry, which is strong evidence that its packaging is unique or unusual in the field and not simply a variation on existing bottled water designs. Finally, the transparent three-dimensional label distinguishes FIJI from the other brands, and makes the trade dress recognizable even apart from the block-letter word mark FIJI, as evidenced by some of the open-ended responses consumers gave in FIJI's consumer confusion survey. Based on this evidence, the Court concludes that FIJI's trade dress is inherently distinctive.

Though the Second Circuit apparently still subscribes to the use of *Abercrombie* in the analysis of the inherent distinctiveness of non-configuration trade dress, consider whether *Seabrook*-like factors inform the Second Circuit's analysis in the *Star Industries* case below.

Star Industries, Inc. v. Bacardi & Co. Ltd.
412 F.3d 373 (2d Cir. 2005)

[Star Industries, Inc. ("Star") developed and registered the mark as shown and described below for orange-flavored GEORGI vodka. Bacardi & Co. Ltd. ("Bacardi") then developed a similar mark for orange flavored rum. Star brought suit. Excerpted below is the court's description of Star's mark and its analysis of the inherent distinctiveness of that mark. Note that, like the Seabrook plaintiff's claim that the pointed loop alone was source distinctive, Star was claiming that the "O" alone was distinctive of source.]

POOLER, Circuit Judge

…

[1] In June 1996, inspired by the success of flavored vodkas introduced by leading international companies such as Stolichnaya, Star's president decided to develop an orange-flavored Georgi vodka. A new label was designed, consisting of the traditional Georgi label, which contains a coat of arms and a logo consisting of stylized capital letters spelling 'Georgi' on a white background, together with three new elements: an orange slice, the words "orange flavored," and a large elliptical letter "O" appearing below the "Georgi" logo and surrounding all of the other elements. The "O" was rendered as a vertical oval, with the outline of the "O" slightly wider along the sides (about one quarter inch thick) and narrowing at the top and bottom (about one eighth inch thick); the outline of the "O" is colored orange and decorated with two thin gold lines, one bordering the inside and one bordering the outside of the outline. Star was apparently the first company to distribute an orange-flavored alcoholic beverage packaged in a bottle bearing a large elliptical orange letter "O."

…

[2] The district court erred when it described the Star "O" as a basic geometric shape or letter, and therefore rejected inherent distinctiveness and required a showing of secondary meaning. The Star "O" is not a "common basic shape" or letter, and the district court's holding to the contrary was premised on a misunderstanding of this trademark law concept. Unshaded linear representations of common shapes or letters are referred to as "basic." They are not protectable as inherently distinctive, because to protect them as trademarks would be to deprive competitors of fundamental communicative devices essential to the dissemination of information to consumers. However, stylized letters or shapes are not "basic," and are

protectable when original within the relevant market. *See Courtenay Communications Corp. v. Hall, 334 F.3d 210, 215 n.32 (2d Cir.2003)* (distinguishing case of mark consisting of word displayed with distinctive "typeface, color, and other design elements," which was protectable, from cases holding generic words not protectable); *compare W In re W.B. Roddenbery Co., 135 U.S.P.Q. 215, 216 (TTAB1962)* (holding design consisting of colored circle attached to differently colored rectangle protectable as inherently distinctive) *with In re Hillerich & Bradsby Co.,* 40 C.C.P.A. 990, 204 F.2d 287, 288 (1953) (noting that applicant conceded that unshaded line oval was not inherently distinctive). Star's "O" is sufficiently stylized to be inherently distinctive and therefore protectable as a trademark. It is stylized with respect to shading, border, and thickness, and each of these design elements distinguishes it from the simple or basic shapes and letters that have been held unprotectable.

[3] The Star "O" design had sufficient shape and color stylization to render it slightly more than a simply linear representation of an ellipse or the letter "O." It was, furthermore, a unique design in the alcoholic beverage industry at the time it was introduced. This suffices to establish its inherent distinctiveness and thus its protectability. Furthermore, the Star "O" design is protectable separately from the other design elements on the Georgi orange-flavored vodka label precisely because the "O" design is itself inherently distinctive. *See In re E.J. Brach & Sons,* 45 C.C.P.A. 998, 256 F.2d 325, 327 (1958); *W.B. Roddenbery,* 135 U.S.P.Q. at 216. However, the extent of stylization was marginal at best. The outline of the "O," though not uniform, is ordinary in its slightly varying width, and the interior and exterior borders are also ordinary. The result is a "thin" or weak mark, which will be entitled to only limited protection. *See Libman Co. v. Vining Indus.,* 69 F.3d 1360, 1363 (7th Cir.1995).

[The court went on to find no likelihood of confusion.]

d. Analyzing the Acquired Distinctiveness of Nonverbal Marks

The secondary meaning analysis of nonverbal marks is largely the same as that of verbal marks. Courts tend to use essentially the same factors and considerations for both. *See, e.g.*, *Herman Miller, Inc. v. Palazzetti Imports and Exports, Inc*., 270 F.3d 298 (6th Cir. 2001) (reviewing seven factors to determine that Herman Miller had raised an issue of fact as to the secondary meaning of the design of its Eames chair); *Yankee Candle Co. v. Bridgewater Candle Co*., 259 F.3d 25, 43–45, (1st Cir. 2001) (finding insufficient evidence of secondary meaning in plaintiff's label designs for scented candles).

Courts may treat one factor differently, however, in the context of product configuration. Evidence that the defendant deliberately copied from the plaintiff may not carry as much weight when the defendant copied product configuration. *See, e.g.*, *Kaufman & Fisher Wish Co. v. F.A.O. Schwarz*, 184 F. Supp. 2d 311, 319 (S.D.N.Y. 2001) (in case involving defendant's alleged trademark infringement of plaintiff's toy doll and packaging, stating that "[t]he probative value of evidence of intentional copying is particularly limited in cases involving product design, since 'the copier may very well be exploiting a particularly desirable feature, rather than seeking to confuse consumers as to the source of the product.' *Duraco Products, Inc. v. Joy Plastic Enterprises, Ltd.*, 40 F.3d 1431, 1453 (3d Cir.1994)").

B. Bars to Protection

Even if a trademark is distinctive of source, it will still be denied protection if it falls within one of the statutory bars established under Lanham Act § 2, 15 U.S.C. §1052. We review the most important of these statutory bars here.

It is important to note that, strictly speaking, the § 2 statutory bars are bars only to the *registration* of a mark at the PTO. Recall however that the Lanham Act will protect both registered marks under § 32, 15 U.S.C. § 1114, and unregistered marks under § 43(a), 15 U.S.C. § 1125(a). This framework raises a question that the law has not yet definitively answered: if a mark is refused registration or its registration is cancelled under one of the statutory bars established in § 2, can the owner of the mark nevertheless seek protection of the mark under § 43(a)? For example, if a mark consists of the flag of a foreign nation and thus is barred from registration under Lanham Act § 2(b), could the owners of the mark nevertheless claim exclusive rights in the mark under § 43(a)? Though scholarly opinion remains divided, the better view would appear to be that a mark unregistrable under § 2 should be unprotectable under § 43(a). *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992) ("[I]t is common ground that § 43(a) protects qualifying unregistered trademarks and that the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a)."); *Renna v. Cnty. of Union, N.J.*, No. 11 Civ. 3328, 2014 WL 2435775, at *8 (D.N.J. May 29, 2014) ("It follows that such unregistrable marks, not actionable as registered marks under Section 32, are not actionable under Section 43, either."). *Cf. Matal v. Tam*, No. 15-1293, slip op. at 4 n. 1 (U.S. June 19, 2017) ("We need not decide today whether respondent could bring suit under § 43(a) if his application for federal registration had been lawfully denied under the disparagement clause.").

We will not review the specifics of the registration process until Section II.D. However, in order to complete our picture of what marks qualify for protection, be they registered or unregistered, we will necessarily review opinions in this section that involve questions of registration. Thus, the reader will need to tolerate references to certain aspects of the registration process that will not become clear until Section II.D.

Lanham Act § 2; 15 U.S.C. § 1052

> No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it--
>
> (a) Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage[1] or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute; or a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after one year after the date on which the WTO Agreement (as defined in section 3501(9) of Title 19) enters into force with respect to the United States.
>
> (b) Consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof.
>
> (c) Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow, if any, except by the written consent of the widow.
>
> (d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: Provided, That if the Director determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (1) the earliest of the filing dates of the applications pending or of any registration issued under this chapter; (2) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and

[1] [Note that the prohibition on the registration of marks that "may disparage…persons" was held to be invalid under the Free Speech Clause of the First Amendment in *Matal v. Tam*, No. 15–1293, 582 U.S. __ (U.S. June 19, 2017), which is excerpted below in Part I.B.2].

effect on that date; or (3) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Use prior to the filing date of any pending application or a registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. Concurrent registrations may also be issued by the Director when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Director shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods on or in connection with which such mark is registered to the respective persons.

(e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 1054 of this title, (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them, (4) is primarily merely a surname, or (5) comprises any matter that, as a whole, is functional.

(f) Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce. The Director may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made. Nothing in this section shall prevent the registration of a mark which, when used on or in connection with the goods of the applicant, is primarily geographically deceptively misdescriptive of them, and which became distinctive of the applicant's goods in commerce before December 8, 1993.

A mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125(c) of this title, may be refused registration only pursuant to a proceeding brought under section 1063 of this title. A registration for a mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125(c) of this title, may be canceled pursuant to a proceeding brought under either section 1064 of this title or section 1092 of this title.

1. Functionality

Even when a product (or packaging) feature is distinctive of source, trademark law will not protect that product feature if it is "functional." *See* Lanham Act § 2(e)(5), 15 U.S.C. §1052(e)(5) (prohibiting the registration of any mark that "comprises any matter that, as a whole, is functional"). Of course, all source-distinctive product features are functional in the lay sense that they function to indicate the source of the product to which they are attached or of which they form a part. In trademark law, however, functionality is a term of art denoting a legal conclusion about the particular nature or degree of the product feature's technical or competitive importance. The opinions excerpted in this subsection cover both categories of functionality in U.S. trademark law: "utilitarian functionality" (or as some call it, "mechanical functionality") and "aesthetic functionality." The name of the first category may sound like a redundancy, and the name of the second, an oxymoron, yet the underlying policy goals that inform utilitarian and aesthetic functionality doctrine show that the two categories have much in common.

a. Foundational Cases

The following three opinions—*In re Morton-Norwich Products, Inc.*, 671 F.2d 1322 (CCPA 1982); *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982); and *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001)—provide the foundation for current functionality doctrine in the federal courts. *Morton-Norwich* has given us the four "*Morton-Norwich* factors" that the Federal Circuit and consequently the PTO and TTAB use to determine functionality. *Inwood* is the source of the famous (in trademark circles) footnote number 10, which states that "a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." *Inwood*, 456 U.S. at 851 n. 10. By the time of the Supreme Court's *TrafFix* opinion in 2001, functionality doctrine had increasingly come to rely on competition-oriented (and plaintiff-friendly) tests for functionality. *TrafFix* sought to return functionality doctrine to *Inwood*'s "traditional" definition of functionality. In the next subsection, we will consider whether *TrafFix* has successfully done so. First, however, we must gain a grounding in the foundational cases.

In reading *In re Morton-Norwich Products, Inc.*, 671 F.2d 1322 (CCPA 1982), consider the following questions:

- When the *Morton-Norwich* opinion turns to the question of the functionality of the spray bottle design at issue, it appears to adopt several different definitions of "functionality" (e.g., a product feature is nonfunctional if competitor's have "no necessity to copy it"; a product feature is nonfunctional where there is "no evidence that it was dictated" by the functions to be performed by the product; a product feature is functional if the granting of exclusive rights in it "will hinder competition"). Are these different approaches equivalent? Which are more plaintiff-friendly or defendant-friendly?

- Of the various relevant factors that the *Morton-Norwich* court sets out to determine functionality, which do you expect have proven to be the most important?

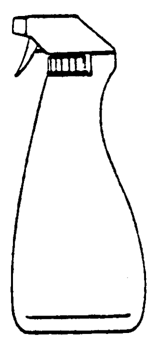
In re Morton-Norwich Products, Inc.
671 F.2d 1332 (CCPA 1982)

RICH, Judge

[1] This appeal is from the ex parte decision of the United States Patent and Trademark Office (PTO) Trademark Trial and Appeal Board (board), 209 USPQ 437 (TTAB 1980), in application serial No. 123,548, filed April 21, 1977, sustaining the examiner's refusal to register appellant's container configuration on the principal register. We reverse the holding on "functionality" and remand for a determination of distinctiveness.

Background

[2] Appellant's application seeks to register the following container configuration as a trademark for spray starch, soil and stain removers, spray cleaners for household use, liquid household cleaners and general grease removers, and insecticides:



[3] Appellant owns U.S. Design Patent 238,655, issued Feb. 3, 1976, on the above configuration, and U.S. Patent 3,749,290, issued July 31, 1973, directed to the mechanism in the spray top.

[4] The above-named goods constitute a family of products which appellant sells under the word-marks FANTASTIK, GLASS PLUS, SPRAY 'N WASH, GREASE RELIEF, WOOD PLUS, and MIRAKILL. Each of these items is marketed in a container of the same configuration but appellant varies the color of the body of the container according to the product. Appellant manufactures its own containers and stated in its application (amendment of April 25, 1979) that:

> Since such first use (March 31, 1974) the applicant has enjoyed substantially exclusive and continuous use of the trademark (i.e., the

> container) which has become distinctive of the applicant's goods in commerce.

The PTO Trademark Attorney (examiner), through a series of four office actions, maintained an unshakable position that the design sought to be registered as a trademark is not distinctive, that there is no evidence that it has become distinctive or has acquired a secondary meaning, that it is "merely functional," "essentially utilitarian," and non-arbitrary, wherefore it cannot function as a trademark. In the second action she requested applicant to "amplify the description of the mark with such particularity that any *portion* of the alleged mark considered to be non functional (sic) is incorporated in the description." (Emphasis ours.) She said, "The Examiner sees none." Having already furnished two affidavits to the effect that consumers spontaneously associate the package design with appellant's products, which had been sold in the container to the number of 132,502,000 by 1978, appellant responded to the examiner's request by pointing out, in effect, that it is the overall configuration of the container rather than any particular feature of it which is distinctive and that it was intentionally designed to be so, supplying several pieces of evidence showing several other containers of different appearance which perform the same functions. Appellant also produced the results of a survey conducted by an independent market research firm which had been made in response to the examiner's demand for evidence of distinctiveness. The examiner dismissed all of the evidence as "not persuasive" and commented that there had "still not been one iota of evidence offered that the subject matter of this application has been promoted as a trademark," which she seemed to consider a necessary element of proof. She adhered to her view that the design "is no more than a non-distinctive purely functional container for the goods plus a purely functional spray trigger controlled closure * * * essentially utilitarian and non-arbitrary * * *."

[5] Appellant responded to the final rejection with a simultaneously filed notice of appeal to the board and a request for reconsideration, submitting more exhibits in support of its position that its container design was not "purely functional." The examiner held fast to all of her views and forwarded the appeal, repeating the substance of her rejections in her Answer to appellant's appeal brief. An oral hearing was held before the board.

Board Opinion

[6] The board, citing three cases, stated it to be "well-settled" that the configuration of a container "may be registrable for the particular contents thereof if the shape is non-functional in character, and is, in fact, inherently distinctive, or has acquired secondary meaning as an indication of origin for such goods." In discussing the "utilitarian nature" of the alleged trademark, the board took note of photographs of appellant's containers for FANTASTIK spray cleaner and GREASE RELIEF degreaser, the labels of which bore the words, respectively, "adjustable easy sprayer," and "NEW! Trigger Control Top," commenting that "the advertising

pertaining to applicant's goods promotes the word marks of the various products and the desirable functional features of the containers."

[7] In light of the above, and after detailed review of appellant's survey evidence without any specific comment on it, the board concluded its opinion as follows:

> After a careful review of the evidence in the case before us, we cannot escape the conclusion that the container for applicant's products, *the configuration* of which it seeks to register, *is dictated primarily by functional (utilitarian) considerations*, and is therefore unregistrable despite any de facto secondary meaning which applicant's survey and other evidence of record might indicate. As stated in the case of *In re Deister Concentrator Company, Inc*. (48 CCPA 952, 289 F.2d 496, 129 USPQ 314 (1961), "not every word or configuration that has a de facto secondary meaning is protected as a trademark." (Emphasis ours.)

Issues

[8] The parties do not see the issues in the same light. Appellant and the solicitor agree that the primary issue before us is whether the subject matter sought to be registered—the configuration of the container—is "functional."

[9] Appellant states a second issue to be whether the configuration has the capacity to and does distinguish its goods in the marketplace from the goods of others.

[10] The solicitor contends that it would be "premature" for us to decide the second issue if we disagree with the PTO on the first issue and have to reach it, and that we should, in that event, remand the case so the board can "consider" it. Whether to remand is, therefore, an issue.

OPINION

[11] A trademark is defined as "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others" (emphasis ours). 15 U.S.C. s 1127 (1976). Thus, it was long the rule that a trademark must be something other than, and separate from, the merchandise to which it is applied. Davis v. Davis, 27 F. 490, 492 (D.Mass.1886); Moorman v. Hoge, 17 F.Cas. 715, 718-19 (C.C.D.Cal.1871) (No. 9,783). Accord, Goodyear Tire & Rubber Co. v. Robertson, 18 F.2d 639, 641 (D.Md.1927), aff'd, 25 F.2d 833 (4th Cir. 1928); Capewell Horse Nail Co. v. Mooney, 167 F. 575, 590-91 (N.D.N.Y.), aff'd, 172 F. 826 (2d Cir. 1909); Fairbanks v. Jacobus, 8 F.Cas. 951, 952 (C.C.S.D.N.Y.1877) (No. 4,608).

[12] Aside from the trademark/product "separateness" rationale for not recognizing the bare design of an article or its container as a trademark, it was theorized that all such designs would soon be appropriated, leaving nothing for use by would-be competitors. One court, for example, feared that "The forms and

materials of packages to contain articles of merchandise * * * would be rapidly taken up and appropriated by dealers, until someone, bolder than the others, might go to the very root of things, and claim for his goods the primitive brown paper and tow string, as a peculiar property." Harrington v. Libby, 11 F.Cas. 605, 606 (C.C.S.D.N.Y.1877) (No. 6,107). Accord, Diamond Match Co. v. Saginaw Match Co., 142 F. 727, 729-30 (6th Cir. 1906).

[13] This limitation of permissible trademark subject matter later gave way to assertions that one or more features of a product or package design could legally function as a trademark. E.g., Alan Wood Steel Co. v. Watson, 150 F.Supp. 861, 863, 113 USPQ 311, 312 (D.D.C.1957); Capewell Horse Nail Co. v. Mooney, supra. It was eventually held that the entire design of an article (or its container) could, without other means of identification, function to identify the source of the article and be protected as a trademark. E.g., In re Minnesota Mining and Manufacturing Co., 51 CCPA 1546, 1547-48, 335 F.2d 836, 837, 142 USPQ 366, 367 (1964).

[14] That protection was limited, however, to those designs of articles and containers, or features thereof, which were "nonfunctional." See generally, L. Amdur, Trade-Mark Law and Practice §§ 5-7 (1948); R. Callmann, Unfair Competition Trade-Marks and Monopolies §§ 71.4, 77.4(e) and 98.4(d) (1967); W. Derenberg, Trade-Mark Protection and Unfair Trading § 24 (1936); J. Gilson, Trademark Protection and Practice s 2.13 (1974); J. McCarthy, Trademarks and Unfair Competition §§ 7:23-7:35 (1973); H. Nims, Unfair Competition and Trade-Marks §§ 134-40 (1947); 63 C.J. Trade-Marks §§ 57-58, 129 and 132 (1933); 87 C.J.S. Trade-Marks §§ 48-49, 118 (1954). This requirement of "nonfunctionality" is not mandated by statute, but "is deduced entirely from court decisions." In re Mogen David Wine Corp., 51 CCPA 1260, 1269, 328 F.2d 925, 932 (1964) (Rich, J., concurring).[1] It has as its genesis the judicial theory that there exists a fundamental right to compete through imitation of a competitor's product, which right can only be temporarily denied by the patent or copyright laws:

> If one manufacturer should make an advance in effectiveness of operation, or in simplicity of form, or in utility of color; and if that advance did not entitle him to a monopoly by means of a machine or process or a product or a design patent; and if by means of unfair trade suits he could shut out other manufacturers who plainly intended to share in the benefits of unpatented utilities * * * he would be given gratuitously a monopoly more effective than that of the unobtainable patent in the ratio of eternity to seventeen years. (Pope Automatic Merchandising Co. v. McCrum-Howell Co., 191 F. 979, 981-82 (7th Cir. 1911).)

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[1] [Note that the Lanham Act has since been amended explicitly to exclude functional marks from protection. See Pub. L. No. 105-330 (1998) (amending Section 2(e)(5), 15 U.S.C. §1152(e)(5)).]

Best Lock Corp. v. Schlage Lock Co., 56 CCPA 1472, 1476, 413 F.2d 1195, 1199 (1969); In re Deister Concentrator Co., 48 CCPA 952, 960, 289 F.2d 496, 499 (1961); Sylvania Electric Products, Inc. v. Dura Electric Lamp Co., 247 F.2d 730, 732 (3d Cir. 1957); Herz v. Loewenstein, 40 App.D.C. 277, 278 (1913); Alan Wood Steel Co. v. Watson, 150 F.Supp. 861, 862 (D.D.C.1957); Goodyear Tire & Rubber Co. v. Robertson, 18 F.2d 639, 641 (D.Md.1927), aff'd, 25 F.2d 833 (4th Cir. 1928).

[15] An exception to the right to copy exists, however, where the product or package design under consideration is "nonfunctional" and serves to identify its manufacturer or seller, and the exception exists even though the design is not temporarily protectible through acquisition of patent or copyright. Thus, when a design is "nonfunctional," the right to compete through imitation gives way, presumably upon balance of that right with the originator's right to prevent others from infringing upon an established symbol of trade identification.

[16] This preliminary discussion leads to the heart of the matter—how do we define the concept of "functionality," and what role does the above balancing of interests play in that definitional process?

I. Functionality Defined

[17] Many courts speak of the protectability as trademarks of product and package configurations in terms of whether a particular design is "functional" or "nonfunctional." Without proper definition, however, such a distinction is useless for determining whether such design is registrable or protectable as a trademark, for the label "functional" has dual significance. It has been used, on the one hand, in lay fashion to indicate "the normal or characteristic action of anything," and, on the other hand, it has been used to denote a legal conclusion. Compare, In re Penthouse International Ltd., 565 F.2d 679, 681, 195 USPQ 698, 699-700 (CCPA 1977) (If the product configuration "has a non-trademark function, the inquiry is not at an end; possession of a function and of a capability of indicating origin are not in every case mutually exclusive."), with In re Mogen David Wine Corp., 51 CCPA supra at 1270, 328 F.2d at 933, 140 USPQ at 582 (Rich, J., concurring) ("The Restatement appears to use the terms 'functional' and 'nonfunctional' as labels to denote the legal consequence: if the former, the public may copy; and if the latter, it may not. This is the way the 'law' has been but it is not of much help in deciding cases.").

[18] Accordingly, it has been noted that one of the "distinct questions" involved in "functionality" reasoning is, "In what way is (the) subject matter functional or utilitarian, factually or legally?" In re Honeywell, Inc., 497 F.2d 1344, 1350, 181 USPQ 821, 826 (CCPA 1974) (Rich, J., concurring). This definitional division…leads to the resolution that if the designation "functional" is to be utilized to denote the *legal* consequence, we must speak in terms of de facto functionality and de jure functionality, the former being the use of "functional" in the lay sense, indicating that although the design of a product, a container, or a feature of either is directed to performance of a function, it may be legally recognized as an indication of source. De

jure functionality, of course, would be used to indicate the opposite—such a design may not be protected as a trademark.

[19] This is only the beginning, however, for further definition is required to explain how a determination of whether a design is de jure functional is to be approached. We start with an inquiry into "utility."

A. "Functional" means "utilitarian"[2]

[20] From the earliest cases, "functionality" has been expressed in terms of "utility." In 1930, this court stated it to be "well settled that the configuration of *an article having utility* is not the subject of trade-mark protection." (Emphasis ours.) In re Dennison Mfg. Co., 17 CCPA 987, 988, 39 F.2d 720 (1930) (Arbitrary urn or vase-like shape of reinforcing patch on a tag.). Accord, Sparklets Corp. v. Walter Kidde Sales Co., 26 CCPA 1342, 1345, 104 F.2d 396, 399 (1939); In re National Stone-Tile Corp., 19 CCPA 1101, 1102, 57 F.2d 382, 383 (1932). This broad statement of the "law", that the design of an article "having utility" cannot be a trademark, is incorrect and inconsistent with later pronouncements.

[21] We wish to make it clear…that a discussion of "functionality" is always in reference to the design of the thing under consideration (in the sense of its appearance) and not the thing itself….

[22] Most designs … result in the production of articles, containers, or features thereof which are indeed utilitarian, and examination into the possibility of trademark protection is not to the mere existence of utility, but to the degree of design utility. … The configuration of a thermostat cover was … refused registration because a round cover was "probably * * * the most utilitarian" design which could have been selected for a round mechanism. In re Honeywell, Inc., 532 F.2d 180, 182 (CCPA 1976).

[23] Thus, it is the "utilitarian" design of a "utilitarian" object with which we are concerned, and the manner of use of the term "utilitarian" must be examined at each occurrence. The latter occurrence is, of course, consistent with the lay meaning of

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[2] It is well known that the law of "functionality" has been applied in both a "utilitarian" sense and in terms of "aesthetics." See e.g., Vuitton et Fils S.A. v. J. Young Enterprises, Inc., 644 F.2d 769, 210 USPQ 351 (9th Cir. 1981); International Order of Job's Daughters v. Lindeburg and Co., 633 F.2d 912, 208 USPQ 718 (9th Cir. 1980); Famolare, Inc. v. Melville Corp., 472 F.Supp. 738, 203 USPQ 68 (D.Hawaii 1979). Recognition of this provides an explanation for the statement that, "the term 'functional' is not to be treated as synonymous with the literal significance of the term 'utilitarian'." J.C. Penney Co. v. H.D. Lee Mercantile Co., 120 F.2d 949, 954, 50 USPQ 165, 170 (8th Cir. 1941). It will be so treated, however, where the issue is one of "utilitarian functionality" and not "aesthetic functionality." The PTO does not argue in this case that appellant's container configuration is aesthetically functional, notwithstanding appellant's argument that its design was adopted, in part, for aesthetic reasons.

the term. But the former is being used to denote a legal consequence (it being synonymous with "functional"), and it therefore requires further explication.

B. "Utilitarian" means "superior in function (de facto) or economy of manufacture," which "superiority" is determined in light of competitive necessity to copy

Some courts have stated this proposition in the negative. In American-Marietta Co. v. Krigsman, 275 F.2d 287, 289 (2d Cir. 1960), the court stated that "those features of the original goods that are not in any way essential to their use" may be termed "nonfunctional." But what does this statement mean? In the case at bar, for example, we cannot say that it means that the subject design is "functional" merely because a hollow body, a handhold, and a pump sprayer are "essential to its use." What this phrase must mean is not that the generic parts of the article or package are essential, but, as noted above, that the particular design of the whole assembly of those parts must be essential. This, of course, leaves us to define "essential to its use," which is also the starting place for those courts which have set forth in positive fashion the reasons they believe that some product or package designs are not protectible as trademarks and thus not registrable.

…

[24] Thus, it is clear that courts in the past have considered the public policy involved in this area of the law as, not the right to slavishly copy articles which are not protected by patent or copyright, but the need to copy those articles, which is more properly termed the right to compete effectively. Even the earliest cases, which discussed protectability in terms of exhaustion of possible packaging forms, recognized that the real issue was whether "the effect would be to gradually throttle trade." Harrington v. Libby, supra at 606.

[25] More recent cases also discuss "functionality" in light of competition. One court noted that the "question in each case is whether protection against imitation will hinder the competitor in competition." Truck Equipment Service Co. v. Fruehauf Corp., 536 F.2d 1210, 1218 (8th Cir. 1976). Another court, upon suit for trademark infringement (the alleged trademark being plaintiff's building design), stated that "enjoining others from using the building design (would not) inhibit competition in any way." Fotomat Corp. v. Cochran, 437 F.Supp. 1231, 1235 (D.Kan.1977). This court has also referenced "hinderance of competition" in a number of the "functionality" cases which have been argued before it. E.g., In re Penthouse International Ltd., 565 F.2d supra at 682 (Would protection of the design "hinder competition"?); In re Mogen David Wine Corp., 51 CCPA supra at 1270, 328 F.2d at 933 (Rich, J., concurring, cited with approval in Penthouse International, supra, stated that, "Whether competition would in fact be hindered is really the crux of the matter.").

[26] The Restatement of Torts, s 742, designates a design of goods as "functional" if it "affects their purpose, action or performance, or the facility or economy of processing, handling or using them * * *." (Emphasis ours.) To ensure that use of the word "affects" was clear, Comment a to that section indicates that a

"feature" may be found "functional" if it "contributes to" the utility, durability, effectiveness or ease of use, or the efficiency or economy of manufacture of that "feature." Excusing the fact that the design of the "feature" is not referenced, and equating "feature" with "design," this seems to take us back to where we started—with those cases that deny trademark protection to those articles "having utility." Further, it appears to us that "affects" and "contributes to" are both so broad as to be meaningless, for every design "affects" or "contributes to" the utility of the article in which it is embodied. "Affects" is broad enough to include a design which reduces the utility or the economy of manufacture.

…

[27] Although the Restatement appears to ignore the policies which created the law of "functionality," it is noted at the end of the first paragraph of Comment a to s 742, in accord with the cases previously discussed, that we should examine whether prohibition of imitation by others will "deprive them of something which will substantially hinder them in competition."

II. Determining "Functionality"

A. In general

[28] Keeping in mind, as shown by the foregoing review, that "functionality" is determined in light of "utility," which is determined in light of "superiority of design," and rests upon the foundation "essential to effective competition," Ives Laboratories, Inc. v. Darby Drug Co., 601 F.2d 631, 643 (2d Cir. 1979), and cases cited supra, there exist a number of factors, both positive and negative, which aid in that determination.

[29] Previous opinions of this court have discussed what evidence is useful to demonstrate that a particular design is "superior." In In re Shenango Ceramics, Inc., 53 CCPA 1268, 1273, 362 F.2d 287, 291 (1966), the court noted that the existence of an expired utility patent which disclosed the utilitarian advantage of the design sought to be registered as a trademark was evidence that it was "functional." Accord, Best Lock Corp. v. Schlage Lock Co., 56 CCPA supra at 1477, 413 F.2d at 1199; Mine Safety Appliances Co. v. Storage Battery Co., 56 CCPA 863, 864, 405 F.2d 901, 902 (1969); In re Deister Concentrator Co., 48 CCPA supra at 962, 289 F.2d at 501; Daniel v. Electric Hose & Rubber Co., 231 F. 827, 833 (3d Cir. 1916). It may also be significant that the originator of the design touts its utilitarian advantages through advertising. Shenango, supra; Deister, supra; Mine Safety Appliances, supra; In re Pollak Steel Co., 50 CCPA 1045, 1046-47, 314 F.2d 566, 567 (1963).

[30] Since the effect upon competition "is really the crux of the matter," it is, of course, significant that there are other alternatives available. Nims, Unfair Competition and Trade-Marks at 377; compare, Time Mechanisms, Inc. v. Qonaar Corp., 422 F.Supp. 905, 913 (D.N.J.1976) ("the parking meter mechanism can be contained by housings of many different configurations") and In re World's Finest Chocolate, Inc., 474 F.2d 1012, 1014 (CCPA 1973) ("We think competitors can readily meet the demand for packaged candy bars by use of other packaging styles,

and we find no utilitarian advantages flowing from this package design as opposed to others as was found in the rhomboidally-shaped deck involved in *Deister*.") and In re Mogen David Wine Corp., 51 CCPA supra at 1270, 328 F.2d at 933 (Rich, J., concurring. "Others can meet any real or imagined demand for wine in decanter-type bottles—assuming there is any such thing—without being in the least hampered in competition by inability to copy the Mogen David bottle design.") and In re Minnesota Mining and Mfg. Co., 51 CCPA supra at 1551, 335 F.2d at 840 (It was noted to be an undisputed fact of record that the article whose design was sought to be registered "could be formed into almost any shape.") and Fotomat Corp. v. Cochran, 437 F.Supp. supra at 1235 (The court noted that the design of plaintiff's building functioned "no better than a myriad of other building designs.") with In re Honeywell, Inc., 532 F.2d at 182, 189 USPQ at 344 (A portion of the board opinion which the court adopted noted that there "are only so many basic shapes in which a thermostat or its cover can be made," but then concluded that, "The fact that thermostat covers may be produced in other forms or shapes does not and cannot detract from the functional character of the configuration here involved.").

[31] It is also significant that a particular design results from a comparatively simple or cheap method of manufacturing the article. In Schwinn Bicycle Co. v. Murray Ohio Mfg. Co., 339 F.Supp. 973, 980 (M.D.Tenn.1971), aff'd, 470 F.2d 975 (6th Cir. 1972), the court stated its reason for refusing to recognize the plaintiff's bicycle rim surface design as a trademark:

> The evidence is uncontradicted that the various manufacturers of bicycle rims in the United States consider it commercially necessary to mask, hide or camouflage the roughened and charred appearance resulting from welding the tubular rim sections together. The evidence represented indicates that the only other process used by bicycle rim manufacturers in the United States is the more complex and more expensive process of grinding and polishing.

Accord, In re Pollak Steel Co., 50 CCPA supra at 1050, 314 F.2d at 570; Luminous Unit Co. v. R. Williamson & Co., supra at 269.

B. The case at bar

1. The evidence of functionality

[32] We come now to the task of applying to the facts of this case the distilled essence of the body of law on "functionality" above discussed. The question is whether appellant's plastic spray bottle is de jure functional; is it the best or one of a few superior designs available? We hold, on the basis of the evidence before the board, that it is not.

[33] The board thought otherwise but did not state a single supporting reason. In spite of her strong convictions about it, neither did the examiner. Each expressed mere opinions and it is not clear to us what either had in mind in using the terms "functional" and "utilitarian." Of course, the spray bottle is highly useful and

performs its intended functions in an admirable way, but that is not enough to render the design of the spray bottle—which is all that matters here—functional.

[34] As the examiner appreciated, the spray bottle consists of two major parts, a bottle and a trigger-operated, spray-producing pump mechanism which also serves as a closure. We shall call the latter the spray top. In the first place, a molded plastic bottle can have an infinite variety of forms or designs and still function to hold liquid. No one form is necessary or appears to be "superior." Many bottles have necks, to be grasped for pouring or holding, and the necks likewise can be in a variety of forms. The PTO has not produced one iota of evidence to show that the shape of appellant's bottle was required to be as it is for any de facto functional reason, which might lead to an affirmative determination of de jure functionality. The evidence, consisting of competitor's molded plastic bottles for similar products, demonstrates that the same functions can be performed by a variety of other shapes with no sacrifice of any functional advantage. There is no necessity to copy appellant's trade dress to enjoy any of the functions of a spray-top container.

[35] As to the appearance of the spray top, the evidence of record shows that it too can take a number of diverse forms, all of which are equally suitable as housings for the pump and spray mechanisms. Appellant acquired a patent on the pump mechanism (No. 3,749,290) the drawings of which show it embodied in a structure which bears not the slightest resemblance to the appearance of appellant's spray top. The pictures of the competition's spray bottles further illustrate that no particular housing design is necessary to have a pump-type sprayer. Appellant's spray top, seen from the side, is rhomboidal, roughly speaking, a design which bears no relation to the shape of the pump mechanism housed within it and is an arbitrary decoration—no more de jure functional than is the grille of an automobile with respect to its under-the-hood power plant. The evidence shows that even the shapes of pump triggers can and do vary while performing the same function.

[36] What is sought to be registered, however, is no single design feature or component but the overall composite design comprising both bottle and spray top. While that design must be accommodated to the functions performed, we see no evidence that it was dictated by them and resulted in a functionally or economically superior design of such a container.

[37] Applying the legal principles discussed above, we do not see that allowing appellant to exclude others (upon proof of distinctiveness) from using this trade dress will hinder competition or impinge upon the rights of others to compete effectively in the sale of the goods named in the application, even to the extent of marketing them in functionally identical spray containers. The fact is that many others are doing so. Competitors have apparently had no need to simulate appellant's trade dress, in whole or in part, in order to enjoy all of the functional aspects of a spray top container. Upon expiration of any patent protection appellant may now be enjoying on its spray and pump mechanism, competitors may even

copy and enjoy all of its functions without copying the external appearance of appellant's spray top.[3]

[38] If the functions of appellant's bottle can be performed equally well by containers of innumerable designs and, thus, no one is injured in competition, why did the board state that appellant's design is functional and for that reason not registrable?

[The Court went on to remand the application for a determination of distinctiveness].

Comments and Questions

1. The TMEP has summarized the *Morton-Norwich* factors as follows:

> A determination of functionality normally involves consideration of one or more of the following factors, commonly known as the "*Morton-Norwich* factors":
>
> (1) the existence of a utility patent that discloses the utilitarian advantages of the design sought to be registered;
>
> (2) advertising by the applicant that touts the utilitarian advantages of the design;
>
> (3) facts pertaining to the availability of alternative designs; and
>
> (4) facts pertaining to whether the design results from a comparatively simple or inexpensive method of manufacture.

TMEP § 1202.02(a)(v).

Inwood Labs., Inc. v. Ives Labs., Inc. **456 U.S. 844 (1982)**

Inwood is important for our purposes here mainly because of its brief, one-sentence footnote 10, which has had an enormous impact on functionality doctrine. Nevertheless, it is worth understanding the basic facts underlying the *Inwood* opinion—facts to which we will return when we consider secondary liability in trademark law below. Ives Laboratories, Inc. ("Ives") manufactured and marketed the patented prescription drug cyclandelate, a vasodilator, under the registered trademark CYCLOSPASMOL. After Ives' patent expired in 1972, several generic drug manufacturers, including Inwood Laboratories, Inc., began manufacturing and marketing cyclandelate capsules that copied the appearance, including the color, of

[3] It is interesting to note that appellant also owns design patent 238,655 for the design in issue, which, at least presumptively, indicates that the design is not de jure functional. See In re Schilling, 421 F.2d 747, 750, 164 USPQ 576, 578 (CCPA 1970); In re Garbo, 48 CCPA 845, 848, 287 F.2d 192, 193-94, 129 USPQ 72, 73 (1961).

Ives' capsules. Ives brought an action for trademark infringement against the manufacturers. Ives alleged that the manufacturers were vicariously liable for the infringement of Ives' CYCLOSPASMOL trademark by pharmacists who placed capsules produced by the generic manufacturers into bottles labeled with the CYCLOSPASMOL mark. The Supreme Court ultimately found that the generic manufacturers were not liable.

In the course of her opinion for the Court, Justice O'Connor noted: "Ives argued that the colors of its capsules were not functional." She appended to this statement footnote number 10:

> In general terms, a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article. *See Sears, Roebuck & Co. v. Stiffel Co*., 376 U.S. 225, 232 (1964); *Kellogg Co. v. National Biscuit Co*., 305 U.S. 111, 122 (1938).

It is not clear to what exactly Justice O'Connor was citing in *Stiffel*, but the *Kellogg* court had stated that the pillow shape of Nabisco's shredded wheat was functional: "The evidence is persuasive that this form is functional—that the cost of the biscuit would be increased and its high quality lessened if some other form were substituted for the pillow-shape" *Id*. at 122.

Now nearly forgotten is that *Inwood* contained further discussion of the concept of functionality in trademark law. In a subsequent footnote, Justice O'Connor criticized the *Inwood* appellate court for failing to respond to the district court's determination that the color of Ives' capsules was functional. *Inwood*, 456 U.S. at 857 n. 20. In his concurrence joined by Justice Marshall, Justice White also took the appellate court to task for failing to respond to the district court's functionality determination. In doing so, he quoted the appellate court's definition of functionality apparently with approval: "A functional characteristic is 'an important ingredient in the commercial success of the product.'" *Id*. at 863 (White, J., concurring) (quoting *Ives Laboratories, Inc. v. Darby Drug Co., Inc*., 601 F.2d 631 (2nd Cir. 1979)). As we will see below, this language, going to whether a product feature is "an important ingredient in the commercial success of the product," would come back to haunt functionality doctrine and aesthetic functionality doctrine in particular.

Between *Inwood* (1982) and *TrafFix* (2001), functionality doctrine appeared to many to have lost its moorings. Perhaps influenced by *Morton-Norwich*, courts increasingly relied on various forms of a "competitive necessity" test to determine if a particular product feature was functional, and because alternative designs could often be found or hypothesized, the "competitive necessity" test tended to benefit plaintiffs.

TrafFix attempts to return functionality doctrine to *Inwood*'s definition of functionality. But in order to do so, *TrafFix* had to explain the meaning of a statement the Court had made six years earlier in *Qualitex* (1995). This is the relevant passage from *Qualitex*:

> This Court consequently has explained that, "[i]n general terms, a product feature is functional," and cannot serve as a trademark, "if it is essential to the use or purpose of the article or if it affects the cost or quality of the article," that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage. *Inwood Laboratories, Inc*., 456 U. S., at 850, n. 10.

Qualitex Co. v. Jacobson Products Co., Inc., 514 U.S. 159, 165 (1995). Before reading *TrafFix*, consider this question: does this passage from *Qualitex* suggest that *Inwood*'s test ("essential to the use or purpose…") is interchangeable with and the equivalent of the test asking if "exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage"? Would appellate courts have been justified in assuming the equivalence between these two statements of the test for functionality?

In reading *TrafFix*, consider these additional questions:

- How do we determine if a product feature is "essential to the use or purpose" of the product? What do we mean by "essential"? That the product feature is a competitive necessity? An engineering necessity? How could a product feature be "essential to the use or purpose" of the product if there are alternative designs that competitors could use and still compete effectively?
- Why not just establish a per se rule that the subject of an expired utility patent is per se functional under trademark law and cannot under any circumstances qualify for trademark protection?
- Are there any product features that do not in some way "affect[] the cost or quality of the product"?
- Why not apply the *Inwood Laboratories* test to aesthetic product features as well?
- Does *TrafFix* in any sense overrule *Morton-Norwich*?

TrafFix Devices, Inc. v. Marketing Displays, Inc. **532 U.S. 23 (2001)**

Justice KENNEDY delivered the opinion of the Court.

[1] Temporary road signs with warnings like "Road Work Ahead" or "Left Shoulder Closed" must withstand strong gusts of wind. An inventor named Robert Sarkisian obtained two utility patents for a mechanism built upon two springs (the dual-spring design) to keep these and other outdoor signs upright despite adverse wind conditions. The holder of the now-expired Sarkisian patents, respondent Marketing Displays, Inc. (MDI), established a successful business in the manufacture and sale of sign stands incorporating the patented feature. MDI's stands for road

signs were recognizable to buyers and users (it says) because the dual-spring design was visible near the base of the sign.

[2] This litigation followed after the patents expired and a competitor, TrafFix Devices, Inc., sold sign stands with a visible spring mechanism that looked like MDI's. MDI and TrafFix products looked alike because they were. When TrafFix started in business, it sent an MDI product abroad to have it reverse engineered, that is to say copied. Complicating matters, TrafFix marketed its sign stands under a name similar to MDI's. MDI used the name "WindMaster," while TrafFix, its new competitor, used "WindBuster."

[3] MDI brought suit under the Trademark Act of 1946 (Lanham Act), 60 Stat. 427, as amended, 15 U.S.C. § 1051 *et seq.,* against TrafFix for trademark infringement (based on the similar names), trade dress infringement (based on the copied dual-spring design), and unfair competition. TrafFix counterclaimed on antitrust theories. After the United States District Court for the Eastern District of Michigan considered cross-motions for summary judgment, MDI prevailed on its trademark claim for the confusing similarity of names and was held not liable on the antitrust counterclaim; and those two rulings, affirmed by the Court of Appeals, are not before us.

I

[4] We are concerned with the trade dress question. The District Court ruled against MDI on its trade dress claim. 971 F.Supp. 262 (E.D.Mich.1997). After determining that the one element of MDI's trade dress at issue was the dual-spring design, *id.,* at 265, it held that "no reasonable trier of fact could determine that MDI has established secondary meaning" in its alleged trade dress, *id.,* at 269. In other words, consumers did not associate the look of the dual-spring design with MDI. As a second, independent reason to grant summary judgment in favor of TrafFix, the District Court determined the dual-spring design was functional. On this rationale secondary meaning is irrelevant because there can be no trade dress protection in any event. In ruling on the functional aspect of the design, the District Court noted that Sixth Circuit precedent indicated that the burden was on MDI to prove that its trade dress was nonfunctional, and not on TrafFix to show that it was functional (a rule since adopted by Congress, see 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V)), and then went on to consider MDI's arguments that the dual-spring design was subject to trade dress protection. Finding none of MDI's contentions persuasive, the District Court concluded MDI had not "proffered sufficient evidence which would enable a reasonable trier of fact to find that MDI's vertical dual-spring design is *non*-functional." 971 F.Supp., at 276. Summary judgment was entered against MDI on its trade dress claims.

[5] The Court of Appeals for the Sixth Circuit reversed the trade dress ruling. 200 F.3d 929 (1999). The Court of Appeals held the District Court had erred in ruling MDI failed to show a genuine issue of material fact regarding whether it had secondary meaning in its alleged trade dress, *id.,* at 938, and had erred further in

determining that MDI could not prevail in any event because the alleged trade dress was in fact a functional product configuration, *id.,* at 940. The Court of Appeals suggested the District Court committed legal error by looking only to the dual-spring design when evaluating MDI's trade dress. Basic to its reasoning was the Court of Appeals' observation that it took "little imagination to conceive of a hidden dual-spring mechanism or a tri or quad-spring mechanism that might avoid infringing [MDI's] trade dress." *Ibid.* The Court of Appeals explained that "[i]f TrafFix or another competitor chooses to use [MDI's] dual-spring design, then it will have to find *some other way* to set its sign apart to avoid infringing [MDI's] trade dress." *Ibid.* It was not sufficient, according to the Court of Appeals, that allowing exclusive use of a particular feature such as the dual-spring design in the guise of trade dress would "hinde[r] competition somewhat." Rather, "[e]xclusive use of a feature must 'put competitors at a *significant* non-reputation-related disadvantage' before trade dress protection is denied on functionality grounds." *Ibid.* (quoting *Qualitex Co. v. Jacobson Products Co.,* 514 U.S. 159, 165, 115 S.Ct. 1300, 131 L.Ed.2d 248 (1995)). In its criticism of the District Court's ruling on the trade dress question, the Court of Appeals took note of a split among Courts of Appeals in various other Circuits on the issue whether the existence of an expired utility patent forecloses the possibility of the patentee's claiming trade dress protection in the product's design. 200 F.3d, at 939. Compare *Sunbeam Products, Inc. v. West Bend Co.,* 123 F.3d 246 (C.A.5 1997) (holding that trade dress protection is not foreclosed), *Thomas & Betts Corp. v. Panduit Corp.,* 138 F.3d 277 (C.A.7 1998) (same), and *Midwest Industries, Inc. v. Karavan Trailers, Inc.,* 175 F.3d 1356 (C.A.Fed.1999) (same), with *Vornado Air Circulation Systems, Inc. v. Duracraft Corp.,* 58 F.3d 1498, 1500 (C.A.10 1995) ("Where a product configuration is a significant inventive component of an invention covered by a utility patent ... it cannot receive trade dress protection"). To resolve the conflict, we granted certiorari. 530 U.S. 1260 (2000).

II

[6] It is well established that trade dress can be protected under federal law. The design or packaging of a product may acquire a distinctiveness which serves to identify the product with its manufacturer or source; and a design or package which acquires this secondary meaning, assuming other requisites are met, is a trade dress which may not be used in a manner likely to cause confusion as to the origin, sponsorship, or approval of the goods. In these respects protection for trade dress exists to promote competition. As we explained just last Term, see *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.,* 529 U.S. 205, 120 S.Ct. 1339, 146 L.Ed.2d 182 (2000), various Courts of Appeals have allowed claims of trade dress infringement relying on the general provision of the Lanham Act which provides a cause of action to one who is injured when a person uses "any word, term name, symbol, or device, or any combination thereof ... which is likely to cause confusion ... as to the origin, sponsorship, or approval of his or her goods." 15 U.S.C. § 1125(a)(1)(A). Congress confirmed this statutory protection for trade dress by amending the Lanham Act to recognize the concept. Title 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V) provides: "In

a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional." This burden of proof gives force to the well-established rule that trade dress protection may not be claimed for product features that are functional. *Qualitex, supra,* at 164-165; *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 775 (1992). And in *Wal-Mart, supra,* we were careful to caution against misuse or overextension of trade dress. We noted that "product design almost invariably serves purposes other than source identification." *Id.,* at 213.

[7] Trade dress protection must subsist with the recognition that in many instances there is no prohibition against copying goods and products. In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying. As the Court has explained, copying is not always discouraged or disfavored by the laws which preserve our competitive economy. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.,* 489 U.S. 141, 160 (1989). Allowing competitors to copy will have salutary effects in many instances. "Reverse engineering of chemical and mechanical articles in the public domain often leads to significant advances in technology." *Ibid.*

[8] The principal question in this case is the effect of an expired patent on a claim of trade dress infringement. A prior patent, we conclude, has vital significance in resolving the trade dress claim. A utility patent is strong evidence that the features therein claimed are functional. If trade dress protection is sought for those features the strong evidence of functionality based on the previous patent adds great weight to the statutory presumption that features are deemed functional until proved otherwise by the party seeking trade dress protection. Where the expired patent claimed the features in question, one who seeks to establish trade dress protection must carry the heavy burden of showing that the feature is not functional, for instance by showing that it is merely an ornamental, incidental, or arbitrary aspect of the device.

[9] In the case before us, the central advance claimed in the expired utility patents (the Sarkisian patents) is the dual-spring design; and the dual-spring design is the essential feature of the trade dress MDI now seeks to establish and to protect. The rule we have explained bars the trade dress claim, for MDI did not, and cannot, carry the burden of overcoming the strong evidentiary inference of functionality based on the disclosure of the dual-spring design in the claims of the expired patents.

[10] The dual springs shown in the Sarkisian patents were well apart (at either end of a frame for holding a rectangular sign when one full side is the base) while the dual springs at issue here are close together (in a frame designed to hold a sign by one of its corners). As the District Court recognized, this makes little difference. The point is that the springs are necessary to the operation of the device. The fact that the springs in this very different-looking device fall within the claims of the

patents is illustrated by MDI's own position in earlier litigation. In the late 1970's, MDI engaged in a long-running intellectual property battle with a company known as Winn-Proof. Although the precise claims of the Sarkisian patents cover sign stands with springs "spaced apart," U.S. Patent No. 3,646,696, col. 4; U.S. Patent No. 3,662,482, col. 4, the Winn-Proof sign stands (with springs much like the sign stands at issue here) were found to infringe the patents by the United States District Court for the District of Oregon, and the Court of Appeals for the Ninth Circuit affirmed the judgment. *Sarkisian v. Winn-Proof Corp.,* 697 F.2d 1313 (1983). Although the Winn-Proof traffic sign stand (with dual springs close together) did not appear, then, to infringe the literal terms of the patent claims (which called for "spaced apart" springs), the Winn-Proof sign stand was found to infringe the patents under the doctrine of equivalents, which allows a finding of patent infringement even when the accused product does not fall within the literal terms of the claims. *Id.,* at 1321-1322; see generally *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.,* 520 U.S. 17 (1997). In light of this past ruling—a ruling procured at MDI's own insistence—it must be concluded the products here at issue would have been covered by the claims of the expired patents.

[11] The rationale for the rule that the disclosure of a feature in the claims of a utility patent constitutes strong evidence of functionality is well illustrated in this case. The dual-spring design serves the important purpose of keeping the sign upright even in heavy wind conditions; and, as confirmed by the statements in the expired patents, it does so in a unique and useful manner. As the specification of one of the patents recites, prior art "devices, in practice, will topple under the force of a strong wind." U.S. Patent No. 3,662,482, col. 1. The dual-spring design allows sign stands to resist toppling in strong winds. Using a dual-spring design rather than a single spring achieves important operational advantages. For example, the specifications of the patents note that the "use of a pair of springs ... as opposed to the use of a single spring to support the frame structure prevents canting or twisting of the sign around a vertical axis," and that, if not prevented, twisting "may cause damage to the spring structure and may result in tipping of the device." U.S. Patent No. 3,646,696, col. 3. In the course of patent prosecution, it was said that "[t]he use of a pair of spring connections as opposed to a single spring connection ... forms an important part of this combination" because it "forc[es] the sign frame to tip along the longitudinal axis of the elongated ground-engaging members." App. 218. The dual-spring design affects the cost of the device as well; it was acknowledged that the device "could use three springs but this would unnecessarily increase the cost of the device." *Id.,* at 217. These statements made in the patent applications and in the course of procuring the patents demonstrate the functionality of the design. MDI does not assert that any of these representations are mistaken or inaccurate, and this is further strong evidence of the functionality of the dual-spring design.

III

[12] In finding for MDI on the trade dress issue the Court of Appeals gave insufficient recognition to the importance of the expired utility patents, and their evidentiary significance, in establishing the functionality of the device. The error likely was caused by its misinterpretation of trade dress principles in other respects. As we have noted, even if there has been no previous utility patent the party asserting trade dress has the burden to establish the nonfunctionality of alleged trade dress features. MDI could not meet this burden. Discussing trademarks, we have said "'[i]n general terms, a product feature is functional,' and cannot serve as a trademark, 'if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.'" *Qualitex,* 514 U.S., at 165 (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,* 456 U.S. 844, 850, n. 10 (1982)). Expanding upon the meaning of this phrase, we have observed that a functional feature is one the "exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage." 514 U.S., at 165. The Court of Appeals in the instant case seemed to interpret this language to mean that a necessary test for functionality is "whether the particular product configuration is a competitive necessity." 200 F.3d, at 940. See also *Vornado,* 58 F.3d, at 1507 ("Functionality, by contrast, has been defined both by our circuit, and more recently by the Supreme Court, in terms of competitive need"). This was incorrect as a comprehensive definition. As explained in *Qualitex, supra,* and *Inwood, supra,* a feature is also functional when it is essential to the use or purpose of the device or when it affects the cost or quality of the device. The *Qualitex* decision did not purport to displace this traditional rule. Instead, it quoted the rule as *Inwood* had set it forth. It is proper to inquire into a "significant non-reputation-related disadvantage" in cases of esthetic functionality, the question involved in *Qualitex.* Where the design is functional under the *Inwood* formulation there is no need to proceed further to consider if there is a competitive necessity for the feature. In *Qualitex,* by contrast, esthetic functionality was the central question, there having been no indication that the green-gold color of the laundry press pad had any bearing on the use or purpose of the product or its cost or quality.

[13] The Court has allowed trade dress protection to certain product features that are inherently distinctive. *Two Pesos,* 505 U.S., at 774. In *Two Pesos,* however, the Court at the outset made the explicit analytic assumption that the trade dress features in question (decorations and other features to evoke a Mexican theme in a restaurant) were not functional. *Id.,* at 767, n. 6. The trade dress in those cases did not bar competitors from copying functional product design features. In the instant case, beyond serving the purpose of informing consumers that the sign stands are made by MDI (assuming it does so), the dual-spring design provides a unique and useful mechanism to resist the force of the wind. Functionality having been established, whether MDI's dual-spring design has acquired secondary meaning need not be considered.

[14] There is no need, furthermore, to engage, as did the Court of Appeals, in speculation about other design possibilities, such as using three or four springs

which might serve the same purpose. 200 F.3d, at 940. Here, the functionality of the spring design means that competitors need not explore whether other spring juxtapositions might be used. The dual-spring design is not an arbitrary flourish in the configuration of MDI's product; it is the reason the device works. Other designs need not be attempted.

[15] Because the dual-spring design is functional, it is unnecessary for competitors to explore designs to hide the springs, say, by using a box or framework to cover them, as suggested by the Court of Appeals. *Ibid.* The dual-spring design assures the user the device will work. If buyers are assured the product serves its purpose by seeing the operative mechanism that in itself serves an important market need. It would be at cross-purposes to those objectives, and something of a paradox, were we to require the manufacturer to conceal the very item the user seeks.

[16] In a case where a manufacturer seeks to protect arbitrary, incidental, or ornamental aspects of features of a product found in the patent claims, such as arbitrary curves in the legs or an ornamental pattern painted on the springs, a different result might obtain. There the manufacturer could perhaps prove that those aspects do not serve a purpose within the terms of the utility patent. The inquiry into whether such features, asserted to be trade dress, are functional by reason of their inclusion in the claims of an expired utility patent could be aided by going beyond the claims and examining the patent and its prosecution history to see if the feature in question is shown as a useful part of the invention. No such claim is made here, however. MDI in essence seeks protection for the dual-spring design alone. The asserted trade dress consists simply of the dual-spring design, four legs, a base, an upright, and a sign. MDI has pointed to nothing arbitrary about the components of its device or the way they are assembled. The Lanham Act does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity. The Lanham Act, furthermore, does not protect trade dress in a functional design simply because an investment has been made to encourage the public to associate a particular functional feature with a single manufacturer or seller. The Court of Appeals erred in viewing MDI as possessing the right to exclude competitors from using a design identical to MDI's and to require those competitors to adopt a different design simply to avoid copying it. MDI cannot gain the exclusive right to produce sign stands using the dual-spring design by asserting that consumers associate it with the look of the invention itself. Whether a utility patent has expired or there has been no utility patent at all, a product design which has a particular appearance may be functional because it is "essential to the use or purpose of the article" or "affects the cost or quality of the article." *Inwood,* 456 U.S., at 850, n. 10, 102 S.Ct. 2182.

[17] TrafFix and some of its *amici* argue that the Patent Clause of the Constitution, Art. I, § 8, cl. 8, of its own force, prohibits the holder of an expired utility patent from claiming trade dress protection. Brief for Petitioner 33-36; Brief for Panduit Corp. as *Amicus Curiae* 3; Brief for Malla Pollack as *Amicus Curiae* 2. We

need not resolve this question. If, despite the rule that functional features may not be the subject of trade dress protection, a case arises in which trade dress becomes the practical equivalent of an expired utility patent, that will be time enough to consider the matter. The judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

Comments and Questions

1. *A missing "significantly"?* The *TrafFix* Court held that "a feature is also functional when it is essential to the use or purpose of the device or when it affects the cost or quality of the device." Is there any product feature that would not affect in some way the cost of the product? Would it be reasonable to read the *TrafFix* holding as implicitly requiring that, to be functional, the product feature must *significantly* affect the cost of the product—i.e., affect the cost in such a way that granting exclusive rights in the product feature would put competitors at a "significant non-reputation related disadvantage"? If this is the proper reading of the *TrafFix* holding, then how is it different from the "competitive necessity" test?

2. *Functionality and food flavors*. Under *TrafFix*, are flavors of food protectable as trademarks? In a case in which a restaurant franchisor sued a knock-off restaurant, the court found that food flavors are functional. *See* New York Pizzeria, Inc. v. Syal, 56 F. Supp. 3d 875, 882 (S.D. Tex. 2014) ("The flavor of food undoubtedly affects its quality, and is therefore a functional element of the product.").

b. Utilitarian Functionality Case Law after *TrafFix*

After the Supreme Court handed down *TrafFix*, the lower courts applied the teachings of the opinion in a variety of ways. Presented here are excerpts from certain of the leading lower court functionality opinions after *TrafFix*.

Note that the Second Circuit has not yet had occasion to apply *TrafFix* in a utilitarian functionality context.

In reading these opinions, consider the following questions:

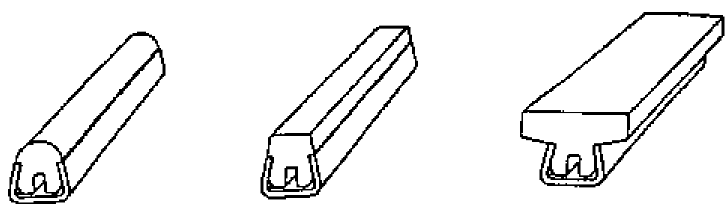
- Which opinion represents the best interpretation of *TrafFix*?
- Which opinions' approaches to functionality are more pro-plaintiff (i.e., less likely to find a product feature to be functional) or pro-defendant (i.e., more likely to find a product feature to be functional) in orientation?
- Where would you place each opinion's definition of or approach to functionality on *Morton-Norwich*'s continuum from de facto to de jure functionality? In other words, for each opinion, does the opinion define functionality in a way that is closer to a de jure definition of functionality or a de facto definition of functionality?

i. Federal Circuit

In *Valu Engineering, Inc. v. Rexnord Corp*., 278 F.3d 1268 (Fed. Cir. 2002), the Federal Circuit was the first court of appeals to consider a functionality issue after the Supreme Court handed down *TrafFix*. As you will see, the Federal Circuit read *TrafFix* as license essentially to conduct business as usual. Do you agree that *TrafFix* did not "alter" the *Morton-Norwich* analysis?

Valu Engineering, Inc. v. Rexnord Corp.
278 F.3d 1268, 1275-76 (Fed. Cir. 2002)

[Valu Engineering, Inc. ("Valu") applied to register various trademarks consisting of cross-sectional designs of conveyer guide rails. Specifically, Valu sought to register three marks, one for each of its round, flat, and tee cross-sectional designs, as shown below. Valu claimed that the designs had acquired distinctiveness. Rexnord Corp. ("Rexnord") opposed the registration on the ground, among others, that Valu's conveyer guide rail designs were functional. The TTAB agreed and sustained Rexnord's opposition. The Federal Circuit affirmed. Excerpted here is the Federal Circuit's analysis of TrafFix.]



DYK, Circuit Judge:

…

[1] The Supreme Court reversed [the Sixth Circuit in *TrafFix*], finding that the court of appeals gave insufficient evidentiary weight to the expired utility patents in analyzing the functionality of the dual-spring design, and that it overread *Qualitex*: "the Court of Appeals ... seemed to interpret [*Qualitex*] to mean that a necessary test for functionality is 'whether the particular product configuration is a competitive necessity.' ... This was incorrect as a comprehensive definition." *TrafFix*, 121 S.Ct. at 1261. The Court then reaffirmed the "traditional rule" of *Inwood* that "a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." *Id*. The Court further held that once a product feature is found to be functional under this "traditional rule," "there is no need to proceed further to consider if there is competitive necessity for the feature," and consequently "[t]here is no need ... to engage ... in speculation about other design possibilities.... Other designs need not be attempted." *Id*. at 1262.[1]

[1] *TrafFix* suggests that there may be a requirement under *Qualitex* to inquire into a "significant non-reputation-related disadvantage" in aesthetic functionality

[2] We do not understand the Supreme Court's decision in *TrafFix* to have altered the *Morton–Norwich* analysis. As noted above, the *Morton–Norwich* factors aid in the determination of whether a particular feature is functional, and the third factor focuses on the availability of "other alternatives." *Morton–Norwich*, 671 F.2d at 1341. We did not in the past under the third factor require that the opposing party establish that there was a "competitive necessity" for the product feature. Nothing in *TrafFix* suggests that consideration of alternative designs is not properly part of the overall mix, and we do not read the Court's observations in *TrafFix* as rendering the availability of alternative designs irrelevant. Rather, we conclude that the Court merely noted that once a product feature is found functional based on other considerations[2] there is no need to consider the availability of alternative designs, because the feature cannot be given trade dress protection merely because there are alternative designs available. But that does not mean that the availability of alternative designs cannot be a legitimate source of evidence to determine whether a feature is functional in the first place. We find it significant that neither party argues that *TrafFix* changed the law of functionality, and that scholarly commentary has reached exactly the same conclusion that we have:

> In the author's view, the observations by the Supreme Court in *TrafFix* do not mean that the availability of alternative designs cannot be a legitimate source of evidence to determine in the first instance if a particular feature is in fact "functional." Rather, the Court merely said that once a design is found to be functional, it cannot be given trade dress status merely because there are alternative designs available....

....

> .... The existence of actual or potential alternative designs that work equally well strongly suggests that the particular design used by plaintiff is not needed by competitors to effectively compete on the merits.

J. Thomas McCarthy, 1 *McCarthy on Trademarks and Unfair Competition*, § 7:75, 7–180–1 (4th ed.2001). In sum, *TrafFix* does not render the Board's use of the *Morton–Norwich* factors erroneous.

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cases, because aesthetic functionality was "the question involved in *Qualitex*." 121 S.Ct. at 1262. This statement has been criticized because "aesthetic functionality was not the central question in the *Qualitex* case." J. Thomas McCarthy, 1 *McCarthy on Trademarks and Unfair Competition* § 7:80, 7–198 (4th ed.2001). We need not decide what role, if any, the determination of a "significant non-reputation-related disadvantage" plays in aesthetic functionality cases, because aesthetic functionality is not at issue here.

[2] For example, a feature may be found functional where the feature "affects the cost or quality of the device." *TrafFix*, 121 S.Ct. at 1263.

[The court went on to affirm the TTAB's application of the Morton-Norwich factors, emphasizing that, "[a]s this court's predecessor noted in Morton–Norwich, the 'effect upon competition "is really the crux"' of the functionality inquiry, id. at 1341, and, accordingly, the functionality doctrine preserves competition by ensuring competitors "the right to compete effectively." Id. at 1339."]

ii. Fifth Circuit

Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH
289 F.3d 351 (5th Cir. 2002)

[Plaintiff Eppendorf–Netheler–Hinz GMBH ("Eppendorf") manufactures disposable pipette tips and dispenser syringes to which the pipette tips can be attached for use in laboratories. Defendant Ritter GMBH ("Ritter") began to manufacture pipette tips that were interchangeable with and priced lower than Eppendorf's tips. Eppendorf brought suit against Ritter for, among other things, trade dress infringement. In June of 2000, ten months before the Supreme Court handed down *TrafFix*, Eppendorf's claims were tried before a jury, which returned a verdict in favor of Eppendorf. The district court denied Ritter's motion for judgment as a matter of law. Ritter appealed.]

EDITH H. JONES, Circuit Judge

…

[1] Eppendorf contends that Ritter infringed upon eight elements of the Combitips's trade dress: (1) the flange on top of the tip; (2) the fins connecting the flange to the body of the tip; (3) the plunger head; (4) the plunger; (5) the length of the tips; (6) the eight sizes of the tips; (7) the coloring scheme on the tips; and (8) the angle of the stump on the tips.

…

[2] The crucial issue presented by this appeal is whether the eight design elements of the Eppendorf Combitips are functional as a matter of law. This case was tried in June of 2000, almost ten months before the Supreme Court decided *TrafFix.* The district court, correctly applying this circuit's utilitarian test of functionality, instructed the jury as follows:

> A design or characteristic is nonfunctional if there are reasonably effective and efficient alternatives possible. Hence, a product's trade dress is functional only, one, if competitors need to incorporate it in order to compete effectively because it is essential to the product's use, or, two, if it significantly affects the cost or quality of the article. A design is functional and thus unprotectable if it is one of a limited number of equally efficient options available to competitors and free competition would be significantly disadvantaged by according the design trademark protection.

Relying on this instruction, the jury determined that the Combitips were non-functional. Ritter and RK Manufacturing moved for judgment as a matter of law on the issue of functionality, and the district court denied the motion.

…

[3] Eppendorf contends that the evidence supports the jury's finding of non-functionality because "[t]he evidence clearly established that there were alternative designs to each of the eight non-functional features." *Appellee's Brief* at 20. Indeed, there is extensive testimony in the record regarding available alternative designs for each of the eight elements. For example, Eppendorf's expert testified that the number of fins under the flange "could be increased or decreased or their appearance could be changed." *Appellee's Brief* at 5. Thus, Eppendorf argues that the fins are non-functional because alternative designs are available to competitors in the marketplace.

[4] Eppendorf's argument, while consistent with this circuit's utilitarian definition of functionality, is unpersuasive in light of the Court's discussion of functionality in *TrafFix.* As explained above, the primary test for functionality is whether the product feature is essential to the use or purpose of the product or if it affects the cost or quality of the product. In *TrafFix,* the Court determined that the dual-spring design on a wind-resistant road sign was functional because the dual-spring design "provides a unique and useful mechanism to resist the force of the wind." 532 U.S. at 33, 121 S.Ct. at 1262. The Court rejected the argument that the springs were non-functional because a competitor could use three or four springs which would serve the same purpose. *Id.* The Court explained,

> There is no need, furthermore, to engage, as did the Court of Appeals, in speculation about other design possibilities, such as using three or four springs which might serve the same purpose.... The dual-spring design is not an arbitrary flourish in the configuration of [the road sign]; it is the reason the device works. Other designs need not be attempted.

Id. at 33–34, 121 S.Ct. at 1261. Accordingly, the design features for which Eppendorf seeks trade dress rights are functional if they are essential to the use or purpose of the Combitips or affect the cost or quality of the Combitips. The availability of alternative designs is irrelevant.

[5] In this case it is undisputed that the Combitips's fins provide necessary support for the flange. Without the fins, the flange is subject to deformation. The only testimony offered by Eppendorf to prove non-functionality of the fins related to the existence of alternative design possibilities. Eppendorf's functionality expert testified that the appearance and number of fins could be changed without affecting the function of the fins. Eppendorf did not prove, however, that the fins are an arbitrary flourish which serve no purpose in the Combitips. Rather, Eppendorf's experts concede that fins of some shape, size or number are necessary to provide support for the flange and to prevent deformation of the product. Thus, the fins are

design elements necessary to the operation of the product.[3] Because the fins are essential to the operation of the Combitips, they are functional as a matter of law, and it is unnecessary to consider design alternatives available in the marketplace. *TrafFix,* 532 U.S. at 33–34.

[6] Likewise, a careful review of the record demonstrates that Eppendorf failed to prove that the remaining Combitip design elements are unnecessary, non-essential design elements. It is undisputed that: (1) The flange is necessary to connect the Combitip to the dispenser syringe; (2) The rings on the plunger head are necessary to lock the plunger into a cylinder in the dispenser syringe; (3) The plunger is necessary to push liquids out of the tip, and the ribs on the plunger stabilize its action; (4) The tips at the lower end of the Combitips are designed to easily fit into test tubes and other receptacles; (5) The size of the Combitip determines the dispensed volume, and size is essential to accurate and efficient dispensing; (6) The color scheme used on the Combitip—clear plastic with black lettering—enables the user easily to see and measure the amount of liquid in the Combitip, and black is standard in the medical industry; and (7) The stumps of the larger Combitips must be angled to separate air bubbles from the liquid and ensure that the full volume of liquid is dispensed. Thus, all eight design elements identified by Eppendorf are essential to the operation of the Combitips.

[7] Eppendorf's theory of non-functionality focused on the existence of alternative designs. Eppendorf's design expert summarized Eppendorf's approach to functionality: "My conclusion was that to achieve the same functional purpose, [the design elements identified by Eppendorf] can be changed significantly, considerably without affecting the overall intended purpose." Although alternative designs are relevant to the utilitarian test of functionality, alternative designs are not germane to the traditional test for functionality. Each of the eight design elements identified by Eppendorf is essential to the use or purpose of the Combitips, and is not arbitrary or ornamental features. Therefore, no reasonable juror could conclude that Eppendorf carried its burden of proving non-functionality.

…

[8] Accordingly, we REVERSE the judgment of the district court and RENDER judgment for Ritter and RK Manufacturing. We likewise VACATE the injunction entered by the district court…

Comments and Questions

1. *Sixth Circuit application of* TrafFix. Just as it did with *Eppendorf* in the Fifth Circuit, *TrafFix* directly altered the outcome of a functionality case being litigated in

[3] Additionally, Eppendorf's experts concede that some of the suggested alternative designs would slightly increase the cost of the product. This provides further support for the conclusion that the fins are functional under the traditional definition of functionality.

the Sixth Circuit when *TrafFix* was handed down. In *Antioch Co. v. Western Trimming Corp*., 196 F.Supp.2d 635 (S.D.Ohio 2002), the district court initially found that the plaintiff's scrap book design was nonfunctional in light of the availability of alternative designs, but the court invited the defendant to renew its motion for summary judgment on the issue if *TrafFix* altered the legal framework for assessing trade dress functionality. The defendant did so and the district court then ruled that the trade dress at issue was functional. The Sixth Circuit affirmed. See *Antioch Co. v. Western Trimming Corp*., 347 F.3d 150, 156-157 (6th Cir. 2003) ("[A] a court is not *required* to examine alternative designs when applying the traditional test for functionality. That much is clear from *TrafFix Devices*…. The dual strap-hinge design, spine cover, padded album cover, and reinforced pages are all components that are essential to the use of Antioch's album and affect its quality. We thus agree with the district court's conclusion that there was no genuine issue of material fact regarding the functionality of Antioch's album under the traditional *Inwood* test." (emphasis in original)).

iii. Ninth Circuit

Int. Cl.: 9

Prior U.S. Cls.: 21, 23, 26, 36 and 38

Reg. No. 3,470,983
United States Patent and Trademark Office **Registered July 22, 2008**

TRADEMARK
PRINCIPAL REGISTER

APPLE INC. (CALIFORNIA CORPORATION)
1 INFINITE LOOP
CUPERTINO, CA 95014

FOR: HANDHELD MOBILE DIGITAL ELECTRONIC DEVICES COMPRISED OF A MOBILE PHONE, DIGITAL AUDIO AND VIDEO PLAYER, HANDHELD COMPUTER, PERSONAL DIGITAL ASSISTANT, ELECTRONIC PERSONAL ORGANIZER, POCKET COMPUTER FOR NOTE-TAKING, ELECTRONIC CALENDAR, CALCULATOR, AND CAMERA, AND CAPABLE OF PROVIDING ACCESS TO THE INTERNET AND SENDING AND RECEIVING ELECTRONIC MAIL, DIGITAL AUDIO, VIDEO, TEXT, IMAGES, GRAPHICS AND MULTIMEDIA FILES, IN CLASS 9 (U.S. CLS. 21, 23, 26, 36 AND 38).

FIRST USE 6-29-2007; IN COMMERCE 6-29-2007.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "SMS", APART FROM THE MARK AS SHOWN.

THE COLOR(S) BLACK, BLUE, BROWN, BROWN-GRAY, GRAY-GREEN, GREEN, ORANGE, RED, SILVER, TAN, WHITE AND YELLOW IS/ARE CLAIMED AS A FEATURE OF THE MARK.

THE MARK CONSISTS OF THE CONFIGURATION OF A RECTANGULAR HANDHELD MOBILE DIGITAL ELECTRONIC DEVICE WITH ROUNDED SILVER EDGES, A BLACK FACE, AND AN ARRAY OF 16 SQUARE ICONS WITH ROUNDED EDGES. THE TOP 12 ICONS APPEAR ON A BLACK BACKGROUND, AND THE BOTTOM 4 APPEAR ON A SILVER BACKGROUND. THE FIRST ICON DEPICTS THE LETTERS "SMS" IN GREEN INSIDE A WHITE SPEECH BUBBLE ON A GREEN BACKGROUND; THE SECOND ICON IS WHITE WITH A THIN RED STRIPE AT THE TOP; THE THIRD ICON DEPICTS A SUNFLOWER WITH YELLOW PETALS, A BROWN CENTER, AND A GREEN STEM IN FRONT OF A BLUE SKY; THE FOURTH ICON DEPICTS A CAMERA LENS WITH A BLACK BARREL AND BLUE GLASS ON A SILVER BACKGROUND; THE FIFTH ICON DEPICTS A TAN TELEVISION CONSOLE WITH BROWN KNOBS AND A GRAY-GREEN SCREEN; THE SIXTH ICON DEPICTS A WHITE GRAPH LINE ON A BLUE BACKGROUND; THE SEVENTH ICON DEPICTS A MAP WITH YELLOW AND ORANGE ROADS, A PIN WITH A RED HEAD, AND A RED-AND- BLUE ROAD SIGN WITH THE NUMERAL "280" IN WHITE; THE EIGHTH ICON DEPICTS AN ORANGE SUN ON A BLUE BACKGROUND, WITH THE TEMPERATURE IN WHITE; THE NINTH ICON DEPICTS A WHITE CLOCK WITH BLACK AND RED HANDS AND NUMERALS ON A BLACK BACKGROUND; THE TENTH ICON DEPICTS THREE BROWN-GRAY CIRCLES AND ONE ORANGE CIRCLE ON A BLACK BACKGROUND WITH A WHITE BORDER, WITH THE MATHEMATICAL SYMBOLS FOR ADDITION, SUBTRACTION, MULTIPLICATION, AND THE EQUAL SIGN DISPLAYED IN WHITE ON THE CIRCLES; THE ELEVENTH ICON DEPICTS A PORTION OF A YELLOW NOTEPAD WITH BLUE AND RED RULING, WITH BROWN BINDING AT THE TOP; THE TWELFTH ICON DEPICTS THREE SILVER GEARS OVER A THATCHED BLACK-AND-SILVER BACKGROUND; THE THIRTEENTH ICON DEPICTS A WHITE TELEPHONE RECEIVER AGAINST A GREEN BACKGROUND; THE FOURTEENTH ICON DEPICTS A WHITE ENVELOPE OVER A BLUE SKY WITH WHITE CLOUDS; THE FIFTEENTH ICON DEPICTS A WHITE COMPASS WITH A WHITE-AND-RED NEEDLE OVER A BLUE MAP; THE SIXTEENTH ICON DEPICTS THE DISTINCTIVE CONFIGURATION OF APPLICANT'S MEDIA PLAYER DEVICE IN WHITE OVER AN ORANGE BACKGROUND.

SEC. 2(F).

SER. NO. 77-303,282, FILED 10-12-2007.

SKYE YOUNG, EXAMINING ATTORNEY

Apple, Inc. v. Samsung Electronics Co. Ltd.
786 F.3d 983 (Fed. Cir. 2015)

PROST, Chief Judge

[1] Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., Samsung Telecommunications America, LLC (collectively, "Samsung") appeal from a final judgment of the U.S. District Court for the Northern District of California in favor of Apple Inc. ("Apple").

[2] A jury found that Samsung infringed Apple's design and utility patents and diluted Apple's trade dresses. For the reasons that follow, we affirm the jury's verdict on the design patent infringements, the validity of two utility patent claims, and the damages awarded for the design and utility patent infringements appealed by Samsung. However, we reverse the jury's findings that the asserted trade dresses are protectable. We therefore vacate the jury's damages awards against the Samsung products that were found liable for trade dress dilution and remand for further proceedings consistent with this opinion.

BACKGROUND

[3] Apple sued Samsung in April 2011. On August 24, 2012, the first jury reached a verdict that numerous Samsung smartphones infringed and diluted Apple's patents and trade dresses in various combinations and awarded over $1 billion in damages.

[4] …. The diluted trade dresses are Trademark Registration No. 3,470,983 ("'983 trade dress") and an unregistered trade dress defined in terms of certain elements in the configuration of the iPhone.

[5] Following the first jury trial, the district court upheld the jury's infringement, dilution, and validity findings over Samsung's post-trial motion [*and a second post-trial motion*]. On March 6, 2014, the district court entered a final judgment in favor of Apple, and Samsung filed a notice of appeal. …

DISCUSSION

[6] We review the denial of Samsung's post-trial motions under the Ninth Circuit's procedural standards…. The Ninth Circuit reviews de novo a denial of a motion for judgment as a matter of law….

I. Trade Dresses

[7] The jury found Samsung liable for the likely dilution of Apple's iPhone trade dresses under the Lanham Act. When reviewing Lanham Act claims, we look to the law of the regional circuit where the district court sits. We therefore apply Ninth Circuit law.

[8] The Ninth Circuit has explained that "[t]rade dress is the totality of elements in which a product or service is packaged or presented." *Stephen W. Boney, Inc. v.*

Boney Servs., Inc., 127 F.3d 821, 828 (9th Cir.1997). The essential purpose of a trade dress is the same as that of a trademarked word: to identify the source of the product. 1 *McCarthy on Trademarks and Unfair Competition* § 8:1 (4th ed.) ("[L]ike a word asserted to be a trademark, the elements making up the alleged trade dress must have been used in such a manner as to denote product source."). In this respect, "protection for trade dress exists to promote competition." *TrafFix Devices, Inc. v. Mktg. Displays, Inc*., 532 U.S. 23, 28, 121 S.Ct. 1255, 149 L.Ed.2d 164 (2001).

[9] The protection for source identification, however, must be balanced against "a fundamental right to compete through imitation of a competitor's product...." *Leatherman Tool Grp., Inc. v. Cooper Indus., Inc*., 199 F.3d 1009, 1011–12 (9th Cir.1999). This "right can only be temporarily denied by the patent or copyright laws." Id. In contrast, trademark law allows for a perpetual monopoly and its use in the protection of "physical details and design of a product" must be limited to those that are "nonfunctional." Id. at 1011–12; s*ee also Qualitex Co. v. Jacobson Prods. Co*., 514 U.S. 159, 164–65 (1995) ("If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity)."). Thus, it is necessary for us to determine first whether Apple's asserted trade dresses, claiming elements from its iPhone product, are nonfunctional and therefore protectable.

[10] "In general terms, a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." *Inwood Labs., Inc. v. Ives Labs., Inc*., 456 U.S. 844, 850 n. 10 (1982). "A product feature need only have some utilitarian advantage to be considered functional." *Disc Golf Ass'n v. Champion Discs, Inc*., 158 F.3d 1002, 1007 (9th Cir.1998). A trade dress, taken as a whole, is functional if it is "in its particular shape because it works better in this shape." *Leatherman*, 199 F.3d at 1013.

[11] "[C]ourts have noted that it is, and should be, more difficult to claim product configuration trade dress than other forms of trade dress." Id. at 1012–13 (discussing cases). Accordingly, the Supreme Court and the Ninth Circuit have repeatedly found product configuration trade dresses functional and therefore non-protectable. *See, e.g*., *TrafFix*, 532 U.S. at 26–27, 35; *Secalt S.A. v. Wuxi Shenxi Const. Mach. Co*., 668 F.3d 677, 687 (9th Cir.2012) (affirming summary judgment that a trade dress on a hoist design was functional); *Disc Golf*, 158 F.3d at 1006 (affirming summary judgment that a trade dress on a disc entrapment design was functional).

[12] Moreover, federal trademark registrations have been found insufficient to save product configuration trade dresses from conclusions of functionality. *See, e.g*., *Talking Rain Beverage Co. v. S. Beach Beverage*, 349 F.3d 601, 602 (9th Cir.2003) (affirming summary judgment that registered trade dress covering a bottle design with a grip handle was functional); *Tie Tech, Inc. v. Kinedyne Corp*., 296 F.3d 778, 782–83 (9th Cir.2002) (affirming summary judgment that registered trade dress covering a handheld cutter design was functional). The Ninth Circuit has even

reversed a jury verdict of non-functionality of a product configuration trade dress. See Leatherman, 199 F.3d at 1013 (reversing jury verdict that a trade dress on the overall appearance of a pocket tool was non-functional). Apple conceded during oral argument that it had not cited a single Ninth Circuit case that found a product configuration trade dress to be non-functional. Oral Arg. 49:0630, available at http://www.cafc.uscourts.gov/oral-argument-recordings/14–1335/all.

[13] The Ninth Circuit's high bar for non-functionality frames our review of the two iPhone trade dresses on appeal. While the parties argue without distinguishing the two trade dresses, the unregistered trade dress and the registered ′983 trade dress claim different details and are afforded different evidentiary presumptions under the Lanham Act. We analyze the two trade dresses separately below.

A. Unregistered Trade Dress

[14] Apple claims elements from its iPhone 3G and 3GS products to define the asserted unregistered trade dress:

> a rectangular product with four evenly rounded corners;
>
> a flat, clear surface covering the front of the product;
>
> a display screen under the clear surface;
>
> substantial black borders above and below the display screen and narrower black borders on either side of the screen; and
>
> when the device is on, a row of small dots on the display screen, a matrix of colorful square icons with evenly rounded corners within the display screen, and an unchanging bottom dock of colorful square icons with evenly rounded corners set off from the display's other icons.

Appellee's Br. 10–11. As this trade dress is not registered on the principal federal trademark register, Apple "has the burden of proving that the claimed trade dress, taken as a whole, is not functional...." *See* 15 U.S.C. § 1125(c)(4)(A).

[15] Apple argues that the unregistered trade dress is nonfunctional under each of the Disc Golf factors that the Ninth Circuit uses to analyze functionality: "(1) whether the design yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising touts the utilitarian advantages of the design, and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture." *See Disc Golf*, 158 F.3d at 1006. However, the Supreme Court has more recently held that "a feature is also functional ... when it affects the cost or quality of the device." *See TrafFix*, 532 U.S. at 33. The Supreme Court's holding was recognized by the Ninth Circuit as "short circuiting some of the *Disc Golf* factors." *Secalt*, 668 F.3d at 686–87. Nevertheless, we explore Apple's contentions on each of the *Disc Golf* factors and conclude that there was insufficient evidence to support a jury finding in favor of non-functionality on any factor.

1. Utilitarian Advantage

[16] Apple argues that "the iPhone's physical design did not 'contribute unusually ... to the usability' of the device." Appellee's Br. 61. Apple further contends

that the unregistered trade dress was "developed ... not for 'superior performance.'" Id. at 62 n. 18. Neither "unusual usability" nor "superior performance," however, is the standard used by the Ninth Circuit to determine whether there is any utilitarian advantage. The Ninth Circuit "has never held, as [plaintiff] suggests, that the product feature must provide superior utilitarian advantages. To the contrary, [the Ninth Circuit] has suggested that in order to establish nonfunctionality the party with the burden must demonstrate that the product feature serves no purpose other than identification." *Disc Golf*, 158 F.3d at 1007 (internal quotation marks omitted).

[17] The requirement that the unregistered trade dress "serves no purpose other than identification" cannot be reasonably inferred from the evidence. Apple emphasizes a single aspect of its design, beauty, to imply the lack of other advantages. But the evidence showed that the iPhone's design pursued more than just beauty. Specifically, Apple's executive testified that the theme for the design of the iPhone was:

> to create a new breakthrough design for a phone that was beautiful and simple and *easy to use* and created a beautiful, smooth surface that had a touchscreen and went right to the rim with the bezel around it and looking for a look that we found was beautiful and *easy to use* and appealing.

J.A. 40722–23 (emphases added).

[18] Moreover, Samsung cites extensive evidence in the record that showed the usability function of every single element in the unregistered trade dress. For example, rounded corners improve "pocketability" and "durability" and rectangular shape maximizes the display that can be accommodated. J.A. 40869–70; J.A. 42612–13. A flat clear surface on the front of the phone facilitates touch operation by fingers over a large display. J.A. 42616–17. The bezel protects the glass from impact when the phone is dropped. J.A. 40495. The borders around the display are sized to accommodate other components while minimizing the overall product dimensions. J.A. 40872. The row of dots in the user interface indicates multiple pages of application screens that are available. J.A. 41452–53. The icons allow users to differentiate the applications available to the users and the bottom dock of unchanging icons allows for quick access to the most commonly used applications. J.A. 42560–61; J.A. 40869–70. Apple rebuts none of this evidence.

[19] Apple conceded during oral argument that its trade dress "improved the quality [of the iPhone] in some respects." Oral Arg. 56:09–17. It is thus clear that the unregistered trade dress has a utilitarian advantage. *See Disc Golf*, 158 F.3d at 1007.

2. Alternative Designs

[20] The next factor requires that purported alternative designs "offer exactly the same features" as the asserted trade dress in order to show non-functionality. *Tie Tech*, 296 F.3d at 786 (quoting *Leatherman*, 199 F.3d at 1013–14). A manufacturer "does not have rights under trade dress law to compel its competitors

to resort to alternative designs which have a different set of advantages and disadvantages." *Id*.

[21] Apple, while asserting that there were "numerous alternative designs," fails to show that any of these alternatives offered exactly the same features as the asserted trade dress. Apple simply catalogs the mere existence of other design possibilities embodied in rejected iPhone prototypes and other manufacturers' smartphones. The "mere existence" of other designs, however, does not prove that the unregistered trade dress is non-functional. *See Talking Rain*, 349 F.3d at 604.

3. Advertising of Utilitarian Advantages

[22] "If a seller advertises the utilitarian advantages of a particular feature, this constitutes strong evidence of functionality." *Disc Golf*, 158 F.3d at 1009. An "inference" of a product feature's utility in the plaintiff's advertisement is enough to weigh in favor of functionality of a trade dress encompassing that feature. Id.

[23] Apple argues that its advertising was "[f]ar from touting any utilitarian advantage of the iPhone design...." Appellee's Br. 60. Apple relies on its executive's testimony that an iPhone advertisement, portraying "the distinctive design very clearly," was based on Apple's "product as hero" approach. *Id*. (quoting J.A. 40641–42; 40644:22). The "product as hero" approach refers to Apple's stylistic choice of making "the product the biggest, clearest, most obvious thing in [its] advertisements, often at the expense of anything else around it, to remove all the other elements of communication so [the viewer] see[s] the product most predominantly in the marketing." J.A. 40641–42.

[24] Apple's arguments focusing on its stylistic choice, however, fail to address the substance of its advertisements. The substance of the iPhone advertisement relied upon by Apple gave viewers "the ability to see a bit about how it might work," for example, "how flicking and scrolling and tapping and all these multitouch ideas simply [sic]." J.A. 40644:23–40645:2. Another advertisement cited by Apple similarly displayed the message, "[t]ouching is believing," under a picture showing a user's hand interacting with the graphical user interface of an iPhone. J.A. 24896. Apple fails to show that, on the substance, these demonstrations of the user interface on iPhone's touch screen involved the elements claimed in Apple's unregistered trade dress and why they were not touting the utilitarian advantage of the unregistered trade dress.

4. Method of Manufacture

[25] The fourth factor considers whether a functional benefit in the asserted trade dress arises from "economies in manufacture or use," such as being "relatively simple or inexpensive to manufacture." *Disc Golf*, 158 F.3d at 1009.

[26] Apple contends that "[t]he iPhone design did not result from a 'comparatively simple or inexpensive method of manufacture'" because Apple experienced manufacturing challenges. Appellee's Br. 61 (quoting *Talking Rain*, 349 F.3d at 603). Apple's manufacturing challenges, however, resulted from the durability considerations for the iPhone and not from the design of the unregistered

trade dress. According to Apple's witnesses, difficulties resulted from its choices of materials in using "hardened steel"; "very high, high grade of steel"; and, "glass that was not breakable enough, scratch resistant enough." Id. (quoting J.A. 40495–96, 41097). These materials were chosen, for example, for the iPhone to survive a drop:

> If you drop this, you don't have to worry about the ground hitting the glass. You have to worry about the band of steel surrounding the glass hitting the glass.... In order to, to make it work, we had to use very high, high grade of steel because we couldn't have it sort of deflecting into the glass.

J.A. 40495–96. The durability advantages that resulted from the manufacturing challenges, however, are outside the scope of what Apple defines as its unregistered trade dress. For the design elements that comprise Apple's unregistered trade dress, Apple points to no evidence in the record to show they were not relatively simple or inexpensive to manufacture. *See Disc Golf*, 158 F.3d at 1009 ("[Plaintiff], which has the burden of proof, offered no evidence that the [asserted] design was not relatively simple or inexpensive to manufacture.").

[27] In sum, Apple has failed to show that there was substantial evidence in the record to support a jury finding in favor of non-functionality for the unregistered trade dress on any of the *Disc Golf* factors. Apple fails to rebut the evidence that the elements in the unregistered trade dress serve the functional purpose of improving usability. Rather, Apple focuses on the "beauty" of its design, even though Apple pursued both "beauty" and functionality in the design of the iPhone. We therefore reverse the district court's denial of Samsung's motion for judgment as a matter of law that the unregistered trade dress is functional and therefore not protectable.

B. The Registered ′983 Trade Dress

[28] In contrast to the unregistered trade dress, the ′983 trade dress is a federally registered trademark. The federal trademark registration provides "prima facie evidence" of non-functionality. *Tie Tech*, 296 F.3d at 782–83. This presumption "shift[s] the burden of production to the defendant ... to provide evidence of functionality." *Id*. at 783. Once this presumption is overcome, the registration loses its legal significance on the issue of functionality. *Id*. ("In the face of sufficient and undisputed facts demonstrating functionality, ... the registration loses its evidentiary significance.").

[29] The ′983 trade dress claims the design details in each of the sixteen icons on the iPhone's home screen framed by the iPhone's rounded-rectangular shape with silver edges and a black background:

> The first icon depicts the letters "SMS" in green inside a white speech bubble on a green background;
>
> ...

> the seventh icon depicts a map with yellow and orange roads, a pin with a red head, and a red-and-blue road sign with the numeral "280" in white;
>
> ...
>
> the sixteenth icon depicts the distinctive configuration of applicant's media player device in white over an orange background.

′983 trade dress (omitting thirteen other icon design details for brevity).

[30] It is clear that individual elements claimed by the ′983 trade dress are functional. For example, there is no dispute that the claimed details such as "the seventh icon depicts a map with yellow and orange roads, a pin with a red head, and a red-and-blue road sign with the numeral '280' in white" are functional. *See id*. Apple's user interface expert testified on how icon designs promote usability. This expert agreed that "the whole point of an icon on a smartphone is to communicate to the consumer using that product, that if they hit that icon, certain functionality will occur on the phone." J.A. 41458–59. The expert further explained that icons are "[v]isual shorthand for something" and that "rectangular containers" for icons provide "more real estate" to accommodate the icon design. J.A. 41459, 41476. Apple rebuts none of this evidence.

[31] Apple contends instead that Samsung improperly disaggregates the ′983 trade dress into individual elements to argue functionality. But Apple fails to explain how the total combination of the sixteen icon designs in the context of iPhone's screen-dominated rounded-rectangular shape—all part of the iPhone's "easy to use" design theme—somehow negates the undisputed usability function of the individual elements. *See* J.A. 40722–23. Apple's own brief even relies on its expert's testimony about the "instant recognizability due to highly intuitive icon usage" on "the home screen of the iPhone." J.A. 41484; Appellee's Br. 43, 70, 71 (quoting J.A. 41484). Apple's expert was discussing an analysis of the iPhone's overall combination of icon designs that allowed a user to recognize quickly particular applications to use. J.A. 41484, 25487. The iPhone's usability advantage from the combination of its icon designs shows that the ′983 trade dress viewed as a whole "is nothing other than the assemblage of functional parts...." *See Tie Tech*, 296 F.3d at 786 (quoting *Leatherman*, 199 F.3d at 1013). There is no "separate 'overall appearance' which is non-functional." *Id*. (quoting *Leatherman*, 199 F.3d at 1013). The undisputed facts thus demonstrate the functionality of the ′983 trade dress. "In the face of sufficient and undisputed facts demonstrating functionality, as in our case, the registration loses its evidentiary significance." *See id*. at 783.

[32] The burden thus shifts back to Apple. *See id*. But Apple offers no analysis of the icon designs claimed by the ′983 trade dress. Rather, Apple argues generically for its two trade dresses without distinction under the *Disc Golf* factors. Among Apple's lengthy citations to the record, we can find only two pieces of information that involve icon designs. One is Apple's user interface expert discussing other possible icon designs. The other is a citation to a print iPhone advertisement that

included the icon designs claimed in the ′983 trade dress. These two citations, viewed in the most favorable light to Apple, would be relevant to only two of the *Disc Golf* factors: "alternative design" and "advertising." But the cited evidence suffers from the same defects as discussed in subsections I.A.2 and I.A.3. Specifically, the expert's discussion of other icon design possibilities does not show that the other design possibilities "offer[ed] exactly the same features" as the ′983 trade dress. *See Tie Tech*, 296 F.3d at 786 (quoting *Leatherman*, 199 F.3d at 1013–14). The print iPhone advertisement also fails to establish that, on the substance, it was not touting the utilitarian advantage of the ′983 trade dress. The evidence cited by Apple therefore does not show the non-functionality of the ′983 trade dress.

[33] In sum, the undisputed evidence shows the functionality of the registered ′983 trade dress and shifts the burden of proving non-functionality back to Apple. Apple, however, has failed to show that there was substantial evidence in the record to support a jury finding in favor of non-functionality for the ′983 trade dress on any of the *Disc Golf* factors. We therefore reverse the district court's denial of Samsung's motion for judgment as a matter of law that the ′983 trade dress is functional and therefore not protectable.

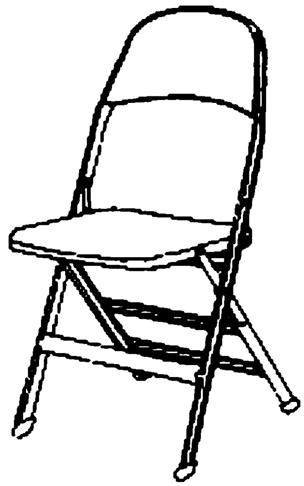
[34] Because we conclude that the jury's findings of non-functionality of the asserted trade dresses were not supported by substantial evidence, we do not reach Samsung's arguments on the fame and likely dilution of the asserted trade dresses, the Patent Clause of the Constitution, or the dilution damages.

[The Court went on to affirm all remaining district court holdings].

iv. Seventh Circuit

Specialized Seating, Inc. v. Greenwich Industries, L.P.
616 F.3d 722 (7th Cir. 2010)

[Declaratory defendant Greenwich Industries, L.P., doing business under the name Clarin, owned PTO Registration No. 2,803,875 for a trademark for folding chairs consisting of "a configuration of a folding chair containing an X-frame profile, a flat channel flanked on each side by rolled edges around the perimeter of the chair, two cross bars with a flat channel and rolled edges at the back bottom of the chair, one cross bar with a flat channel and rolled edges on the front bottom, protruding feet, and a back support, the outer sides of which slant inward." An image of the folding chair configuration is provided below. Specialized Seating, Inc. ("Specialized") sought a declaratory judgment that its folding chair design did not infringe Clarin's design. Specialized argued that Clarin's mark was functional. The district court held a bench trial and agreed, ordering that the registration be cancelled. Clarin appealed.]



EASTERBROOK, Circuit Judge

…

[1] The [district] judge found that [Clarin's] x-frame construction is functional because it was designed to be an optimal tradeoff between a chair's weight (and thus its cost, since lighter chairs use less steel) and its strength; an x-frame chair also folds itself naturally when knocked over (an important consideration for large auditoriums, where it is vital that chairs not impede exit if a fire or panic breaks out); the flat channel at the seat's edge, where the attachment to the frame slides so that the chair can fold, was designed for strength and attaching hooks to link a chair with its nearest neighbor; the front and back cross bars contribute strength (and allow thinner tubing to be used in the rest of the frame); and the inward-sloping frame of the back support allows the chair to support greater vertical loads than Clarin's older "a-back" design, which the "b-back" design, depicted in the trademark registration, succeeded. The a-back design is on the left and the b-back on the right:

[2] Clarin chairs with a-back designs failed when the audience at rock concerts, seeking a better view, sat on top of the chairs' backs and put their feet on the seats. The tubing buckled at the bend in the frame. The b-back design is less likely to buckle when someone sits on it, and it also produces a somewhat wider back, which concert promoters see as a benefit. (Patrons sometimes try to get closer to the stage by stepping through rows of chairs. The gap between b-back chairs is smaller, so they are more effective at keeping crowds in place.)

[3] Having concluded not only that the overall design of Clarin's chair is functional, but also that each feature is functional, the district judge added that Clarin had defrauded the Patent and Trademark Office by giving misleadingly

incomplete answers to the trademark examiner's questions. The examiner initially turned down Clarin's proposal to register the design as a trademark, observing that the design appeared to be functional. Clarin replied that the design was chosen for aesthetic rather than functional reasons. (This was not a complete answer, as attractiveness is a *kind* of function. See *Jay Franco & Sons, Inc. v. Franek,* 615 F.3d 855, 860–61 (7th Cir. 2010). But we need not pursue that subject.) Clarin observed that a patent it held on an x-frame chair, No. 1,943,058, issued in 1934, did not include all of the features in the mark's design. What Clarin did not tell the examiner is that it held three other patents on x-frame designs: No. 1,600,248, issued in 1926; No. 2,137,803, issued in 1938; and No. 3,127,218, issued in 1964. The district judge concluded that the four patents collectively cover every feature of the design submitted for a trademark except the b-back, and that as the b-back is a functional improvement over the a-back Clarin should have disclosed all of these utility patents. Had it done so, the judge thought, the examiner would have refused to register the proposed mark.

…

[4] The district judge started from the proposition, which the Supreme Court articulated in *TrafFix,* that claims in an expired utility patent presumptively are functional. Since utility patents are supposed to be restricted to inventions that have utility, and thus are functional, that's a sensible starting point—and since inventions covered by utility patents pass into the public domain when the patent expires, it is inappropriate to use trademark law to afford extended protection to a patented invention. See also *Jay Franco,* 615 F.3d at 857–59. Clarin itself obtained four utility patents for aspects of the x-frame folding chair. These patents disclose every aspect of the asserted trademark design except for the b-back. And the district judge did not commit a clear error by concluding that the b-back design is a functional improvement over the a-back design. This means that the trademark design is functional as a unit, and that every important aspect of it is independently functional. It looks the way it does in order to be a better chair, not in order to be a better way of identifying who made it (the function of a trademark).

[5] We do not doubt that there are many other available functional designs. Sometimes the function of the functionality doctrine is to prevent firms from appropriating basic forms (such as the circle) that go into many designs. Our contemporaneous opinion in *Jay Franco*[1] discusses that aspect of the functionality doctrine. This does not imply that preserving basic elements for the public domain is the doctrine's *only* role.

[6] Another goal, as *TrafFix* stressed, is to separate the spheres of patent and trademark law, and to ensure that the term of a patent is not extended beyond the period authorized by the legislature. A design such as Clarin's x-frame chair is

[1] [The *Jay Franco* opinion is excerpted below in our discussion of aesthetic functionality.]

functional not because it is the only way to do things, but because it represents one of many solutions to a problem. Clarin tells us that other designs are stronger, or thinner, or less likely to collapse when someone sits on the backrest, or lighter and so easier to carry and set up. Granted. But as Clarin's '248 patent states, the x-frame design achieves a favorable strength-to-weight ratio. Plastic chairs are lighter but weaker. Y-frame chairs are stronger but use more metal (and so are heavier and more expensive); some alternative designs must be made with box-shaped metal pieces to achieve strength, and this adds to weight and the cost of fabrication. The list of alternative designs is very long, and it is easy to see why hundreds of different-looking folding chairs are on the market.

[7] What this says to us is that *all* of the designs are functional, in the sense that they represent different compromises along the axes of weight, strength, kind of material, ease of setup, ability to connect ("gang") the chairs together for maximum seating density, and so on. A novel or distinctive selection of attributes on these many dimensions can be protected for a time by a utility patent or a design patent, but it cannot be protected forever as one producer's trade dress. When the patent expires, other firms are free to copy the design to the last detail in order to increase competition and drive down the price that consumers pay. See, e.g., *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.,* 489 U.S. 141(1989); *Sears, Roebuck & Co. v. Stiffel Co.,* 376 U.S. 225 (1964)….

[8] Because the district court did not commit clear error in finding Clarin's design to be functional, it is unnecessary to decide whether Clarin committed fraud on the Patent and Trademark Office….

AFFIRMED

c. Aesthetic Functionality

As the Supreme Court briefly explained in *TrafFix*, a product (or packaging) feature that performs no technical, mechanical function may nevertheless be barred from protection on the ground that it is "aesthetically functional." Under *TrafFix*, the test to determine whether a product feature is aesthetically functional is not the *Inwood* test. Instead, courts should ask whether there are more than a limited range of alternative designs available to competitors such that exclusive rights in the product feature would not put competitors at a significant non-reputation-related competitive disadvantage. What might have prompted courts to abandon the *Inwood* test in the aesthetic functionality context?

A few classic illustrations of aesthetically functional product configuration from the *Restatement (Third) of Unfair Competition* may help to convey the general idea of aesthetic functionality:

> 8. A is the first seller to market candy intended for Valentine's Day in heart-shaped boxes. Evidence establishes that the shape of the box is an important factor in the appeal of the product to a significant number of consumers. Because there are no alternative designs capable of

> satisfying the aesthetic desires of these prospective purchasers, the design of the box is functional….
>
> 9. A manufactures outdoor lighting fixtures intended for mounting on the walls of commercial buildings to illuminate adjacent areas. The evidence establishes that architectural compatibility with the building is an important factor in the purchase of such fixtures and that A's product is considered to be aesthetically compatible with contemporary architecture. The evidence also establishes that only a limited number of designs are considered compatible with the type of buildings on which A's product is used. Because of the limited range of alternative designs available to competitors, a court may properly conclude that the design of the lighting fixture is functional under the rule stated in this Section.

Restatement (Third) of Unfair Competition § 17.

Some recent aesthetically functionality case law may also help to introduce the doctrine:

- *British Seagull Ltd. v. Brunswick Corp*., 35 F.3d 1527 (Fed. Cir. 1994) (affirming the TTAB's refusal to register the color black for outboard marine engines and approving of the Board's reasoning that "although the color black is not functional in the sense that it makes these engines work better, or that it makes them easier or less expensive to manufacture, black is more desirable from the perspective of prospective purchasers because it is color compatible with a wider variety of boat colors and because objects colored black appear smaller than they do when they are painted other lighter or brighter colors.").
- *In re Florists' Transworld Delivery, Inc*., Serial No. 77590475 (TTAB Mar. 28, 2013) (precedential) (affirming examiner's rejection of application to register the color black for boxes containing flowers and floral arrangements; "[c]ompetitors who, for example, want to offer flowers for bereavement purposes, Halloween or to imbue an element of elegance or luxury to their presentations through packaging therefor will be disadvantaged if they must avoid using the color black in such packaging.").
- *Deere & Co. v. Farmhand, Inc*., 560 F. Supp. 85, 217 U.S.P.Q. 252 (S.D. Iowa 1982) (finding the color "John Deere green" to be aesthetically functional as used on farm loaders because farmers prefer to match the color of their loaders and tractors). *But see* Deere & Co. v. FIMCO Inc., No. 15 Civ. 105, 2017 WL 927235, at *21-26 (W.D. Ky. Mar. 8, 2017) (finding John Deere's green and yellow color scheme to be non-functional and distinguishing *Farmhand* on grounds that (1) it was adjudicated before *Qualitex*, *TrafFix*, and the Sixth Circuit's establishment of the "comparable alternatives" and "effective

competition" tests for aesthetic functionality, and (2) Deere sought in *Farmhand* to prevent competitors from using "John Deere green" either alone or in combination with any other color, whereas Deere seeks here merely to prevent competitors from using a combination of green and yellow).

- *In re Ferris Corp*., 59 U.S.P.Q.2d 1587 (TTAB 2000) (not citable as precedent) (affirming examiner's refusal to register the color pink for surgical bandages; the color is "de jure functional" in that it blends well with the natural color of certain human ethnicities' skin and there are no viable alternative colors available).

Of the three opinions that follow, *Pagliero v. Wallace China Co*., 198 F.2d 339 (9th Cir.1952), is somewhat notorious for having proposed a definition of aesthetic functionality that, when interpreted loosely, could end up prohibiting the protection of anything that was "an important ingredient in the commercial success of the product," including the trademark itself. In *Wallace Int'l Silversmiths, Inc. v. Godinger Silver Art Co*., 916 F.2d 76 (2d Cir. 1990), the Second Circuit explicitly rejected *Pagliero*. In *Christian Louboutin S.A. v. Yves Saint Laurent America Holding, Inc*., 696 F.3d 206, 218- (2d Cir. 2012), the Second Circuit was asked to determine whether a particular color applied to the outsole (the underside) of shoes was aesthetically functional.

Note that not all circuits are receptive to the concept of aesthetic functionality. See, e.g., *Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.,* 550 F.3d 465, 487-88 (5th Cir. 2008) ("We do not believe that the Court's dictum in *TrafFix* requires us to abandon our long-settled view rejecting recognition of aesthetic functionality."). Why might these circuits refuse to consider aesthetic functionality as a special case of functionality?

i. Foundational Cases

In reading the below excerpt from *Pagliero v. Wallace China Co*., 198 F.2d 339 (9th Cir. 1952), consider the following question:

- Could *Pagliero*'s "important ingredient" test for aesthetic functionality be modified in a way that would prevent the test from being used against trademarks themselves? How would any such modified test compare to the test presented in *Wallace Silversmiths*?

Pagliero v. Wallace China Co.
198 F.2d 339, 343-44 (9th Cir. 1952)

[Wallace China Co. ("Wallace") produced hotel china imprinted with various designs. Pagliero Brothers, doing business as Technical Porcelain and Chinaware Company ("Tepco"), produced hotel china bearing designs substantially identical to Wallace's. Wallace brought federal trademark and other causes of action against Tepco for this and other conduct by Tepco. The district court found infringement and enjoined Tepco from producing china bearing designs similar to Wallace's. Excerpted here is the Ninth Circuit's discussion of the aesthetic functionality of Wallace's designs.]

ORR, Circuit Judge

…

[1] Tepco's use of the designs in question cannot be enjoined even though it be assumed that Wallace can establish secondary meaning for them. Imitation of the physical details and designs of a competitor's product may be actionable, if the particular features imitated are 'non-functional' and have acquired a secondary meaning. *Crescent Tool Co. v. Kilborn & Bishop Co.*, 2 Cir., 1917, 247 F. 299. But, where the features are 'functional' there is normally no right to relief. 'Functional' in this sense might be said to connote other than a trade-mark purpose. If the particular feature is an important ingredient in the commercial success of the product, the interest in free competition permits its imitation in the absence of a patent or copyright. On the other hand, where the feature or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden where the requisite showing of secondary meaning is made. Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection.

[2] These criteria require the classification of the designs in question here as functional. Affidavits introduced by Wallace repeat over and over again that one of the essential selling features of hotel china, if, indeed, not the primary, is the design. The attractiveness and eye-appeal of the design sells the china. Moreover, from the standpoint of the purchaser china satisfies a demand for the aesthetic as well as for the utilitarian, and the design on china is, at least in part, the response to such demand. The granting of relief in this type of situation would render Wallace immune from the most direct and effective competition with regard to these lines of china. It seems clear that these designs are not merely indicia of source, as that one who copies them can have no real purpose other than to trade on his competitor's reputation. On the contrary, to imitate is to compete in this type of situation. Of course, Tepco can also compete by developing designs even more aesthetically satisfying, but the possibility that an alternative product might be developed has never been considered a barrier to permitting imitation competition in other types of cases. The law encourages competition not only in creativeness but in economy of manufacture and distribution as well. Hence, the design being a functional feature of the china, we find it unnecessary to inquire into the adequacy of the showing made as to secondary meaning of the designs.

[The Ninth Circuit ordered the district court's injunction to be modified to remove all reference to Tepco's use of designs similar to Wallace's.]

Wallace "Grand Baroque" Silverware

In reading *Wallace Int'l Silversmiths, Inc. v. Godinger Silver Art Co*., 916 F.2d 76 (2d Cir. 1990), consider the following questions:

- How should a court define the relevant market for purposes of assessing competitive alternatives to the plaintiff's design? What exactly is wrong with Wallace's argument that it merely wants to claim the baroque style of silverware, and that countless other styles of silverware are still available for competitors to use?
- Even if we are able reliably to define the relevant marketplace, how many alternative designs should be available for a court to determine that the plaintiff's design is not aesthetically functional?

Wallace Int'l Silversmiths, Inc. v. Godinger Silver Art Co.
916 F.2d 76 (2d Cir. 1990)

WINTER, Circuit Judge:

[1] Wallace International Silversmiths ("Wallace") appeals from Judge Haight's denial of its motion for a preliminary injunction under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1988), prohibiting Godinger Silver Art Co., Inc. ("Godinger") from marketing a line of silverware with ornamentation that is substantially similar to Wallace's GRANDE BAROQUE line. Judge Haight held that the GRANDE BAROQUE design is "a functional feature of 'Baroque' style silverware" and thus not subject to protection as a trademark. We affirm.

BACKGROUND

[2] Wallace, a Delaware corporation, has sold sterling silver products for over one hundred years. Its GRANDE BAROQUE pattern was introduced in 1941 and is still one of the best-selling silverware lines in America. Made of fine sterling silver, a complete place setting costs several thousand dollars. Total sales of GRANDE BAROQUE silverware have exceeded fifty million dollars. The GRANDE BAROQUE pattern is fairly described as “ornate, massive and flowery [with] indented, flowery roots and scrolls and curls along the side of the shaft, and flower arrangements along the front of the shaft.” Wallace owns a trademark registration for the GRANDE BAROQUE name as applied to sterling silver flatware and hollowware. The GRANDE BAROQUE design is not patented, but on December 11, 1989, Wallace filed an application for trademark registration for the GRANDE BAROQUE pattern. This application is still pending.

[3] Godinger, a New York corporation, is a manufacturer of silver-plated products. The company has recently begun to market a line of baroque-style silver-plated serving pieces. The suggested retail price of the set of four serving pieces is approximately twenty dollars. Godinger advertised its new line under the name 20TH CENTURY BAROQUE and planned to introduce it at the Annual New York Tabletop and Accessories Show, the principal industry trade show at which orders for the coming year are taken. Like Wallace's silverware, Godinger's pattern contains typical baroque elements including an indented root, scrolls, curls, and flowers. The arrangement of these elements approximates Wallace's design in many ways, although their dimensions are noticeably different. The most obvious difference between the two designs is that the Godinger pattern extends further down the handle than the Wallace pattern does. The Wallace pattern also tapers from the top of the handle to the stem while the Godinger pattern appears bulkier overall and maintains its bulk throughout the decorated portion of the handle. Although the record does not disclose the exact circumstances under which Godinger's serving pieces were created, Godinger admits that its designers were “certainly inspired by and aware of [the Wallace] design when [they] created [the 20TH CENTURY BAROQUE] design.”

[4] On the afternoon of April 23, 1990, Leonard Florence of Wallace learned from a wholesale customer, Michael C. Fina Company, that Godinger had placed an advertisement for its 20TH CENTURY BAROQUE serving pieces in an industry trade magazine. George Fina, the company's president, said that he was “confused” when he saw what he believed to be a pattern identical to GRANDE BAROQUE being advertised by another company. He asked Mr. Florence whether Wallace had licensed the design to Godinger or whether “the Godinger product was simply a ‘knock-off.’” Two days after this conversation, Wallace filed the complaint in the instant matter stating various federal trademark and state unfair competition claims. Wallace also filed a motion for a temporary restraining order and sought a preliminary injunction prohibiting Godinger from using the mark 20TH CENTURY BAROQUE or infringing the trade dress of Wallace's GRANDE BAROQUE product.

[5] Due to the imminence of the trade show, the district court held a hearing on Wallace's application for preliminary relief the day after Wallace had filed its complaint. The record consisted of affidavits from Florence and Fina reciting the facts described *supra,* samples of the Wallace and Godinger pieces, and various photographs and catalogue illustrations of silverware from other manufacturers. Later that day, Judge Haight issued a Memorandum Opinion and Order in which he concluded that the GRANDE BAROQUE design was a "functional" feature of baroque-style silverware and thus ineligible for trade dress protection under Section 43(a) of the Lanham Act.

…

[6] Judge Haight found that the similarities between the Godinger and Wallace designs involved elements common to all baroque-style designs used in the silverware market. He noted that many manufacturers compete in that market with such designs and found that "[t]he 'Baroque' curls, roots and flowers are not 'mere indicia of source.' Instead, they are requirements to compete in the silverware market." Judge Haight concluded that "the 'Grande Baroque' design is a functional feature of 'Baroque' style silverware," relying on *Pagliero v. Wallace China Co.,* 198 F.2d 339 (9th Cir.1952).

[7] Although we agree with Judge Haight's decision, we do not endorse his reliance upon *Pagliero.* That decision allowed a competitor to sell exact copies of china bearing a particular pattern without finding that comparably attractive patterns were not available to the competitor. It based its holding solely on the ground that the particular pattern was an important ingredient in the commercial success of the china. *Id.* at 343–44. We rejected *Pagliero* in *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71 (2d Cir.1985), and reiterate that rejection here. Under *Pagliero,* the commercial success of an aesthetic feature automatically destroys all of the originator's trademark interest in it, notwithstanding the feature's secondary meaning and the lack of any evidence that competitors cannot develop non-infringing, attractive patterns. By allowing the copying of an exact design without any evidence of market foreclosure, the *Pagliero* test discourages both originators and later competitors from developing pleasing designs. *See Keene Corp. v. Paraflex Industries, Inc.,* 653 F.2d 822, 824–25 (3d Cir.1981).

[8] Our rejection of *Pagliero,* however, does not call for reversal. Quite unlike *Pagliero,* Judge Haight found in the instant matter that there is a substantial market for baroque silverware and that effective competition in that market requires "use [of] essentially the same scrolls and flowers" as are found on Wallace's silverware. Based on the record at the hearing, that finding is not clearly erroneous and satisfies the requirement of *Stormy Clime Ltd. v. Progroup, Inc.,* 809 F.2d 971 (2d Cir.1987), that a design feature not be given trade dress protection where use of that feature is necessary for effective competition. *Id*. at 976–77.

…

[9] Our only hesitation in holding that the functionality doctrine applies is based on nomenclature. "Functionality" seems to us to imply only utilitarian considerations and, as a legal doctrine, to be intended only to prevent competitors from obtaining trademark protection for design features that are necessary to the use or efficient production of the product. *See Keene, supra* at 825 ("inquiry should focus on the extent to which the design feature is related to the utilitarian function of the product or feature"). Even when the doctrine is referred to as "aesthetic" functionality, it still seems an apt description only of pleasing designs of utilitarian features. Nevertheless, there is no lack of language in caselaw endorsing use of the defense of aesthetic functionality where trademark protection for purely ornamental features would exclude competitors from a market. *See, e.g., Rogers, supra* at 347 ("Though a producer does not lose a design trademark just because the public finds it pleasing, there may come a point where the design feature is so important to the value of the product to consumers that continued trademark protection would deprive them of competitive alternatives [.]") (Posner, J.)….

[10] We put aside our quibble over doctrinal nomenclature, however, because we are confident that whatever secondary meaning Wallace's baroque silverware pattern may have acquired, Wallace may not exclude competitors from using those baroque design elements necessary to compete in the market for baroque silverware. It is a first principle of trademark law that an owner may not use the mark as a means of excluding competitors from a substantial market. Where a mark becomes the generic term to describe an article, for example, trademark protection ceases. 15 U.S.C. § 1064(3) (1988); *see Abercrombie & Fitch Co. v. Hunting World, Inc.,* 537 F.2d 4 (2d Cir.1976). Where granting trademark protection to the use of certain colors would tend to exclude competitors, such protection is also limited. *See First Brands Corp. v. Fred Meyer, Inc.,* 809 F.2d 1378 (9th Cir.1987); J. McCarthy, *Trademarks and Unfair Competition,* § 7:16 *et seq.* Finally, as discussed *supra,* design features of products that are necessary to the product's utility may be copied by competitors under the functionality doctrine.

[11] In the instant matter, Wallace seeks trademark protection, not for a precise expression of a decorative style, but for basic elements of a style that is part of the public domain. As found by the district court, these elements are important to competition in the silverware market. We perceive no distinction between a claim to exclude all others from use on silverware of basic elements of a decorative style and claims to generic names, basic colors or designs important to a product's utility. In each case, trademark protection is sought, not just to protect an owner of a mark in informing the public of the source of its products, but also to exclude competitors from producing similar products. We therefore abandon our quibble with the aesthetic functionality doctrine's nomenclature and adopt the Draft Restatement's view that, where an ornamental feature is claimed as a trademark and trademark protection would significantly hinder competition by limiting the range of adequate alternative designs, the aesthetic functionality doctrine denies such protection. *See* Third Restatement of the Law, Unfair Competition (Preliminary Draft No. 3), Ch. 3,

§ 17(c) at 213–14. This rule avoids the overbreadth of *Pagliero* by requiring a finding of foreclosure of alternatives[1] while still ensuring that trademark protection does not exclude competitors from substantial markets.[2]

[12] Of course, if Wallace were able to show secondary meaning in a precise expression of baroque style, competitors might be excluded from using an identical or virtually identical design. In such a case, numerous alternative baroque designs would still be available to competitors. Although the Godinger design at issue here was found by Judge Haight to be "substantially similar," it is not identical or virtually identical, and the similarity involves design elements necessary to compete in the market for baroque silverware. Because according trademark protection to those elements would significantly hinder competitors by limiting the range of adequate alternative designs, we agree with Judge Haight's denial of a preliminary injunction.

Affirmed.

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[1] The Draft Restatement's Illustrations expressly reject *Pagliero.* Illustration 6 reads as follows:

> *A* manufactures china. Among the products marketed by *A* is a set of china bearing a particular "overall" pattern covering the entire upper surface of each dish. Evidence indicates that aesthetic factors play an important role in the purchase of china, that *A*'s design is attractive to a significant number of consumers, and that the number of alternative patterns is virtually unlimited. In the absence of evidence indicating that similarly attractive "overall" patterns are unavailable to competing manufacturers, *A*'s pattern design is not functional under the rule stated in this Section.

[2] Draft Restatement Illustrations 7 and 8 reflect this aspect of the rule. They read as follows:

> 7. The facts being otherwise as stated in Illustration 6, *A*'s design consists solely of a thin gold band placed around the rim of each dish. Evidence indicates that a significant number of consumers prefer china decorated with only a gold rim band. Because the number of alternative designs available to satisfy the aesthetic desires of these prospective purchasers is extremely limited, the rim design is functional under the rule stated in this Section.
>
> 8. *A* is the first seller to market candy intended for Valentine's Day in heart-shaped boxes. Evidence indicates that the shape of the box is an important factor in the appeal of the product to a significant number of consumers. Because there are no alternative designs capable of satisfying the aesthetic desires of these prospective purchasers, the design of the box is functional under the rule stated in this Section.

ii. Aesthetic Functionality and the Apparel Fashion Industry

In reading the excerpt below from *Christian Louboutin S.A. v. Yves Saint Laurent America Holding, Inc.*, 696 F.3d 206 (2d Cir. 2012), consider the following questions:

- The *Louboutin* court avoids answering the question of whether Louboutin's mark is aesthetically functional. Given the Second Circuit's functionality doctrine, how would you answer the question?
- Perhaps the Second Circuit is correct that there should be no per se rule against the trademark protection of individual colors with respect to apparel, but should there at least be a *TrafFix*-like "strong presumption" against such protection?

Christian Louboutin S.A. v. Yves Saint Laurent America Holding, Inc.
696 F.3d 206, 218-228 (2d Cir. 2012)

[Since 1992, designer Christian Louboutin has painted the outsoles of his high-heeled women's shoes with a high-gloss red lacquer. In 2008, based on the enormous secondary meaning he built up in the design, Plaintiff Christian Louboutin S.A. ("Louboutin") registered the red lacquered outsole as a trademark (see the registration certificate below). In 2011, defendant Yves Saint Laurent America Holding, Inc. ("YSL") began marketing a line of monochrome shoes in, among other colors, red. YSL's red monochrome shoe bore a red insole, heel, upper, and outsole. Louboutin sued, claiming infringement of its registered mark. The district court found that the mark was aesthetically functional and, according to the Second Circuit's reading, articulated a per se rule that a single color can never serve as a trademark in the fashion industry. Louboutin appealed. Excerpted below is the court's discussion of aesthetic functionality.]

Int. Cl.: 25

Prior U.S. Cls.: 22 and 39

Reg. No. 3,361,597
Registered Jan. 1, 2008

United States Patent and Trademark Office

TRADEMARK
PRINCIPAL REGISTER

CHRISTIAN LOUBOUTIN (FRANCE INDIVIDUAL)
24 RUE VICTOR MASSÉ
PARIS, FRANCE 75009

FOR: WOMEN'S HIGH FASHION DESIGNER FOOTWEAR, IN CLASS 25 (U.S. CLS. 22 AND 39).

FIRST USE 0-0-1992; IN COMMERCE 0-0-1992.

THE COLOR(S) RED IS/ARE CLAIMED AS A FEATURE OF THE MARK.

THE MARK CONSISTS OF A LACQUERED RED SOLE ON FOOTWEAR. THE DOTTED LINES ARE NOT PART OF THE MARK BUT ARE INTENDED ONLY TO SHOW PLACEMENT OF THE MARK.

SEC. 2(F).

SER. NO. 77-141,789, FILED 3-27-2007.

NORA BUCHANAN WILL, EXAMINING ATTORNEY

PER CURIAM:

…

III. The "Functionality" Defense

[1] As the Supreme Court observed in *Qualitex,* aspects of a product that are "functional" generally "cannot serve as a trademark." *Id.* at 165. We have observed that "[t]he doctrine of functionality prevents trademark law from inhibiting legitimate competition by giving monopoly control to a producer over a useful product." *Nora Beverages, Inc.,* 269 F.3d at 120 n. 4; *see Genesee Brewing Co.,* 124 F.3d at 145 n. 5 (it is a "fundamental principle of trademark law that a trademark ... does not grant a monopoly of production"). This is so because functional features can be protected only through the patent system, which grants a limited monopoly over such features until they are released into general use (typically after either 14 or 20 years, depending on the type of patent). *See Fabrication Enters., Inc.,* 64 F.3d at 58–59 & n. 4 ("The Lanham Act is not concerned with protecting innovation by giving the innovator a monopoly, which is the function of patent law."); *Stormy Clime,* 809 F.2d at 977–78 ("Courts must proceed with caution in assessing claims to unregistered trademark protection in the design of products so as not to undermine the objectives of the patent laws.... Since trademark protection extends for an unlimited period, expansive trade dress protection for the design of products would prevent some functional products from enriching the public domain.").

[2] As noted above, two forms of the functionality doctrine are relevant to us today: "traditional" or "utilitarian" functionality, and "aesthetic" functionality. Both forms serve as an affirmative defense to a trademark infringement claim.

A. "Traditional" or "Utilitarian" Functionality

[3] According to our traditional understanding of functionality, a product feature is considered to be "functional" in a utilitarian sense[1] if it is (1) "essential to the use or purpose of the article," or if it (2) "affects the cost or quality of the article." *Inwood Labs.,* 456 U.S. at 850 n. 10, 102 S.Ct. 2182. A feature is essential "'if [it] is dictated by the functions to be performed'" by the article. *LeSportsac, Inc. v. K mart Corp.,* 754 F.2d 71, 76 (2d Cir.1985) (quoting *Warner Bros. Inc. v. Gay Toys Inc.,* 724 F.2d 327, 331 (2d Cir.1983)).[2] It affects the cost or quality of the article where it "'permits the article to be manufactured at a lower cost' or

[1] *See Wallace Int'l Silversmiths, Inc. v. Godinger Silver Art Co.,* 916 F.2d 76, 80 (2d Cir.1990) (noting that the term "functionality" as commonly understood seems to imply "only utilitarian considerations").

[2] In *LeSportsac,* K Mart challenged the trade dress of a backpack composed of "parachute nylon and trimmed in cotton carpet tape with matching cotton-webbing straps. The zippers used to open and close the bags [we]re color coordinated with the bags themselves, and usually [we]re pulled with hollow rectangular metal sliders." *LeSportsac,* 754 F.2d at 74.

'constitutes an improvement in the operation of the goods.'"[3] *Id.* (quoting *Warner Bros., Inc.,* 724 F.2d at 331). A finding that a product feature is functional according to the *Inwood* test will ordinarily render the feature ineligible for trademark protection.

B. "Aesthetic Functionality"

[4] Generally, "[w]here [a product's] design is functional under the *Inwood* formulation there is no need to proceed further." *TrafFix Devices, Inc. v. Marketing Displays, Inc.,* 532 U.S. 23, 33 (2001) ("*TrafFix* "). Nevertheless, as the Supreme Court had held in 1995 in *Qualitex,* when the aesthetic design of a product is *itself* the mark for which protection is sought, we may also deem the mark functional if giving the markholder the right to use it exclusively "would put competitors at a significant non-reputation-related disadvantage," *Qualitex,* 514 U.S. at 165. This remains true even if there is "no indication that [the mark has] any bearing on the use or purpose of the product or its cost or quality." *TrafFix*, 532 U.S. at 33; *see Landscape Forms, Inc. v. Colum. Cascade Co.,* 70 F.3d 251, 253 (2d Cir.1995) (when evaluating design trademarks we consider whether "certain features of the design are essential to effective competition in [the] particular market").

[5] As set forth below, the test for aesthetic functionality is threefold: At the start, we address the two prongs of the *Inwood* test, asking whether the design feature is either "essential to the use or purpose" or "affects the cost or quality" of the product at issue. Next, if necessary, we turn to a third prong, which is the competition inquiry set forth in *Qualitex.* In other words, if a design feature would, from a traditional utilitarian perspective, be considered "essential to the use or purpose" of the article, or to affect its cost or quality, then the design feature is functional under *Inwood* and our inquiry ends.[4] But if the design feature is not "functional" from a traditional perspective, it must still pass the fact-intensive *Qualitex* test and be shown not to have a significant effect on competition in order to receive trademark protection.

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[3] In *Warner Brothers,* we cited as examples *Kellogg Co. v. National Biscuit Co.,* 305 U.S. 111, 122, 59 S.Ct. 109, 83 L.Ed. 73 (1938), in which the pillow shape of a shredded wheat biscuit was deemed functional because the cost of the cereal would be increased and its quality lessened by any other form, and *Fisher Stoves Inc. v. All Nighter Stove Works, Inc.,* 626 F.2d 193, 195 (1st Cir.1980), in which a two-tier woodstove design was deemed functional because it improved the operation of the stove. *See Warner Bros., Inc.,* 724 F.2d at 331.

[4] *See, e.g., Industria Arredamenti Fratelli Saporiti v. Charles Craig, Ltd.,* 725 F.2d 18, 19 (2d Cir.1984) (interlocking design of couch cushions was a visual "label" but served a utilitarian purpose by keeping cushions in place and was therefore functional).

i. The Development of the Aesthetic Functionality Doctrine

[6] Although the theory of aesthetic functionality was proposed as early as 1938,[5] the first court to adopt the theory as the basis for denial of protection of a design was the United States Court of Appeals for the Ninth Circuit in *Pagliero v. Wallace China Co.,* 198 F.2d 339 (9th Cir.1952). In *Pagliero,* the Court of Appeals determined that the Wallace China Company was not entitled to the exclusive use of a particular floral design on hotel china, despite its "creat[ion of] a substantial market for its products bearing these designs by virtue of extensive advertising." *Id.* at 340. The design, the Court held, was "functional" because it satisfied "a demand for the aesthetic as well as for the utilitarian." *Id.* at 343–44. Because the "particular feature is an *important ingredient* in the commercial success of the product, the interest in free competition permits its imitation in the absence of a patent or copyright." *Id.* at 343 (emphasis added).

[7] Despite its apparent counterintuitiveness (how can the purely aesthetic be deemed functional, one might ask?), our Court has long accepted the doctrine of aesthetic functionality. *See, e.g., Warner Bros., Inc.,* 724 F.2d at 329–32 (distinctive color and symbols on toy car were not functional, and so were protectable as trade dress).[6] We have rejected, however, the circular "important

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[5] In 1938, the Restatement of Torts stated that "[a] feature of goods is functional ... if it affects their purpose, action or performance, or the facility or economy of processing, handling or using them; it is non-functional if it does not have any of such effects." Restatement of Torts § 742 (1938). In the official comment to that Section, the Restatement explained several ways in which goods or their features might be functional. With regard to "goods [that] are bought largely for their aesthetic value," the Restatement suggested that "their features may be functional because they definitely contribute to that value and thus aid the performance of an object for which the goods are intended." *Id.* § 742, cmt. a. This was the first time that a commentator had proposed that an aesthetic product feature might be functional. *See* 1 McCarthy on Trademarks § 7:79 (4th ed.).

[6] The doctrine of aesthetic functionality remains controversial in our sister circuits, which have applied the doctrine in varying ways (and some not at all). For example, the Seventh Circuit has applied the doctrine of aesthetic functionality liberally, holding that "[f]ashion is a form of function." *See Jay Franco & Sons, Inc. v. Franek,* 615 F.3d 855, 860 (7th Cir. 2010). The Sixth Circuit recently discussed the doctrine, but made clear that it has not yet decided whether or not to adopt it. *See Maker's Mark Distillery, Inc. v. Diageo N. Am., Inc.,* 679 F.3d 410, 417–19 (6th Cir. 2012). The Ninth Circuit has applied the doctrine inconsistently. *See* 1 McCarthy on Trademarks § 7:80 (4th ed.) (collecting cases).

ingredient" test formulated by the *Pagliero* court, which inevitably penalized markholders for their success in promoting their product.[7] Instead, we have concluded that "Lanham Act protection does not extend to configurations of ornamental features which would *significantly* limit the range of competitive designs available." *Coach Leatherware Co. v. AnnTaylor, Inc.,* 933 F.2d 162, 171 (2d Cir.1991) (emphasis added). Accordingly, we have held that the doctrine of aesthetic functionality bars protection of a mark that is "necessary to compete in the [relevant] market." *Villeroy & Boch Keramische Werke K.G. v. THC Sys., Inc.,* 999 F.2d 619, 622 (2d Cir.1993).

ii. A Modern Formulation of the Aesthetic Functionality Doctrine

[8] In 1995, the Supreme Court in *Qualitex* gave its imprimatur to the aesthetic functionality doctrine, holding that "[t]he ultimate test of aesthetic functionality ... is whether the recognition of trademark rights [in an aesthetic design feature] would significantly hinder competition." *Qualitex,* 514 U.S. at 170 (quoting Restatement (Third) of Unfair Competition § 17, cmt. c, at 176 (1993)) (internal quotation marks omitted). Six years later, reiterating its *Qualitex* analysis, the Supreme Court in *TrafFix* declared that where "[a]esthetic functionality [is] the central question," courts must "inquire" as to whether recognizing the trademark "would put competitors at a significant non-reputation-related disadvantage." *TrafFix,* 532 U.S. at 32–33.

[9] Although we have not recently had occasion to apply the doctrine of aesthetic functionality thus enunciated by the Supreme Court, it is clear that the combined effect of *Qualitex* and *TrafFix* was to validate the aesthetic functionality doctrine as it had already been developed by this Court in cases including *Wallace International Silversmiths, Stormy Clime,* and *LeSportsac. See Yurman Design, Inc.,* 262 F.3d at 116 (confirming, five months after the *TrafFix* decision, that a putative design trademark is "aesthetic[ally] functional[ ]," and therefore

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The Fifth Circuit rejects the doctrine of aesthetic functionality entirely. *Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.,* 550 F.3d 465, 487–88 (5th Cir. 2008) (arguing that the Supreme Court has recognized the aesthetic functionality doctrine only in *dicta,* and that therefore the Fifth Circuit's long-standing rejection of the doctrine was not abrogated by *Qualitex* and *TrafFix*).

[7] *See Wallace Int'l Silversmiths,* 916 F.2d at 80 ("We rejected *Pagliero*['s 'important ingredient' formulation] in [*Le*]*Sportsac* and reiterate that rejection here." (internal citation omitted)); Mark P. McKenna, *(Dys)functionality,* 48 Hous. L.Rev. 823, 851 (2011) ("Courts that apply the aesthetic functionality doctrine today overwhelmingly rely on the test the Supreme Court endorsed in *TrafFix* [rather than the *Pagliero* test], ... asking whether exclusive use of the claimed feature put competitors at a significant non-reputation-related disadvantage.").

barred from trademark protection, if granting "the right to use [the mark] exclusively 'would put competitors at a significant non-reputation-related disadvantage'" (quoting *TrafFix,* 532 U.S. at 32)).

[10] On the one hand, "'[w]here an ornamental feature is claimed as a trademark and trademark protection would significantly hinder competition by limiting the range of adequate alternative designs, the aesthetic functionality doctrine denies such protection.'" *Forschner Grp., Inc. v. Arrow Trading Co.,* 124 F.3d 402, 409–10 (2d Cir.1997) (quoting *Wallace Int'l Silversmiths, Inc.,* 916 F.2d at 81). But on the other hand, "'distinctive and arbitrary arrangements of predominantly ornamental features that do *not* hinder potential competitors from entering the same market with differently dressed versions of the product are non-functional[,] and [are] hence eligible for [trademark protection].'" *Fabrication Enters., Inc.,* 64 F.3d at 59 (quoting *Stormy Clime,* 809 F.2d at 977) (emphasis added).

[11] In short, a mark is aesthetically functional, and therefore ineligible for protection under the Lanham Act, where protection of the mark *significantly* undermines competitors' ability to compete in the relevant market. *See Knitwaves, Inc. v. Lollytogs Ltd.,* 71 F.3d 996, 1006 (2d Cir.1995) (linking aesthetic functionality to availability of alternative designs for children's fall-themed sweaters); *Landscape Forms, Inc.,* 70 F.3d at 253 (holding that "in order for a court to find a product design functional, it must first find that certain features of the design are essential to effective competition in a particular market"). In making this determination, courts must carefully weigh "the competitive benefits of protecting the source-identifying aspects" of a mark against the "competitive costs of precluding competitors from using the feature." *Fabrication Enters., Inc.,* 64 F.3d at 59.

[12] Finally, we note that a product feature's successful source indication can sometimes be difficult to distinguish from the feature's aesthetic function, if any. *See, e.g., Jay Franco & Sons, Inc. v. Franek,* 615 F.3d 855, 857 (7th Cir.2010) (noting that "[f]iguring out which designs [produce a benefit other than source identification] can be tricky"). Therefore, in determining whether a mark has an aesthetic function so as to preclude trademark protection, we take care to ensure that the mark's very success in denoting (and promoting) its source does not itself defeat the markholder's right to protect that mark. *See Wallace Int'l Silversmiths, Inc.,* 916 F.2d at 80 (rejecting argument that "the commercial success of an aesthetic feature automatically destroys all of the originator's trademark interest in it, notwithstanding the feature's secondary meaning and the lack of any evidence that competitors cannot develop non-infringing, attractive patterns").

[13] Because aesthetic function and branding success can sometimes be difficult to distinguish, the aesthetic functionality analysis is highly fact-specific.

In conducting this inquiry, courts must consider both the markholder's right to enjoy the benefits of its effort to distinguish its product and the public's right to the "vigorously competitive market [ ]" protected by the Lanham Act, which an overly broad trademark might hinder. *Yurman Design, Inc.,* 262 F.3d at 115 (internal quotation mark omitted). In sum, courts must avoid jumping to the conclusion that an aesthetic feature is functional merely because it denotes the product's desirable source. *Cf. Pagliero,* 198 F.2d at 343.

iii. Aesthetic Functionality in the Fashion Industry

[14] We now turn to the *per se* rule of functionality for color marks in the fashion industry adopted by the District Court—a rule that would effectively deny trademark protection to any deployment of a single color in an item of apparel. As noted above, the *Qualitex* Court expressly held that "sometimes [ ] a color will meet ordinary legal trademark requirements[, a]nd, when it does so, no special legal rule prevents color alone from serving as a trademark." *Qualitex,* 514 U.S. at 161, 115 S.Ct. 1300. In other words, the Supreme Court specifically forbade the implementation of a *per se* rule that would deny protection for the use of a single color as a trademark in a particular industrial context. *Qualitex* requires an individualized, fact-based inquiry into the nature of the trademark, and cannot be read to sanction an industry-based *per se* rule. The District Court created just such a rule, on the theory that "there is something unique about the fashion world that militates against extending trademark protection to a single color." *Louboutin,* 778 F.Supp.2d at 451.

[15] Even if *Qualitex* could be read to permit an industry-specific *per se* rule of functionality (a reading we think doubtful), such a rule would be neither necessary nor appropriate here. We readily acknowledge that the fashion industry, like other industries, has special concerns in the operation of trademark law; it has been argued forcefully that United States law does not protect fashion design adequately.[8] Indeed, the case on appeal is particularly

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[8] The intellectual property protection of fashion design has been for years a subject of controversy among commentators. Some have proposed working within the confines of the current intellectual property system, while others have advocated that fashion design may be an appropriate area for *sui generis* statutory protection. *See generally* C. Scott Hemphill & Jeannie Suk, *The Law, Culture, and Economics of Fashion,* 61 Stan. L.Rev. 1147 (2009); *see also id.* at 1184–90. (Indeed, suggested legislation creating such protection has been considered several times by Congress, although not adopted. *See, e.g.,* Design Piracy Prohibition Act, H.R.2033, 110th Cong. § 2(c) (2007); Design Piracy Prohibition Act, S.1957, 110th Cong. § 2(c) (2007).) Still other commentators have suggested that intellectual property protection of fashion design would be damaging to the industry and should be avoided. *See* Kal Raustiala & Christopher

difficult precisely because, as the District Court well noted, in the fashion industry, color can serve as a tool in the palette of a designer, rather than as mere ornamentation. *Louboutin,* 778 F.Supp.2d at 452–53.

[16] Nevertheless, the functionality defense does not guarantee a competitor "the greatest range for [his] creative outlet," *id.* at 452–53, but only the ability to fairly compete within a given market.[9] *See Wallace Int'l Silversmiths, Inc.,* 916

Sprigman, *The Piracy Paradox: Innovation and Intellectual Property in Fashion Design,* 92 Va. L.Rev. 1687, 1775–77 (2006).

It is arguable that, in the particular circumstances of this case, the more appropriate vehicle for the protection of the Red Sole Mark would have been copyright rather than trademark. *See generally Kieselstein–Cord v. Accessories by Pearl, Inc.,* 632 F.2d 989, 993–94 (2d Cir.1980) (addressing the broad issue of aesthetically functional copyrights and holding that decorative belt buckles that were used principally for ornamentation could be copyrighted because the primary ornamental aspect of the buckles was conceptually separate from their subsidiary utilitarian function); Laura A. Heymann, *The Trademark/Copyright Divide,* 60 SMU L.Rev. 55 (2007). However, because Louboutin has chosen to rely on the law of trademarks to protect his intellectual property, we necessarily limit our review to that body of law and do not further address the broad and complex issue of fashion design protection.

[9] The trademark system, in this way, stands in sharp contrast to the copyright system. Copyright, unlike trademark, rewards creativity and originality even if they interfere with the rights of an existing copyright holder. In the copyright system there is a defense to infringement known as "independent creation": if a writer or musician, through the creative process, independently arrives at an arrangement of words or notes that is the subject of a copyright, he may market the result of his creativity despite the existing copyright. *See Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.,* 499 U.S. 340, 346, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991) (requesting that the reader "assume that two poets, each ignorant of the other, compose identical poems. Neither work is novel, yet both are original and, hence, copyrightable"); *Procter & Gamble Co. v. Colgate–Palmolive Co.,* 199 F.3d 74, 77–78 (2d Cir.1999). The trademark system, unlike the copyright system, aims to prevent consumer confusion even at the expense of a manufacturer's creativity: in trademark, if a branding specialist produces a mark that is identical to one already trademarked by another individual or corporation, he must "go back to the drawing board." *See Blendco, Inc. v. Conagra Foods, Inc.,* 132 Fed.Appx. 520, 523 (5th Cir.2005) (although defendant's allegedly independent creation of infringing mark tended to show that infringement was not willful, defendant remained liable for damages); *Tuccillo v. Geisha NYC, LLC,* 635 F.Supp.2d 227 (E.D.N.Y.2009) (same).

F.2d at 81 ("It is a first principle of trademark law that an owner may not use the mark as a means of *excluding* competitors from a ... market." (emphasis added)). The purpose of the functionality defense "is to prevent advances in functional design from being *monopolized* by the owner of [the mark] ... in order to encourage competition and the broadest dissemination of useful design features." *Fabrication Enters., Inc.,* 64 F.3d at 58 (internal quotation marks omitted) (emphasis added).

[17] In short, "[b]y focusing upon hindrances to legitimate competition, the [aesthetic] functionality test, carefully applied, can accommodate consumers' somewhat conflicting interests in being assured enough product differentiation to avoid confusion as to source and in being afforded the benefits of competition among producers." *Stormy Clime,* 809 F.2d at 978–79.

[Having written at length on the issue of aesthetic functionality, the court ultimately declined to rule whether Louboutin's mark was aesthetically functional. Instead, it resolved the case as follows.]

[18] Because we conclude that the secondary meaning of the mark held by Louboutin extends only to the use of a lacquered red outsole that contrasts with the adjoining portion of the shoe, we modify the Red Sole Mark, pursuant to Section 37 of the Lanham Act, 15 U.S.C. § 1119,[10] insofar as it is sought to be applied to any shoe bearing the same color "upper" as the outsole. We therefore instruct the Director of the Patent and Trade Office to limit the registration of the Red Sole Mark to only those situations in which the red lacquered outsole contrasts in color with the adjoining "upper" of the shoe. *See id.*

[19] In sum, we hold that the Red Sole Mark is valid and enforceable as modified. This holding disposes of the Lanham Act claims brought by both Louboutin and YSL because the red sole on YSL's monochrome shoes is neither a use of, nor confusingly similar to, the Red Sole Mark. We therefore affirm the denial of the preliminary injunction insofar as Louboutin could not have shown a likelihood of success on the merits in the absence of an infringing use of the Red Sole Mark by YSL.

[10] 15 U.S.C. § 1119 provides that "[i]n any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, *in whole or in part,* restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby." (emphasis added).

Comments and Questions

1. *Are Louboutin's and YSL's shoes nevertheless confusingly similar?* The Second Circuit's resolution of the dispute was unconventional, to say the least. Given the enormous secondary meaning of Louboutin's mark, do you think the court was justified in finding, without analysis, that there would be no consumer confusion as to source between Louboutin's shoes bearing a red outsole with contrasting upper and YSL's shoes bearing both a red outsole and red upper?

2. Deceptive and Deceptively Misdescriptive Marks

Lanham Act § 2; 15 U.S.C. § 1052

> No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it--
>
> (a) Consists of or comprises…deceptive…matter…
>
> …
>
> (e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, … (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them.

In determining whether marks are "deceptive" or "deceptively misdescriptive" with respect to the goods to which they are affixed, U.S. trademark law analyzes geographic marks (i.e., marks that convey a geographic meaning) differently from how it analyzes non-geographic marks. Before turning to the peculiar manner in which the law treats geographically deceptive or "primarily geographically deceptively misdescriptive" marks, Lanham Act §2(e)(3), 15 U.S.C. § 1052(e)(3), we first consider the law's more straightforward analysis of the deceptiveness or deceptive misdescriptiveness of non-geographic marks.

a. *Non-Geographic* Deceptive and Deceptively Misdescriptive Marks

A non-geographic deceptive trademark cannot be registered or otherwise protected under federal trademark law. *See* Lanham Act § 2(a), 15 U.S.C. § 1052(a). By contrast, a non-geographic "deceptively misdescriptive" mark may be registered or otherwise protected under federal trademark law, but only if the mark is shown to have developed secondary meaning as a designation of source. *See* Lanham Act §§ 2(e)(1) & 2(f), 15 U.S.C. §§ 1052(e)(1) & 2(f).

The basic test for determining whether a non-geographic mark is deceptive or deceptively misdescriptive is relatively straightforward. In *In re Budge Mfg.*

Co., 857 F.2d 773 (Fed. Cir. 1988), the Federal Circuit affirmed the TTAB's refusal to register the mark LOVEE LAMB for automobile seat covers that were not in fact made of lambskin on the ground that the mark was deceptive. In doing so, it established a three-step test for determining whether a mark is deceptive or deceptively misdescriptive. The TMEP summarizes the three steps as follows:

> (1) Is the term misdescriptive of the character, quality, function, composition or use of the goods?
>
> (2) If so, are prospective purchasers likely to believe that the misdescription actually describes the goods?
>
> (3) If so, is the misdescription likely to affect a significant portion of the relevant consumers' decision to purchase?

TMEP § 1203.02(b). If the answer to all three questions is yes, then the mark is deceptive under Section 2(a) and cannot be protected. If the answer to question (2) is yes (consumers would likely believe that the misdescription actually describes the goods), but the answer to question (3) is no (the misdescription would nevertheless not affect their decision to purchase), then the mark is deceptively misdescriptive under Section 2(e)(1) and can be protected upon a showing of secondary meaning.

Thus, for non-geographic marks, the question of whether the mark's misdescription would be material to consumers' decisions to purchase the good is what separates an unprotectable deceptive mark from a potentially protectable deceptively misdescriptive mark. This can be a difficult question to answer. The TMEP instructs trademark examining attorneys to focus on "objective criteria" such as whether the misdescription conveys superior quality, enhanced performance or function, difference in price, health benefits, or conformity with meritorious religious practice or social policy. See TMEP § 1203.02(d)(i). The Federal Circuit has recently emphasized that the misdescription must be material to a "significant portion of relevant consumers." *See In re Spirits Intern., N.V.*, 563 F.3d 1347, 1356 (Fed. Cir. 2009).

Examples of non-geographic marks found to be deceptive:

- *In re White Jasmine LLC*, 106 USPQ2d 1385 (TTAB 2013) (finding the term "white" in WHITE JASMINE to be deceptive for tea that did not include white tea, where "[t]he evidence establishes that consumers perceive that white tea has desirable health benefits. Thus, the misdescription is material to consumers interested in purchasing or drinking white tea to obtain these health benefits, and is likely to induce such purchasers to buy or drink the tea.")

- *In re Phillips-Van Heusen Corp.*, 63 USPQ2d 1047 (TTAB 2002) (finding SUPER SILK to be deceptive for clothing make of "silk-like" fabric, even where labeling indicated true fiber content of fabric).
- *In re Shapely, Inc.*, 231 USPQ 72 (TTAB 1986) (holding SILKEASE deceptive for clothing not made of silk, even where hangtag claimed that the product has "the look and feel of the finest silks with the easy care of polyester").
- *In re Organik Technologies, Inc.*, 41 USPQ2d 1690 (TTAB 1997) (holding ORGANICK deceptive for clothing and textiles made from cotton that is neither from an organically grown plant nor free of chemical processing or treatment).

Examples of non-geographic marks found to be deceptively misdescriptive:

- *Gold Seal Co. v. Weeks*, 129 F. Supp. 928 (D.D.C. 1955) (affirming TTAB's finding GLASS WAX to be deceptively misdescriptive for glass cleaner where "[t]he evidence does not show that the public has been influenced to purchase the product on account of believing that it contained wax, or that the product was simply a wax to be placed upon glass.").
- *In re Berman Bros. Harlem Furniture Inc.*, 26 U.S.P.Q.2d 1514 (TTAB 1993) (affirming examiner's determination that FURNITURE MAKERS was deceptively misdescriptive for a retail furniture store that sells, but does not make furniture)
- *In re Christopher C. Hinton*, 116 U.S.P.Q.2d 1051 (TTAB 2015) (affirming examiner's determination that THCTea was deceptively misdescriptive for tea-based beverages not containing THC (tetrahydrocannabinol), the primary psychoactive ingredient in marijuana; TTAB repeatedly noted that the question of whether the mark was deceptive under Section 2(a) was not before it, since the examiner had stopped at a finding of descriptive misdescriptiveness under Section 2(e)(1))

b. *Geographic* Deceptive and Deceptively Misdescriptive Marks

With respect to geographic marks (i.e., marks whose "primary significance…is a generally known geographic location"), *neither* geographically deceptive marks *nor* geographically deceptively misdescriptive marks can be registered or otherwise protected under federal trademark law. *See* Lanham Act §§ 2(a) & (e)(2); 15 U.S.C. §§1052(a) & (e)(3). Importantly, while the Lanham Act will protect non-geographic deceptively misdescriptive marks if they have secondary meaning, *see* §§ 2(e)(1) & 2(f), 15 U.S.C. §§ 1052(e)(1) & 2(f), it will not protect "primarily geographically deceptively misdescriptive marks"[11] under any circumstances. *See* § 2(e)(3); 15 U.S.C. §§ 1052(e)(3). For this reason, in *In re California Innovations Inc.*, 329 F.3d 1334 (Fed. Cir. 2003), the Federal Circuit established a new test for geographically deceptively misdescriptive marks that is different from—and more demanding than—the test for non-geographic deceptively misdescriptive marks. Recall that materiality need not be shown for a non-geographic mark to be found deceptively misdescriptive. In contrast, for geographic marks, materiality must be shown for such marks to be found deceptively misdescriptive. *See* TMEP § 1210.01(b). The strange result is that the same findings that would lead to the determination that a mark is geographically deceptively misdescriptive would also lead to the determination that a mark is geographically deceptive. In either case, the Lanham Act will not protect the mark.

The following excerpt from *In re California Innovations, Inc.* explains the circumstances leading to this rather peculiar treatment of geographic marks. This is a relatively minor area of trademark doctrine, but regrettably, as the excerpt will make clear, it demands a great deal of focus for it to make any sense.

***In re California Innovations Inc.*,**
329 F.3d 1334, 1336-1341 (Fed. Cir. 2003)

[California Innovations, Inc. ("California Innovations") sought to register a composite mark consisting of a design and the words CALIFORNIA INNOVATIONS for various products including thermal insulated bags for food and beverages, none of which were made in California. The TTAB affirmed the trademark examiner's refusal to register the mark as geographically deceptively misdescriptive. California Innovations appealed.]

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[11] No one likes this statutory phrase "primarily geographically deceptively misdescriptive" from Section 2(e)(3), but we appear to be stuck with it. In her opinion in *In re Miracle Tuesday, LLC*, 695 F.3d 1339 (Fed. Cir. 2012), Judge O'Malley took pains to distance her own elegant prose from the statutory language: "The phrase 'primarily geographically deceptively misdescriptive' is a statutory term of art in the trademark context; we neither take responsibility for nor endorse the split infinitives or absence of necessary commas its use in this opinion requires." *Id.* at 1342 n. 2. Where possible, this casebook will drop "primarily" and simply speak of "geographically deceptively misdescriptive" marks.

RADER, Circuit Judge:

…

[1] The Lanham Act addresses geographical marks in three categories. The first category, § 1052(a), identifies geographically deceptive marks:

> No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—(a) Consists of or comprises immoral, *deceptive,* or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.

15 U.S.C. § 1052(a) (2000) (emphasis added). Although not expressly addressing geographical marks, § 1052(a) has traditionally been used to reject geographic marks that materially deceive the public. A mark found to be deceptive under § 1052(a) cannot receive protection under the Lanham Act. To deny a geographic mark protection under § 1052(a), the PTO must establish that (1) the mark misrepresents or misdescribes the goods, (2) the public would likely believe the misrepresentation, and (3) the misrepresentation would materially affect the public's decision to purchase the goods. *See In re Budge Mfg. Co.,* 857 F.2d 773, 775 (Fed.Cir.1988). This test's central point of analysis is materiality because that finding shows that the misdescription deceived the consumer. *See In re House of Windsor,* 221 USPQ 53, 56–57, 1983 WL 51833 (TTAB 1983).

[2] The other two categories of geographic marks are (1) "primarily geographically descriptive" marks and (2) "primarily geographically deceptively misdescriptive" marks under § 1052(e). The North American Free Trade Agreement, *see* North American Free Trade Agreement, Dec. 17, 1992, art. 1712, 32 I.L.M. 605, 698 [hereinafter NAFTA], as implemented by the NAFTA Implementation Act in 1993, *see* NAFTA Implementation Act, Pub. L. No. 103–182, 107 Stat. 2057 (1993), has recently changed these two categories. Before the NAFTA changes, § 1052(e) and (f) stated:

> No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

> (e) Consists of a mark which ...
>
> (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive or deceptively misdescriptive of them….
>
> (f) Except as expressly excluded in paragraphs (a)-(d) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce.

15 U.S.C. § 1052(e)(2) and (f) (1988). The law treated these two categories of geographic marks identically. Specifically, the PTO generally placed a "primarily geographically descriptive" or "deceptively misdescriptive" mark on the supplemental register.[1] Upon a showing of acquired distinctiveness, these marks could qualify for the principal register.

[3] Thus, in contrast to the permanent loss of registration rights imposed on deceptive marks under § 1052(a), pre-NAFTA § 1052(e)(2) only required a temporary denial of registration on the principal register. Upon a showing of distinctiveness, these marks could acquire a place on the principal register. *In re Dial–A–Mattress Operating Corp.,* 240 F.3d 1341, 1347, 57 USPQ2d 1807, 1812 (Fed.Cir.2001). As permitted by pre-NAFTA § 1052(f), a mark could acquire distinctiveness or "secondary meaning" by showing that "in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself." *Inwood Labs., Inc. v. Ives Labs.,* 456 U.S. 844, 851 n. 11 (1982).

[4] In the pre-NAFTA era, the focus on distinctiveness overshadowed the deceptiveness aspect of § 1052(e)(2) and made it quite easy for the PTO to deny registration on the principal register to geographically deceptively misdescriptive marks under § 1052(e)(2). On the other hand, the deception requirement of § 1052(a) protected against fraud and could not be overlooked. Therefore, the PTO had significantly more difficulty denying registration based on that higher standard.

…

[5] As noted, the Lanham Act itself does not expressly require different tests for geographically misleading marks. In order to implement the Lanham Act prior to the NAFTA amendments, the PTO used a low standard to reject marks for geographically deceptive misdescriptiveness under pre-NAFTA § 1052(e), which was relatively simple to meet. In contrast, the PTO required a much more demanding finding to reject for geographical deception under § 1052(a). This distinction was justified because rejection under subsection (a) was final, while rejection under pre-NAFTA subsection (e)(2) was only temporary, until the applicant could show that the mark had become distinctive. The more drastic

[1] [We will address the Supplemental Register in Part I.D below.]

consequence establishes the propriety of the elevated materiality test in the context of a permanent ban on registration under § 1052(a).

[6] NAFTA and its implementing legislation obliterated the distinction between geographically deceptive marks and primarily geographically deceptively misdescriptive marks. Article 1712 of NAFTA provides:

> 1. Each party [United States, Mexico, Canada] shall provide, in respect of geographical indications, the legal means for interested persons to prevent:
>
> (a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a territory, region or locality other than the true place of origin, in a manner that misleads the public as to the geographical origin of the good....

See NAFTA, Dec. 17, 1992, art. 1712, 32 I.L.M. 605, 698. This treaty shifts the emphasis for geographically descriptive marks to prevention of any public deception. Accordingly, the NAFTA Act amended § 1052(e) to read:

> No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—
>
> (e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 4 [15 USCS § 1054], (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them, (4) is primarily merely a surname, or (5) comprises any matter that, as a whole, is functional.
>
> (f) Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing herein shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce.

15 U.S.C. § 1052(e)-(f) (2000).

[7] Recognizing the new emphasis on prevention of public deception, the NAFTA amendments split the categories of geographically descriptive and geographically deceptively misdescriptive into two subsections (subsections (e)(2) and (e)(3) respectively). Under the amended Lanham Act, subsection (e)(3)—geographically deceptive misdescription—could no longer acquire distinctiveness under subsection (f). Accordingly, marks determined to be primarily geographically deceptively misdescriptive are permanently denied registration, as are deceptive marks under § 1052(a).

[8] Thus, § 1052 no longer treats geographically deceptively misdescriptive marks differently from geographically deceptive marks. Like geographically deceptive marks, the analysis for primarily geographically deceptively misdescriptive marks under § 1052(e)(3) focuses on deception of, or fraud on, the consumer. The classifications under the new § 1052 clarify that these two deceptive categories both receive permanent rejection. Accordingly, the test for rejecting a deceptively misdescriptive mark is no longer simple lack of distinctiveness, but the higher showing of deceptiveness.

…

[9] The amended Lanham Act gives geographically deceptively misdescriptive marks the same treatment as geographically deceptive marks under § 1052(a). Because both of these categories are subject to permanent denial of registration, the PTO may not simply rely on lack of distinctiveness to deny registration, but must make the more difficult showing of public deception. In other words, by placing geographically deceptively misdescriptive marks under subsection (e)(3) in the same fatal circumstances as deceptive marks under subsection (a), the NAFTA Act also elevated the standards for identifying those deceptive marks.

…

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

[The Federal Circuit remanded the case for application of the new three-prong test].

Comments and Questions

1. *Geographically deceptive or geographically deceptively misdescriptive?* Note, strangely, that "the test for determining whether a mark is primarily geographically deceptively misdescriptive under §2(e)(3) is now the same as the test for determining whether a mark is deceptive under §2(a)." TMEP § 1210.05(d). The result is that if all three elements of the three-step test set forth in *In re California Innovations* are met, then the mark may be geographically deceptive, geographically deceptively misdescriptive, or both geographically deceptive and geographically deceptively misdescriptive. Recall that in any of these cases the mark is unprotectable. For marks not claiming use in commerce or acquired distinctiveness prior to December 8, 1993 (the date of enactment of the NAFTA

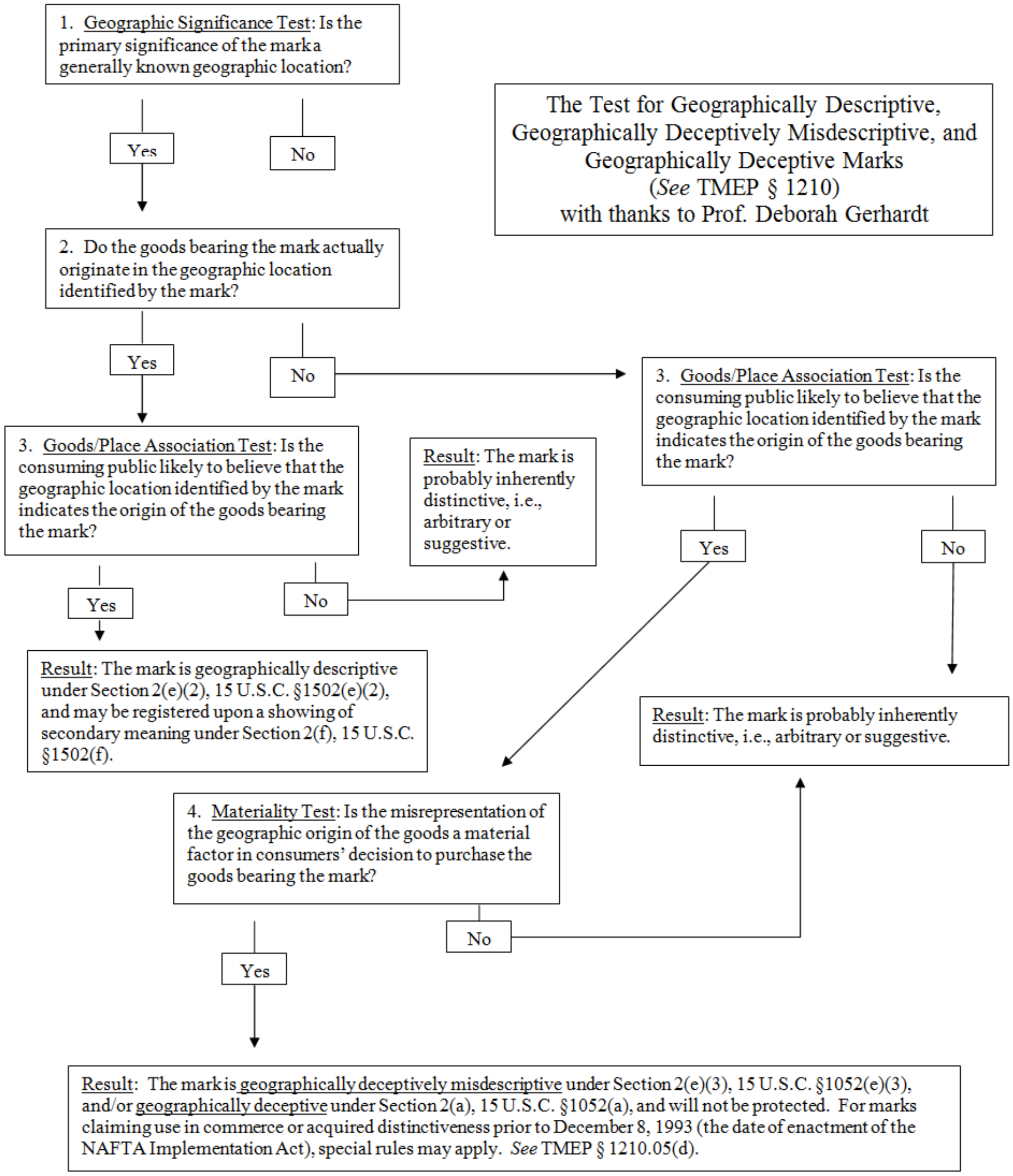
Implementation Act), the PTO will typically issue a refusal based on Section 2(e)(3) and Section 2(a).[2] *See* TMEP § 1210.05(d).

The tests for geographic descriptiveness, geographic deceptiveness, and geographic deceptive misdescriptiveness may appear quite complicated. Experience has shown that these tests distract the student from far more important issues in trademark law. To aid in understanding the tests, a flowchart is provided below synthesizing the tests into a series of questions.

[2] The Gilson treatise explains why the difference between the two categories might matter:

> The test for determining whether a mark is deceptive under Section 2(a) is now the same as that for determining whether a mark is primarily geographically deceptively misdescriptive under Section 2(e)(3). The difference comes with respect to registrability: Geographically deceptive marks cannot be registered on either the Principal or Supplemental Register, while primarily geographically deceptively misdescriptive marks may be registered on the Principal Register if the marks became distinctive of the goods or services before December 8, 1993, and they may be registered on the Supplemental Register if they have been in use in commerce since before December 8, 1993

GILSON §2.03[4][c][3].



2. *Examples of marks held to be geographically deceptively misdescriptive*. There are many recent examples of marks held to be geographically deceptively misdescriptive. *See, e.g*, *In re Miracle Tuesday LLC*, 695 F3d 1339, 104 USPQ2d 1330 (Fed. Cir. 2012) (affirming the TTAB's refusal to register the composite mark consisting of JPK PARIS 75 and design as primarily geographically deceptively misdescriptive for apparel that did not originate in Paris; "Although [applicant's Miami-based designer] Mr. Klifa may still consider himself to be Parisian, the goods that applicant seeks to register are not because there is no current connection between the goods and Paris."); *In re Premiere Distillery, LLC*, 103 USPQ2d 1483

(TTAB 2012) (finding REAL RUSSIAN primarily geographically deceptively misdescriptive for vodka not made in Russia; "In view of this demonstrated fame and reputation of Russian vodka to the relevant public, we may infer that a substantial portion of consumers who encounter REAL RUSSIAN on applicant's vodka are likely to incorrectly believe that the vodka comes from Russia and that such mistaken belief would materially influence their decision to purchase the vodka"); In re Compania de Licores Internacionales S.A., 102 USPQ2d 1841 (TTAB 2012) (finding OLD HAVANA primarily geographically deceptively misdescriptive for rum not made in Cuba); Corporacion Habanos, S.A. v. Guantanamera Cigars Co., 102 USPQ2d 1085 (TTAB 2012) (finding GUANTANAMERA, a Spanish word literally meaning "girl from Guantanamo" or "of or from Guantanamo, Cuba," primarily geographically deceptively misdescriptive for cigars not made in Cuba).

3. *Example of a mark held not to be geographically deceptively misdescriptive*. For an example of a mark held not to be geographically deceptively misdescriptive, consider *In re Glaze Inc*., Serial No. 76565437 (TTAB Mar. 17, 2005) (not citable). In *In re Glaze*, the TTAB reversed the examining attorney's refusal to register the mark SWISSCELL for batteries not made in Switzerland. The Board found that because the mark incorporated the word "Swiss," the primary significance of the mark was a generally known geographic location. However, the Board found that consumers would not likely believe that the batteries originated in Switzerland:

> Even when we view the evidence that perhaps two Swiss companies make different type of batteries and that Switzerland is a country with a prosperous and stable market economy, we hold that, as in *California Innovations*, 66 USPQ2d at 1859, this is tenuous evidence that purchasers would expect batteries for lighting to come from Switzerland….
>
> [H]ere the evidence of a goods/place association consists of a single battery company (Renata) and another company that makes vehicle batteries. Under the stricter *California Innovations* standards, we are constrained to find that the examining attorney has not established the required goods/place association between Switzerland and batteries for lighting.

Id. at *4. Finally, the Board found no evidence that the misrepresentation of the source of the batteries would influence consumers' decision to purchase them:

> The few references in the retailers' advertisements to "Swiss quality" and "Swiss manufacture" in relation to [another Swiss company's Swiss-made] batteries do not show that prospective purchasers' decisions would be materially influenced by the term "Swiss" when purchasing batteries for lighting…
>
> The only other evidence that could indicate that the term "Swiss" may materially impact purchasing decisions is the nebulous references to "Swiss quality." There is simply insufficient evidence to hold that the

> term "Swiss" applied to virtually any product materially influences purchasers.

Id. at *4-5.

4. *What about non-material misdescriptiveness for geographic marks?* Consider the strange implications of the Federal Circuit's holding in *In re California Innovations, Inc*., 329 F.3d 1334, (Fed. Cir. 2003). Before the NAFTA/TRIPS amendments in 1993, geographically deceptively misdescriptive marks could be registered upon a showing of secondary meaning. Certain U.S. trade partners, particularly European countries, objected to this apparently lax standard for the registration of geographically deceptively misdescriptive terms. In response, the U.S. changed its law to provide that any terms that qualify as geographically deceptively misdescriptive may not be registered. However, by adding a materiality requirement, *California Innovations* then made it much more difficult for terms to qualify as geographically deceptively misdescriptive. As a result, at least for certain marks, the U.S. has arguably adopted an even laxer standard for registration of geographically misdescriptive terms. If the misdescriptiveness of such terms is not material to the consumer's decision to purchase, then the term may be registrable, and now *without any need to show secondary meaning*. For if such terms are not geographically deceptively misdescriptive (because the materiality requirement is not satisfied), neither are they geographically descriptive, a status which would trigger the secondary meaning requirement. Instead, in the wake of *California Innovations*, it would appear that such terms are essentially suggestive or arbitrary, i.e., inherently distinctive. For a thorough discussion of this turn of events, *see* Robert Brauneis & Roger E. Schechter, *Geographic Trademarks and the Protection of Competitor Communication*, 96 TRADEMARK REP. 782 (2006).

3. Marks that May Falsely Suggest a Connection

In re Nieves & Nieves LLC
113 U.S.P.Q.2d 1629 (TTAB 2015)

Opinion by Bergsman, Administrative Trademark Judge:

[1] Nieves & Nieves LLC ("Applicant") filed an intent-to-use application to register the mark ROYAL KATE, in standard character form, for the following goods as amended:

> Cosmetics; fragrances; perfumes; … personal care products, namely, shampoo, body wash, conditioner, soap, shower gel, in Class 3;
>
> Watches; cufflinks; key fobs of precious metals; jewelry; jewelry boxes, in Class 14;
>
> Pouches, namely leather pouches, pouches for holding makeup, keys and other personal items; purses; handbags; pocketbooks; clutches; backpacks … in Class 18;
>
> Bedding, namely, bed sheets…; bath towels; towels, in Class 24; and

Apparel…; bibs not of paper; cloth diapers, in Class 25.

The application includes a statement that "the name(s), portrait(s), and/or signature(s) shown in the mark does not identify a particular living individual."

[2] The Trademark Examining Attorney refused to register Applicant's mark under Section 2(a) of the Trademark Act of 1946, 15 U.S.C. § 1052(a), on the ground that ROYAL KATE falsely suggests a connection with Catherine, Duchess of Cambridge, also known as Kate Middleton. The Trademark Examining Attorney also refused to register Applicant's mark under Section 2(c) of the Trademark Act, 15 U.S.C. § 1052(c), on the ground that ROYAL KATE consists of a name identifying a particular living individual whose written consent to register the mark is not of record.

…

II. Whether ROYAL KATE Falsely Suggests a Connection with Kate Middleton?

[3] To determine whether Applicant's ROYAL KATE mark falsely suggests a connection with Kate Middleton under Section 2(a), the Board analyzes whether the evidence of record satisfies the following four-part test:

(1) Whether Applicant's mark ROYAL KATE is the same as or a close approximation of Kate Middleton's previously used name or identity;

(2) Whether Applicant's mark ROYAL KATE would be recognized as such by purchasers, in that the mark points uniquely and unmistakably to Kate Middleton;

(3) Whether Kate Middleton is not connected with the goods that will be sold by Applicant under its mark; and

(4) Whether Kate Middleton's name or identity is of sufficient fame or reputation that when Applicant's mark is used on Applicant's goods, a connection with Kate Middleton would be presumed.

See In re Pedersen, 109 USPQ2d 1185, 1188 (TTAB 2013); *In re Jackson Int'l Trading Co.*, 103 USPQ2d 1417, 1419 (TTAB 2012). *See also Univ. of Notre Dame du Lac v. J.C. Gourmet Food Imports Co.*, 703 F.2d 1372, 217 USPQ 505, 509 (Fed. Cir. 1983) (hereinafter *"Notre Dame"*); *Bd. of Trs. of Univ. of Ala. v. Pitts*, 107 USPQ2d 2001, 2025 (TTAB 2013) (hereinafter *"Pitts"*).

A. Whether Applicant's mark ROYAL KATE is the same as or a close approximation of the name or identity of Kate Middleton?

[4] Applicant argues that ROYAL KATE is not a close approximation of Kate Middleton's previously-used name or identity because there is no evidence that Kate

Middleton herself used ROYAL KATE as her name or identity and because Kate Middleton is not officially a "royal."[1] Specifically, Applicant contends as follows:

> Although some may argue that ROYAL KATE may be reasonably understood as referring to Kate Middleton, Duchess of Cambridge, by some persons, it is not a close approximation of her name because ROYAL is not part of Middleton's name or title.

[5] We reject Applicant's interpretation of the first prong of the test as inappropriately narrowing the scope of Section 2(a). The creation of a false suggestion of a connection results from an applicant's use of something that is closely "associated with a particular personality or 'persona"' of someone other than the applicant. *Notre Dame*, 217 USPQ at 509; *see also Pitts*, 107 USPQ2d at 2024. The reason for the statutory prohibition is that the person identified loses the right to control his/her identity. *Notre Dame*, 217 USPQ at 509 ("There may be no likelihood of such confusion as to the source of goods even under a theory of "sponsorship" or "endorsement," and, nevertheless, one's right of privacy, or the related right of publicity, may be violated.").

[6] The statutory false suggestion of a connection refusal emerged from the right to privacy and right of publicity.

> Evolving out of the rights of privacy and publicity, the false suggestion of a connection under § 2(a) of the Trademark Act was intended to preclude registration of a mark which conflicts with another's rights, even though not founded on the familiar test of likelihood of confusion. [*Notre Dame* 217 USPQ at 509]. An opposer may prevail on the false suggestion of a connection ground when its right to control the use of its identity is violated, even if the name claimed to be appropriated was never commercially exploited by the opposer as a trademark or in a manner analogous to trademark use. *See Notre Dame*, 703 F.2d at 1375, 217 USPQ at 508; *Buffett*, 226 USPQ at 429. *However, while a party's interest in its identity does not depend for its existence on the adoption and use of a technical trademark, a party must nevertheless have a protectable interest in a name (or its equivalent). Thus, we focus on the key factor in the false suggestion analysis for this case: whether applicants' mark is a close approximation of opposers' name or identity, i.e., a right in which opposers possess a protectable interest*.

---

[1] "Royal" is defined, inter alia, as "of or pertaining to a king, queen, other sovereign" and informally as "a royal person; member of the royalty," or "a member of England's royal family." *The Random House Dictionary of the English Language (Unabridged)*, p. 1677 (2nd ed. 1977). The Board may take judicial notice of dictionary definitions., Univ. of Notre Dame du Lac v. J.C. Gourmet Food Imp. Co., 213 USPQ 594 (TTAB 1982), aff'd, 703 F.2d 1372, 217 USPQ 505 (Fed. Cir. 1983). See also Dictionary.com attached to the October 27, 2011 Office Action.

Pitts, 107 USPQ2d at 2025 (emphasis supplied).

[7] The right of publicity has developed to protect the commercial interest of celebrities in their identities. Under this right, the celebrity has an interest that may be protected from the unauthorized commercial exploitation of that identity. If the celebrity's identity is commercially exploited without the consent of the celebrity, there has been an invasion of his/her right, regardless of whether his/her "name or likeness" is used. *Cf. Carson v. Here's Johnny Portable Toilets, Inc.*, 698 F.2d 831, 218 USPQ 1, 4 (6th Cir. 1983) (former late night television personality Johnny Carson's identity may be exploited even if his name or likeness is not used).

[8] The evidence reflects that Kate Middleton is a celebrity. That means her identity has value which the § 2(a) false suggestion refusal is intended to protect. *See Notre Dame*, 217 USPQ at 509 ("It is a right of this nature [that is, the right to privacy or right to publicity], a right to control the use of one's identity, which the University also asserts under § 2(a)."). Therefore, it is the right of publicity basis for the false suggestion of a connection refusal that applies in this case.

[9] The fact that Kate Middleton, the Duchess of Cambridge, has never used ROYAL KATE as her name or identity does not obviate the false suggestion of a connection refusal. A term may be considered the identity of a person even if his or her name or likeness is not used. All that is required is that the mark sought to be registered clearly identifies a specific person (*i.e.*, Kate Middleton). … *See also In re Urbano*, 51 USPQ2d 1776, 1779 (TTAB 1999) ("[W]hile the general public in the United States may or may not have seen the upcoming Olympic games referred to precisely as 'Sydney 2000,' we have no doubt that the general public in the United States would recognize this phrase as referring unambiguously to the upcoming Olympic Games in Sydney, Australia, in the year 2000.").

[10] We take this opportunity to make explicit what was implicit in our prior decisions in *Pitts* and *In re Urbano*, 51 USPQ2d 1776 (TTAB 1999): the first prong of the false suggestion of a connection test inquires into whether applicant's mark is the same as or a close approximation of the name or identity of a particular person other than the applicant, whether or not the person actually "used" the name or identity himself or herself. … Therefore, in this case, we examine the evidence of record to determine whether it establishes that Applicant's mark ROYAL KATE would be understood by the relevant public as identifying Kate Middleton.

[11] As noted above, the term "royal" refers to a member of the England's royal family. The mark ROYAL KATE creates a commercial impression that references Kate Middleton as a member of the royal family. This is corroborated by articles in the media referencing Kate Middleton as a "royal." …

[12] In fact, Kate Middleton is referred to as "Her Royal Highness." Applicant submitted an excerpt from "The official website of The British Monarchy" (royal.gov.uk) which references Kate Middleton as "her Royal Highness." …

[13] The Trademark Examining Attorney submitted numerous examples of media coverage referring to Kate Middleton as ROYAL KATE. …

[14] This evidence is sufficient to establish that the mark ROYAL KATE is a close approximation of the identity of Kate Middleton because American media uses the term ROYAL KATE to identify Kate Middleton and, therefore, the American public receives media reports identifying Kate Middleton as ROYAL KATE. In fact, because the American public receives reports that Kate Middleton will be referred to as Her Royal Highness the Duchess of Cambridge, there is a natural association between the mark ROYAL KATE and Kate Middleton regardless of whether she uses that moniker herself. *See Bd. of Trustees of the Univ. of Ala. v. BAMA-Werke Curt Baumann*, 231 USPQ 408 (TTAB 1986) ("BAMA" uniquely pointed to the identity of the University of Alabama even though the school had not adopted it as a trademark and had only sporadically referred to itself as BAMA, in large part due to the public's association of the term with the school).

B. Whether Applicant's mark ROYAL KATE would be recognized as a close approximation of Kate Middleton's identity by purchasers, in that the mark points uniquely and unmistakably to Kate Middleton?

[15] Applicant is seeking to register its mark for fashion products such as cosmetics, jewelry, handbags, bedding and clothing and Applicant characterized these products as "luxury items and home goods." The goods and services themselves serve, if anything, to reinforce that the Mark uniquely and unmistakably points to Kate Middleton. Kate Middleton, by virtue of her being a member of the British Royal family and wife of Prince William, the second in line to the English throne, has become a fashion trendsetter. As the evidence establishes, the media reports what she is wearing, where she goes and what she purchases….

[16] … Applicant has not come forward with any evidence that the name ROYAL KATE refers to anyone other than Kate Middleton.

C. Whether Kate Middleton is connected with the goods that are sold or will be sold by Applicant under its mark?

[17] Applicant acknowledges that Kate Middleton is not connected with the goods that are or will be sold by Applicant under the mark ROYAL KATE, and that Kate Middleton has not consented to Applicant's use of her persona.

D. Whether Kate Middleton's name or identity is of sufficient fame or reputation that when Applicant's mark ROYAL KATE is used on Applicant's goods, a connection with Kate Middleton would be presumed?

[18] … The evidence discussed in Section B … demonstrates that Kate Middleton's identity is of sufficient renown that when Applicant's mark ROYAL KATE is used in connection with Applicant's goods, a connection with Kate Middleton will be presumed.

[19] "Applicant does not dispute that Catherine, Duchess of Cambridge, is a well-known figure, stemming from her well-publicized relationship with Prince William and her subsequent wedding." "Also, the Applicant does not dispute the ... claim that Kate Middleton's fame is not temporary." However, Applicant argues that "while the Duchess of Cambridge is well-known, there is no evidence of a presumptive connection between Catherine and the specific goods upon which Applicant's mark will be used. Simply because Catherine is believed to have style and good taste does not mean that she is publicly perceived to be involved in the industry at all." We do not require proof that Kate Middleton is well-known for cosmetics, jewelry, handbags, bedding and clothing. Our inquiry is whether Kate Middleton's renown is such that when the mark ROYAL KATE is used with those products, consumers will recognize ROYAL KATE as referring to Kate Middleton such that a connection with Kate Middleton will be presumed. As the Board held in *In re Pedersen*, 109 USPQ2d 1185, 1202 (TTAB 2013):

> [T]he key is whether the name *per se* is unmistakably associated with a particular person or institution and, as used would point uniquely to the person or institution. In short, it is the combination of: (1) a name of sufficient fame or reputation and (2) its use on or in connection with particular goods or services, that would point uniquely to a particular person or institution. [Internal citation omitted]. Thus, our inquiry is whether consumers of medicinal herbal remedies would think only of the Lakota tribes when the LAKOTA name is used on such goods. *Cf. Notre Dame*, 217 USPQ 509 ("'Notre Dame' is not a name solely associated with the University. It serves to identify a famous and sacred religious figure and is used in the names of churches dedicated to Notre Dame, such as the Cathedral of Notre Dame in Paris.").

[20] In view [of the record evidence], we find that Kate Middleton's identity is of sufficient fame or reputation that when Applicant's mark ROYAL KATE is used on Applicant's goods, a connection with Kate Middleton will be presumed.

E. Analyzing the factors.

[21] [W]e find that Applicant's mark ROYAL KATE for the goods listed in the application falsely suggests a connection with Kate Middleton.

III. Whether the mark ROYAL KATE identifies a particular living individual whose written consent to register the mark is not of record?

[22] Section 2(c) of the Trademark Act, 15 U.S.C. § 1052(c) provides the following:

> No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it ... (c) Consists of or comprises

> a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow, if any, except by the written consent of the widow.

[23] The purpose of requiring the consent of a living individual to the registration of his or her name, signature, or portrait is to protect rights of privacy and publicity that living persons have in the designations that identify them. *In re Hoefflin*, 97 USPQ2d 1174, 1176 (TTAB 2010); *Martin v. Carter Hawley Hale Stores, Inc.,* 206 USPQ 931, 933 (TTAB 1979) (Section 2(c) was designed "to protect one who, for valid reasons, could expect to suffer damage from another's trademark use of his name.")….

[24] Whether consent to registration is required depends on whether the public would recognize and understand the mark as identifying a particular living individual. A consent is required only if the individual bearing the name in the mark will be associated with the mark as used on the goods or services, either because: (1) the person is so well known that the public would reasonably assume a connection between the person and the goods or services; or (2) the individual is publicly connected with the business in which the mark is used….

[25] For purposes of Section 2(c), a "name" does not have to be the full name of an individual. Section 2(c) applies not only to full names, but also first names, surnames, shortened names, pseudonyms, stage names, titles, or nicknames, if there is evidence that *the name identifies a specific living individual* who is publicly connected with the business in which the mark is used, or *who is so well known that such a connection would be assumed*. *See In re Hoefflin*, 97 USPQ2d at 1177-78 (holding registration of the marks OBAMA PAJAMA, OBAMA BAHAMA PAJAMAS, and BARACK'S JOCKS DRESS TO THE LEFT barred under Section 2(c) in the absence of consent to register, because they create a direct association with President Barack Obama); *Krause v. Krause Publ'ns, Inc.*, 76 USPQ2d at 1909 ("the mark KRAUSE PUBLICATIONS, although it includes only the surname of petitioner, would fall within the provisions of Section 2(c) if petitioner establishes that KRAUSE, as used on or in connection with the goods or services set forth in the involved registration, points uniquely to him 'as a particular living individual.'"); *In re Sauer*, 27 USPQ2d at 1074-75 (holding registration of a mark containing BO, used in connection with a sports ball, barred under Section 2(c) in the absence of consent to register, because BO is the nickname of a well-known athlete and thus use of the mark would lead to the assumption that he was associated with the goods)….

[26] *In re Steak & Ale Rest. of Am., Inc.*, 185 USPQ 447, 448 (TTAB 1975) is particularly analogous to the present case. In that decision, the Board affirmed a Section 2(c) refusal of the mark PRINCE CHARLES because the wording identifies a particular well-known living individual whose consent was not of record. The Board reasoned that "the addition of a given name or a surname to the word 'PRINCE' could well serve as a name or 'nickname' for a particular living individual who could

be identified and referred to in the various walks of life with this appellation." We find that this same logic applies to the mark ROYAL KATE. *Cf. Ceccato v. Manifattura Lane Gaetano Marzotto & Figli S.p.A.*, 32 USPQ2d 1192, 1196 (TTAB 1994) (evidence shows that "Duca D'Aosta" is a title and does not refer "unequivocally to a particular living individual.")

[27] While with lesser-known figures there may have to be evidence showing that the consuming public connects them with the manufacturing or marketing of the goods at issue, well-known individuals such as celebrities and world-famous political figures are entitled to the protection of Section 2(c) without having to demonstrate a connection with the involved goods or services. *See In re Hoefflin*, 97 USPQ2d at 1177 (because Barack Obama is the President of the United States, the purchasing public will reasonably assume that marks consisting of the names BARACK and OBAMA identify President Barack Obama); *In re Masucci*, 179 USPQ 829, 830 (TTAB 1973) (in spite of any common law rights applicant may have, EISENHOWER for greeting cards was refused on the ground that it consisted of the name of the late President Eisenhower during the life of his widow, and application for registration was filed without her consent).

[28] As we found in the previous section, ROYAL KATE identifies Kate Middleton whose identity is renowned. By any measure, she is a celebrity, and thus the term ROYAL KATE points uniquely and unmistakably to Kate Middleton. Although Kate Middleton, the Duchess of Cambridge, does not use the name ROYAL KATE, it has become an expression used by the American public (and media) to identify her. We find that the mark ROYAL KATE is the name of a particular living individual, namely, Kate Middleton, and because Kate Middleton has not consented to the use and registration of that name, the Section 2(c) refusal is affirmed.

[29] *Decision*: The refusals to register under Section 2(a) & (c) are affirmed.

Comments and Questions

1. *Policy justification for § 2(a) prohibition against false suggestion of a connection*. What policy justifications might be offered to support this prohibition? Which are the most compelling?

2. *Difference between § 2(a) false suggestion of a connection and Section 2(c) identification of living individual*. Lanham Act § 2(c), 15 U.S.C. §1052(c) prohibits the registration of a mark which "consists of or comprises a name…identifying a particular living individual except by his written consent…" This does not mean that, for example, every person bearing the surname Singh has the ability under Section 2(c) to prohibit the registration of a mark incorporating the word Singh. On the contrary,

> A name is deemed to "identify" a particular living individual, for purposes of Section 2(c), only if the "individual bearing the name in question will be associated with the mark as used on the goods, either because that person is so well known that the public would reasonably

> assume the connection, or because the individual is publicly connected with the business in which the mark is used."

In re Sauer, 27 U.S.P.Q.2d 1073 (TTAB 1993) (quoting *Martin v. Carter Hawley Hale Stores, Inc.*, 206 USPQ 931 (TTAB 1979). In practice, for well-known celebrities, Section 2(a), which tends to require a showing of general notoriety, and 2(c), which tends only to require a showing of niche notoriety, are redundant. *See, e.g.*, *In re Sauer*, 27 U.S.P.Q.2d 1073 (TTAB 1993) (finding the composite mark consisting of BO BALL and design to be prohibited from registration under Section 2(a) as falsely suggesting a connection with professional sportsmen Bo Jackson and under Section 2(c) as identify a living individual so well-known that the public would reasonably assume a connection); *In re Richard M. Hoefflin*, 97 U.S.P.Q.2d 1174 (TTAB 2010) (prohibiting registration of marks, for pajamas, OBAMA PAJAMA, OBAMA BAHAMA PAJAMAS and BARACK'S JOCKS DRESS TO THE LEFT under Section 2(c)). But for non-celebrities, § 2(c) can prohibit registrations that § 2(a) may not, provided that the non-celebrity is "publicly connected with the business in which the mark is used." *See, e.g.*, *Ross v. Analytical Technology Inc.*, 51 U.S.P.Q.2d 1269 (TTAB 1999) (prohibiting registration of ROSS for equipment for electrochemical analysis where plaintiff James W. Ross, Jr., was a retired inventor well-known in the field).

3. *Deceased celebrities*. The use of famous historical names may not trigger the Section 2(a) bar. *See, e.g.*, Lucien Piccard Watch Corp. v. Crescent Corp., 314 F. Supp. 329 (S.D.N.Y. 1970) (finding that mark DA VINCI on various goods, including luggage, will not falsely suggest a connection with Leonardo da Vinci because the mark "hardly suggests that he personally had something to do with the designing of plaintiff's luggage"). *But see Association Pour La Defense et La Promotion De Loeuvre De Marc Chagall Dite Comite Marc Chagall v. Bondarchuk*, 82 U.S.P.Q.2d 1838, 2007 WL 749714 (TTAB 2007) (prohibiting registration of MARC CHAGALL for vodka; "we conclude that the evidence in this record is more than adequate to establish that the mark would be recognized as the name of the painter Marc Chagall and that the name is of sufficient fame or reputation that when the respondent's mark is used on the goods a connection with the painter Marc Chagall would be presumed").

4. Confusingly-Similar Marks Under Lanham Act § 2(d)

Lanham Act § 2(d), 15 U.S.C. §1052 (d), prohibits the registration of a mark that:

> Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive.

Because this particular statutory bar bears so much in common with the likelihood of confusion analysis reviewed at length below in Part II.B, we will discuss the § 2(d) bar in that section.

5. Disparaging and Scandalous Marks

In *Matal v. Tam*, No. 15–1293, 582 U.S. __ (U.S. June 19, 2017), which is excerpted below, the Supreme Court held that the Lanham Act §2(a) prohibition on the registration of marks that "may disparage…persons" was invalid under the Free Speech Clause of the First Amendment. *Tam* is significant for a number of reasons specific to trademark law. First, it abrogated a half-century of PTO practice and federal court case law applying the §2(a)'s "disparagement clause." Second, *Tam* raises significant questions about whether the Lanham Act §2(a) prohibition on the registration of any mark that "consists of or comprises…scandalous matter" is also unconstitutional. The Federal Circuit is expected to address the constitutionality of the prohibition on the registration of scandalous marks in the currently-pending appeal of *In re Brunetti*, Serial No. 85310960, 2014 WL 3976439 (TTAB Aug. 1, 2014) (affirming examiner's refusal to register FUCT for athletic apparel as scandalous). Third, *Tam* also arguably raises significant questions about whether antidilution law, which we cover in Part II.C below, is constitutional. May the government restrict non-deceptive speech that "impairs the distinctiveness of the famous mark," 15 U.S.C. § 1125(c)(2)(B), or that "harms the reputation of the famous mark," 15 U.S.C. § 1125(c)(2)(C)? Fourth and finally, *Tam* brings to an end the appeal to the Fourth Circuit of *Blackhorse v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080, 2014 WL 2757516 (TTAB June 18, 2014), in which five Native Americans successfully petitioned to cancel various trademark registrations consisting in whole or in part of the term REDSKINS for professional football-related services on the ground that at the time of their registration they were disparaging of Native Americans and thus obtained contrary to Lanham Act §§ 14(c) and 2(a), 15 U.S.C. §§ 1064(c) & 1052(a). (If you strongly support Tam's registration of THE SLANTS, what is your position on the government's registration of the term "redskins" by a professional football team in the nation's capital?)


THE SLANTS
PAGEANTRY

Matal v. Tam
No. 15–1293, 582 U.S. __ (U.S. June 19, 2017)

[1] Justice ALITO announced the judgment of the Court and delivered the opinion of the Court with respect to Parts I, II, and III–A, and an opinion with respect to Parts III–B, III–C, and IV, in which THE CHIEF JUSTICE, Justice THOMAS, and Justice BREYER join.

[2] This case concerns a dance-rock band's application for federal trademark registration of the band's name, "The Slants." "Slants" is a derogatory term for persons of Asian descent, and members of the band are Asian–Americans. But the band members believe that by taking that slur as the name of their group, they will help to "reclaim" the term and drain its denigrating force.

[3] The Patent and Trademark Office (PTO) denied the application based on a provision of federal law prohibiting the registration of trademarks that may "disparage ... or bring ... into contemp[t] or disrepute" any "persons, living or dead." 15 U.S.C. § 1052(a). We now hold that this provision violates the Free Speech Clause of the First Amendment. It offends a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend.

I

A

[4] "The principle underlying trademark protection is that distinctive marks—words, names, symbols, and the like—can help distinguish a particular artisan's goods from those of others." *B & B Hardware, Inc. v. Hargis Industries, Inc.,* 135 S.Ct. 1293, 1299 (2015); see also *Wal–Mart Stores, Inc. v. Samara Brothers, Inc.,* 529 U.S. 205, 212 (2000). A trademark "designate [s] the goods as the product of a particular trader" and "protect[s] his good will against the sale of another's product as his." *United Drug Co. v. Theodore Rectanus Co.,* 248 U.S. 90, 97 (1918); see also *Hanover Star Milling Co. v. Metcalf,* 240 U.S. 403, 412–413 (1916). It helps consumers identify goods and services that they wish to purchase, as well as those they want to avoid. See *Wal–Mart Stores, supra,* at 212–213; *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.,* 469 U.S. 189, 198 (1985).

[5] "[F]ederal law does not create trademarks." *B & B Hardware, supra,* at ––––, 135 S.Ct., at 1299. Trademarks and their precursors have ancient origins, and trademarks were protected at common law and in equity at the time of the founding of our country. 3 J. McCarthy, Trademarks and Unfair Competition § 19:8 (4th ed. 2017) (hereinafter McCarthy); see *Trade–Mark Cases,* 100 U.S. 82, 92 (1879). For most of the 19th century, trademark protection was the province of the States. See *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 780–782 (1992) (Stevens, J., concurring in judgment); *id*., at 785 (THOMAS, J., concurring in judgment). Eventually, Congress stepped in to provide a degree of national uniformity, passing the first federal legislation protecting trademarks in 1870. See Act of July 8, 1870, §§ 77–84, 16 Stat. 210–212. The foundation of current federal trademark law is the Lanham Act, enacted in 1946. See Act of July 5, 1946, ch. 540, 60 Stat. 427. By that

time, trademark had expanded far beyond phrases that do no more than identify a good or service. Then, as now, trademarks often consisted of catchy phrases that convey a message.

[6] Under the Lanham Act, trademarks that are "used in commerce" may be placed on the "principal register," that is, they may be federally registered. 15 U.S.C. § 1051(a)(1). And some marks "capable of distinguishing [an] applicant's goods or services and not registrable on the principal register ... which are in lawful use in commerce by the owner thereof" may instead be placed on a different federal register: the supplemental register. § 1091(a). There are now more than two million marks that have active federal certificates of registration. PTO Performance and Accountability Report, Fiscal Year 2016, p. 192 (Table 15), https://www.uspto.gov/sites/default/files/ documents/USPTOFY16PAR.pdf (all Internet materials as last visited June 16, 2017). This system of federal registration helps to ensure that trademarks are fully protected and supports the free flow of commerce. "[N]ational protection of trademarks is desirable," we have explained, "because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation." *San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.,* 483 U.S. 522, 531 (1987) (internal quotation marks omitted); see also *Park 'N Fly, Inc., supra,* at 198 ("The Lanham Act provides national protection of trademarks in order to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers").

B

[7] Without federal registration, a valid trademark may still be used in commerce. See 3 McCarthy § 19:8. And an unregistered trademark can be enforced against would-be infringers in several ways. Most important, even if a trademark is not federally registered, it may still be enforceable under § 43(a) of the Lanham Act, which creates a federal cause of action for trademark infringement. See *Two Pesos, supra,* at 768 ("Section 43(a) prohibits a broader range of practices than does § 32, which applies to registered marks, but it is common ground that § 43(a) protects qualifying unregistered trademarks" (internal quotation marks and citation omitted)).[2] Unregistered trademarks may also be entitled to protection under other

[2] In the opinion below, the Federal Circuit opined that although "Section 43(a) allows for a federal suit to protect an unregistered trademark," "it is not at all clear" that respondent could bring suit under § 43(a) because "there is no authority extending § 43(a) to marks denied under § 2(a)'s disparagement provision." *In re Tam,* 808 F.3d 1321, 1344–1345, n. 11 (en banc), as corrected (Feb. 11, 2016). When drawing this conclusion, the Federal Circuit relied in part on our statement in *Two Pesos* that "the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a)." 505 U.S., at 768. We need

federal statutes, such as the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d). See 5 McCarthy § 25A:49, at 25A–198 ("[T]here is no requirement [in the Anticybersquatting Act] that the protected 'mark' be registered: unregistered common law marks are protected by the Act"). And an unregistered trademark can be enforced under state common law, or if it has been registered in a State, under that State's registration system. See 3 *id.,* § 19:3, at 19–23 (explaining that "[t]he federal system of registration and protection does not preempt parallel state law protection, either by state common law or state registration" and "[i]n the vast majority of situations, federal and state trademark law peacefully coexist"); *id.,* § 22:1 (discussing state trademark registration systems).

[8] Federal registration, however, "confers important legal rights and benefits on trademark owners who register their marks." *B & B Hardware,* 135 S.Ct., at 1317 (internal quotation marks omitted). Registration on the principal register (1) "serves as 'constructive notice of the registrant's claim of ownership' of the mark," *ibid.* (quoting 15 U.S.C. § 1072); (2) "is 'prima facie evidence of the validity of the registered mark and of the registration of the mark, of the owner's ownership of the mark, and of the owner's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate,'" *B & B Hardware,* 135 S.Ct., at 1300 (quoting § 1057(b)); and (3) can make a mark "'incontestable'" once a mark has been registered for five years," *ibid.* (quoting §§ 1065, 1115(b)); see *Park 'N Fly,* 469 U.S., at 193. Registration also enables the trademark holder "to stop the importation into the United States of articles bearing an infringing mark." 3 McCarthy § 19:9, at 19–38; see 15 U.S.C. § 1124.

C

[9] The Lanham Act contains provisions that bar certain trademarks from the principal register. For example, a trademark cannot be registered if it is "merely descriptive or deceptively misdescriptive" of goods, § 1052(e)(1), or if it is so similar to an already registered trademark or trade name that it is "likely ... to cause confusion, or to cause mistake, or to deceive," § 1052(d).

[10] At issue in this case is one such provision, which we will call "the disparagement clause." This provision prohibits the registration of a trademark "which may disparage ... persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute." § 1052(a).[3] This clause appeared in the original Lanham Act and has remained the same to this day. See § 2(a), 60 Stat. 428.

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not decide today whether respondent could bring suit under § 43(a) if his application for federal registration had been lawfully denied under the disparagement clause.

[3] The disparagement clause also prevents a trademark from being registered on the supplemental register. § 1091(a).

[11] When deciding whether a trademark is disparaging, an examiner at the PTO generally applies a "two-part test." The examiner first considers "the likely meaning of the matter in question, taking into account not only dictionary definitions, but also the relationship of the matter to the other elements in the mark, the nature of the goods or services, and the manner in which the mark is used in the marketplace in connection with the goods or services." Trademark Manual of Examining Procedure § 1203.03(b)(i) (Apr. 2017), p. 1200–150, http://tmep.uspto.gov. "If that meaning is found to refer to identifiable persons, institutions, beliefs or national symbols," the examiner moves to the second step, asking "whether that meaning may be disparaging to a substantial composite[4] of the referenced group." *Ibid.* If the examiner finds that a "substantial composite, although not necessarily a majority, of the referenced group would find the proposed mark ... to be disparaging in the context of contemporary attitudes," a prima facie case of disparagement is made out, and the burden shifts to the applicant to prove that the trademark is not disparaging. *Ibid.* What is more, the PTO has specified that "[t]he fact that an applicant may be a member of that group or has good intentions underlying its use of a term does not obviate the fact that a substantial composite of the referenced group would find the term objectionable." *Ibid.*

D

[12] Simon Tam is the lead singer of "The Slants." *In re Tam,* 808 F.3d 1321, 1331 (C.A.Fed.2015) (en banc), as corrected (Feb. 11, 2016). He chose this moniker in order to "reclaim" and "take ownership" of stereotypes about people of Asian ethnicity. *Ibid.* (internal quotation marks omitted). The group "draws inspiration for its lyrics from childhood slurs and mocking nursery rhymes" and has given its albums names such as "The Yellow Album" and "Slanted Eyes, Slanted Hearts." *Ibid.*

[13] Tam sought federal registration of "THE SLANTS," on the principal register, but an examining attorney at the PTO rejected the request, applying the PTO's two-part framework and finding that "there is ... a substantial composite of persons who find the term in the applied-for mark offensive." The examining attorney relied in part on the fact that "numerous dictionaries define 'slants' or 'slant-eyes' as a derogatory or offensive term." The examining attorney also relied on a finding that "the band's name has been found offensive numerous times"—citing a performance that was canceled because of the band's moniker and the fact that "several bloggers and commenters to articles on the band have indicated that they find the term and the applied-for mark offensive."

[14] Tam contested the denial of registration before the examining attorney and before the PTO's Trademark Trial and Appeal Board (TTAB) but to no avail. Eventually, he took the case to federal court, where the en banc Federal Circuit ultimately found the disparagement clause facially unconstitutional under the First Amendment's Free Speech Clause. The majority found that the clause engages in

[4] By "composite," we assume the PTO means component.

viewpoint-based discrimination, that the clause regulates the expressive component of trademarks and consequently cannot be treated as commercial speech, and that the clause is subject to and cannot satisfy strict scrutiny. See 808 F.3d, at 1334–1339. The majority also rejected the Government's argument that registered trademarks constitute government speech, as well as the Government's contention that federal registration is a form of government subsidy. See *id.,* at 1339–1355. And the majority opined that even if the disparagement clause were analyzed under this Court's commercial speech cases, the clause would fail the "intermediate scrutiny" that those cases prescribe. See *id.,* at 1355–1357.

[15] Several judges wrote separately, advancing an assortment of theories. Concurring, Judge O'Malley agreed with the majority's reasoning but added that the disparagement clause is unconstitutionally vague. See *id.,* at 1358–1363. Judge Dyk concurred in part and dissented in part. He argued that trademark registration is a government subsidy and that the disparagement clause is facially constitutional, but he found the clause unconstitutional as applied to THE SLANTS because that mark constitutes "core expression" and was not adopted for the purpose of disparaging Asian–Americans. See *id.,* at 1363–1374. In dissent, Judge Lourie agreed with Judge Dyk that the clause is facially constitutional but concluded for a variety of reasons that it is also constitutional as applied in this case. See *id.,* at 1374–1376. Judge Reyna also dissented, maintaining that trademarks are commercial speech and that the disparagement clause survives intermediate scrutiny because it "directly advances the government's substantial interest in the orderly flow of commerce." See *id.,* at 1376–1382.

[16] The Government filed a petition for certiorari, which we granted in order to decide whether the disparagement clause "is facially invalid under the Free Speech Clause of the First Amendment." Pet. for Cert. i; see *sub. nom. Lee v. Tam,* 579 U.S. ––––, 137 S.Ct. 30 (2016).

II

[*The Court rejected Tam's argument that Lanham Act § 2(a) prohibits the registration of marks that disparage only "persons," which, Tam argued, "includes only natural and juristic persons," not "non-juristic entities such as racial and ethnic groups."*]

III

[17] Because the disparagement clause applies to marks that disparage the members of a racial or ethnic group, we must decide whether the clause violates the Free Speech Clause of the First Amendment. And at the outset, we must consider three arguments that would either eliminate any First Amendment protection or result in highly permissive rational-basis review. Specifically, the Government contends (1) that trademarks are government speech, not private speech, (2) that trademarks are a form of government subsidy, and (3) that the constitutionality of the disparagement clause should be tested under a new "government-program" doctrine. We address each of these arguments below.

A

[18] The First Amendment prohibits Congress and other government entities and actors from "abridging the freedom of speech"; the First Amendment does not say that Congress and other government entities must abridge their own ability to speak freely. And our cases recognize that "[t]he Free Speech Clause ... does not regulate government speech." *Pleasant Grove City v. Summum,* 555 U.S. 460, 467 (2009); see *Johanns v. Livestock Marketing Assn*., 544 U.S. 550, 553 (2005) ("[T]he Government's own speech ... is exempt from First Amendment scrutiny"); *Board of Regents of Univ. of Wis. System v. Southworth,* 529 U.S. 217, 235 (2000).

[19] As we have said, "it is not easy to imagine how government could function" if it were subject to the restrictions that the First Amendment imposes on private speech. *Summum, supra,* at 468; see *Walker v. Texas Div., Sons of Confederate Veterans, Inc.,* 135 S.Ct. 2239, 2245–2247 (2015). "'[T]he First Amendment forbids the government to regulate speech in ways that favor some viewpoints or ideas at the expense of others,'" *Lamb's Chapel v. Center Moriches Union Free School Dist.,* 508 U.S. 384, 394 (1993), but imposing a requirement of viewpoint-neutrality on government speech would be paralyzing. When a government entity embarks on a course of action, it necessarily takes a particular viewpoint and rejects others. The Free Speech Clause does not require government to maintain viewpoint neutrality when its officers and employees speak about that venture.

[20] Here is a simple example. During the Second World War, the Federal Government produced and distributed millions of posters to promote the war effort.[5] There were posters urging enlistment, the purchase of war bonds, and the conservation of scarce resources.[6] These posters expressed a viewpoint, but the First Amendment did not demand that the Government balance the message of these posters by producing and distributing posters encouraging Americans to refrain from engaging in these activities.

[21] But while the government-speech doctrine is important—indeed, essential—it is a doctrine that is susceptible to dangerous misuse. If private speech could be passed off as government speech by simply affixing a government seal of approval, government could silence or muffle the expression of disfavored viewpoints. For this reason, we must exercise great caution before extending our government-speech precedents.

[22] At issue here is the content of trademarks that are registered by the PTO, an arm of the Federal Government. The Federal Government does not dream up these marks, and it does not edit marks submitted for registration. Except as required by the statute involved here, 15 U.S.C. § 1052(a), an examiner may not reject a mark based on the viewpoint that it appears to express. Thus, unless that section is thought to apply, an examiner does not inquire whether any viewpoint

[5] See, *e.g.,* D. Nelson, The Posters That Won the War (1991).

[6] *Ibid.*

conveyed by a mark is consistent with Government policy or whether any such viewpoint is consistent with that expressed by other marks already on the principal register. Instead, if the mark meets the Lanham Act's viewpoint-neutral requirements, registration is mandatory. *Ibid.* (requiring that "[n]o trademark ... shall be refused registration on the principal register on account of its nature unless" it falls within an enumerated statutory exception). And if an examiner finds that a mark is eligible for placement on the principal register, that decision is not reviewed by any higher official unless the registration is challenged. See §§ 1062(a), 1071; 37 C.F.R § 41.31(a) (2016). Moreover, once a mark is registered, the PTO is not authorized to remove it from the register unless a party moves for cancellation, the registration expires, or the Federal Trade Commission initiates proceedings based on certain grounds. See 15 U.S.C. §§ 1058(a), 1059, 1064; 37 C.F.R. §§ 2.111(b), 2.160.

[23] In light of all this, it is far-fetched to suggest that the content of a registered mark is government speech. If the federal registration of a trademark makes the mark government speech, the Federal Government is babbling prodigiously and incoherently. It is saying many unseemly things. See App. to Brief for Pro–Football, Inc., as *Amicus Curiae*. It is expressing contradictory views.[7] It is unashamedly endorsing a vast array of commercial products and services. And it is providing Delphic advice to the consuming public.

[24] For example, if trademarks represent government speech, what does the Government have in mind when it advises Americans to "make.believe" (Sony),[8] "Think different" (Apple),[9] "Just do it" (Nike),[10] or "Have it your way" (Burger King)[11]? Was the Government warning about a coming disaster when it registered the mark "EndTime Ministries"[12]?

[25] The PTO has made it clear that registration does not constitute approval of a mark. See *In re Old Glory Condom Corp.*, 26 USPQ 2d 1216, 1220, n. 3 (T.T.A.B.1993) ("[I]ssuance of a trademark registration ... is not a government

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[7] Compare "Abolish Abortion," Registration No. 4,935,774 (Apr. 12, 2016), with "I Stand With Planned Parenthood," Registration No. 5,073,573 (Nov. 1, 2016); compare "Capitalism Is Not Moral, Not Fair, Not Freedom," Registration No. 4,696,419 (Mar. 3, 2015), with "Capitalism Ensuring Innovation," Registration No. 3,966,092 (May 24, 2011); compare "Global Warming Is Good," Registration No. 4,776,235 (July 21, 2015), with "A Solution to Global Warming," Registration No. 3,875,271 (Nov. 10, 2010).

[8] "make.believe," Registration No. 4,342,903 (May 28, 2013).

[9] "Think Different," Registration No. 2,707,257 (Apr. 15, 2003).

[10] "Just Do It," Registration No. 1,875,307 (Jan. 25, 1995).

[11] "Have It Your Way," Registration No. 0,961,016 (June 12, 1973).

[12] "EndTime Ministries," Registration No. 4,746,225 (June 2, 2015).

imprimatur”). And it is unlikely that more than a tiny fraction of the public has any idea what federal registration of a trademark means. See *Application of National Distillers & Chemical Corp.,* 49 C.C.P.A. (Pat.) 854, 863, 297 F.2d 941, 949 (1962) (Rich, J., concurring) (“The purchasing public knows no more about trademark registrations than a man walking down the street in a strange city knows about legal title to the land and buildings he passes” (emphasis deleted)).

[26] None of our government speech cases even remotely supports the idea that registered trademarks are government speech. In *Johanns,* we considered advertisements promoting the sale of beef products. A federal statute called for the creation of a program of paid advertising “‘to advance the image and desirability of beef and beef products.’” 544 U.S., at 561 (quoting 7 U.S.C. § 2902(13)). Congress and the Secretary of Agriculture provided guidelines for the content of the ads, Department of Agriculture officials attended the meetings at which the content of specific ads was discussed, and the Secretary could edit or reject any proposed ad. 544 U.S., at 561. Noting that “[t]he message set out in the beef promotions [was] from beginning to end the message established by the Federal Government,” we held that the ads were government speech. *Id.,* at 560. The Government’s involvement in the creation of these beef ads bears no resemblance to anything that occurs when a trademark is registered.

[27] Our decision in *Summum* is similarly far afield. A small city park contained 15 monuments. 555 U.S., at 464. Eleven had been donated by private groups, and one of these displayed the Ten Commandments. *Id.,* at 464–465. A religious group claimed that the city, by accepting donated monuments, had created a limited public forum for private speech and was therefore obligated to place in the park a monument expressing the group’s religious beliefs.

[28] Holding that the monuments in the park represented government speech, we cited many factors. Governments have used monuments to speak to the public since ancient times; parks have traditionally been selective in accepting and displaying donated monuments; parks would be overrun if they were obligated to accept all monuments offered by private groups; “[p]ublic parks are often closely identified in the public mind with the government unit that owns the land”; and “[t]he monuments that are accepted ... are meant to convey and have the effect of conveying a government message.” *Id.,* at 472.

[29] Trademarks share none of these characteristics. Trademarks have not traditionally been used to convey a Government message. With the exception of the enforcement of 15 U.S.C. § 1052(a), the viewpoint expressed by a mark has not played a role in the decision whether to place it on the principal register. And there is no evidence that the public associates the contents of trademarks with the Federal Government.

[30] This brings us to the case on which the Government relies most heavily, *Walker,* which likely marks the outer bounds of the government-speech doctrine. Holding that the messages on Texas specialty license plates are government speech,

the *Walker* Court cited three factors distilled from *Summum*. 135 S.Ct., at 2246–2247. First, license plates have long been used by the States to convey state messages. 135 S.Ct., at 2248–2249. Second, license plates "are often closely identified in the public mind" with the State, since they are manufactured and owned by the State, generally designed by the State, and serve as a form of "government ID." 135 S.Ct., at 2249 (internal quotation marks omitted). Third, Texas "maintain[ed] direct control over the messages conveyed on its specialty plates." 135 S.Ct., at 2249. As explained above, none of these factors are present in this case.

[31] In sum, the federal registration of trademarks is vastly different from the beef ads in *Johanns,* the monuments in *Summum,* and even the specialty license plates in *Walker*. Holding that the registration of a trademark converts the mark into government speech would constitute a huge and dangerous extension of the government-speech doctrine. For if the registration of trademarks constituted government speech, other systems of government registration could easily be characterized in the same way.

[32] Perhaps the most worrisome implication of the Government's argument concerns the system of copyright registration. If federal registration makes a trademark government speech and thus eliminates all First Amendment protection, would the registration of the copyright for a book produce a similar transformation? See 808 F.3d, at 1346 (explaining that if trademark registration amounts to government speech, "then copyright registration" which "has identical accoutrements" would "likewise amount to government speech").

[33] The Government attempts to distinguish copyright on the ground that it is "'the engine of free expression,'" Brief for Petitioner 47 (quoting *Eldred v. Ashcroft,* 537 U.S. 186, 219, 123 S.Ct. 769, 154 L.Ed.2d 683 (2003)), but as this case illustrates, trademarks often have an expressive content. Companies spend huge amounts to create and publicize trademarks that convey a message. It is true that the necessary brevity of trademarks limits what they can say. But powerful messages can sometimes be conveyed in just a few words.

[34] Trademarks are private, not government, speech.

B

[35] We next address the Government's argument that this case is governed by cases in which this Court has upheld the constitutionality of government programs that subsidized speech expressing a particular viewpoint. These cases implicate a notoriously tricky question of constitutional law. "[W]e have held that the Government 'may not deny a benefit to a person on a basis that infringes his constitutionally protected ... freedom of speech even if he has no entitlement to that benefit.'" *Agency for Int'l Development v. Alliance for Open Society Int'l, Inc*., 133 S.Ct. 2321, 2328 (2013) (some internal quotation marks omitted). But at the same time, government is not required to subsidize activities that it does not wish to promote. *Ibid.* Determining which of these principles applies in a particular case "is not always self-evident," 133 S.Ct., at 2330, but no difficult question is presented here.

[36] Unlike the present case, the decisions on which the Government relies all involved cash subsidies or their equivalent. In *Rust v. Sullivan,* 500 U.S. 173 (1991), a federal law provided funds to private parties for family planning services. In *National Endowment for Arts v. Finley,* 524 U.S. 569 (1998), cash grants were awarded to artists. And federal funding for public libraries was at issue in *United States v. American Library Assn., Inc.,* 539 U.S. 194 (2003). In other cases, we have regarded tax benefits as comparable to cash subsidies. See *Regan v. Taxation With Representation of Wash.,* 461 U.S. 540 (1983); *Cammarano v. United States,* 358 U.S. 498 (1959).

[37] The federal registration of a trademark is nothing like the programs at issue in these cases. The PTO does not pay money to parties seeking registration of a mark. Quite the contrary is true: An applicant for registration must pay the PTO a filing fee of $225–$600. 37 C.F.R. § 2.6(a)(1). (Tam submitted a fee of $275 as part of his application to register THE SLANTS. App. 18.) And to maintain federal registration, the holder of a mark must pay a fee of $300–$500 every 10 years. § 2.6(a)(5); see also 15 U.S.C. § 1059(a). The Federal Circuit concluded that these fees have fully supported the registration system for the past 27 years. 808 F.3d, at 1353.

[38] The Government responds that registration provides valuable non-monetary benefits that "are directly traceable to the resources devoted by the federal government to examining, publishing, and issuing certificates of registration for those marks." But just about every government service requires the expenditure of government funds. This is true of services that benefit everyone, like police and fire protection, as well as services that are utilized by only some, *e.g.*, the adjudication of private lawsuits and the use of public parks and highways.

[39] Trademark registration is not the only government registration scheme. For example, the Federal Government registers copyrights and patents. State governments and their subdivisions register the title to real property and security interests; they issue driver's licenses, motor vehicle registrations, and hunting, fishing, and boating licenses or permits.

…

C

[40] Finally, the Government urges us to sustain the disparagement clause under a new doctrine that would apply to "government-program" cases. For the most part, this argument simply merges our government-speech cases and the previously discussed subsidy cases in an attempt to construct a broader doctrine that can be applied to the registration of trademarks. The only new element in this construct consists of two cases involving a public employer's collection of union dues from its employees. But those cases occupy a special area of First Amendment case law, and they are far removed from the registration of trademarks.

…

IV

[41] Having concluded that the disparagement clause cannot be sustained under our government-speech or subsidy cases or under the Government's proposed "government-program" doctrine, we must confront a dispute between the parties on the question whether trademarks are commercial speech and are thus subject to the relaxed scrutiny outlined in *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of N. Y.,* 447 U.S. 557 (1980). The Government and *amici* supporting its position argue that all trademarks are commercial speech. They note that the central purposes of trademarks are commercial and that federal law regulates trademarks to promote fair and orderly interstate commerce. Tam and his *amici,* on the other hand, contend that many, if not all, trademarks have an expressive component. In other words, these trademarks do not simply identify the source of a product or service but go on to say something more, either about the product or service or some broader issue. The trademark in this case illustrates this point. The name "The Slants" not only identifies the band but expresses a view about social issues.

[42] We need not resolve this debate between the parties because the disparagement clause cannot withstand even *Central Hudson* review.[13] Under *Central Hudson,* a restriction of speech must serve "a substantial interest," and it must be "narrowly drawn." *Id.,* at 564–565 (internal quotation marks omitted). This means, among other things, that "[t]he regulatory technique may extend only as far as the interest it serves." *Id.,* at 565. The disparagement clause fails this requirement.

[43] It is claimed that the disparagement clause serves two interests. The first is phrased in a variety of ways in the briefs. Echoing language in one of the opinions below, the Government asserts an interest in preventing "'underrepresented groups'" from being "'bombarded with demeaning messages in commercial advertising.'" Brief for Petitioner 48 (quoting 808 F.3d, at 1364 (Dyk, J., concurring in part and dissenting in part)). An *amicus* supporting the Government refers to "encouraging racial tolerance and protecting the privacy and welfare of individuals." Brief for Native American Organizations as *Amici Curiae* 21. But no matter how the point is phrased, its unmistakable thrust is this: The Government has an interest in preventing speech expressing ideas that offend. And, as we have explained, that idea strikes at the heart of the First Amendment. Speech that demeans on the basis of race, ethnicity, gender, religion, age, disability, or any other similar ground is

[13] As with the framework discussed in Part III–C of this opinion, we leave open the question whether *Central Hudson* provides the appropriate test for deciding free speech challenges to provisions of the Lanham Act. And nothing in our decision should be read to speak to the validity of state unfair competition provisions or product libel laws that are not before us and differ from § 1052(d)'s disparagement clause.

hateful; but the proudest boast of our free speech jurisprudence is that we protect the freedom to express "the thought that we hate." *United States v. Schwimmer,* 279 U.S. 644, 655 (1929) (Holmes, J., dissenting).

[44] The second interest asserted is protecting the orderly flow of commerce. See 808 F.3d, at 1379–1381 (Reyna, J., dissenting); Brief for Petitioner 49; Brief for Native American Organizations as *Amicus Curiae* 18–21. Commerce, we are told, is disrupted by trademarks that "involv[e] disparagement of race, gender, ethnicity, national origin, religion, sexual orientation, and similar demographic classification." 808 F.3d, at 1380–1381 (opinion of Reyna, J.). Such trademarks are analogized to discriminatory conduct, which has been recognized to have an adverse effect on commerce. See *ibid.*; Brief for Petitioner 49; Brief for Native American Organizations as *Amici Curiae* 18–20.

[45] A simple answer to this argument is that the disparagement clause is not "narrowly drawn" to drive out trademarks that support invidious discrimination. The clause reaches any trademark that disparages *any person, group, or institution*. It applies to trademarks like the following: "Down with racists," "Down with sexists," "Down with homophobes." It is not an anti-discrimination clause; it is a happy-talk clause. In this way, it goes much further than is necessary to serve the interest asserted.

[46] The clause is far too broad in other ways as well. The clause protects every person living or dead as well as every institution. Is it conceivable that commerce would be disrupted by a trademark saying: "James Buchanan was a disastrous president" or "Slavery is an evil institution"?

[47] There is also a deeper problem with the argument that commercial speech may be cleansed of any expression likely to cause offense. The commercial market is well stocked with merchandise that disparages prominent figures and groups, and the line between commercial and non-commercial speech is not always clear, as this case illustrates. If affixing the commercial label permits the suppression of any speech that may lead to political or social "volatility," free speech would be endangered.

*   *   *

[48] For these reasons, we hold that the disparagement clause violates the Free Speech Clause of the First Amendment. The judgment of the Federal Circuit is affirmed.

It is so ordered.

Justice GORSUCH took no part in the consideration or decision of this case.

Justice KENNEDY, with whom Justice GINSBURG, Justice SOTOMAYOR, and Justice KAGAN join, concurring in part and concurring in the judgment.

[1] The Patent and Trademark Office (PTO) has denied the substantial benefits of federal trademark registration to the mark THE SLANTS. The PTO did so under

the mandate of the disparagement clause in 15 U.S.C. § 1052(a), which prohibits the registration of marks that may "disparage ... or bring ... into contemp[t] or disrepute" any "persons, living or dead, institutions, beliefs, or national symbols."

[2] As the Court is correct to hold, § 1052(a) constitutes viewpoint discrimination—a form of speech suppression so potent that it must be subject to rigorous constitutional scrutiny. The Government's action and the statute on which it is based cannot survive this scrutiny.

[3] The Court is correct in its judgment, and I join Parts I, II, and III–A of its opinion. This separate writing explains in greater detail why the First Amendment's protections against viewpoint discrimination apply to the trademark here. It submits further that the viewpoint discrimination rationale renders unnecessary any extended treatment of other questions raised by the parties.

I

[4] Those few categories of speech that the government can regulate or punish—for instance, fraud, defamation, or incitement—are well established within our constitutional tradition. See *United States v. Stevens,* 559 U.S. 460, 468 (2010). Aside from these and a few other narrow exceptions, it is a fundamental principle of the First Amendment that the government may not punish or suppress speech based on disapproval of the ideas or perspectives the speech conveys. See *Rosenberger v. Rector and Visitors of Univ. of Va.,* 515 U.S. 819, 828–829 (1995).

[5] The First Amendment guards against laws "targeted at specific subject matter," a form of speech suppression known as content based discrimination. *Reed v. Town of Gilbert,* 576 U.S. ––––, ––––, 135 S.Ct. 2218, 2230 (2015). This category includes a subtype of laws that go further, aimed at the suppression of "particular views ... on a subject." *Rosenberger,* 515 U.S., at 829. A law found to discriminate based on viewpoint is an "egregious form of content discrimination," which is "presumptively unconstitutional." *Id.,* at 829–830.

[6] At its most basic, the test for viewpoint discrimination is whether—within the relevant subject category—the government has singled out a subset of messages for disfavor based on the views expressed. See *Cornelius v. NAACP Legal Defense & Ed. Fund, Inc.,* 473 U.S. 788, 806 (1985) ("[T]he government violates the First Amendment when it denies access to a speaker solely to suppress the point of view he espouses on an otherwise includible subject"). In the instant case, the disparagement clause the Government now seeks to implement and enforce identifies the relevant subject as "persons, living or dead, institutions, beliefs, or national symbols." 15 U.S.C. § 1052(a). Within that category, an applicant may register a positive or benign mark but not a derogatory one. The law thus reflects the Government's disapproval of a subset of messages it finds offensive. This is the essence of viewpoint discrimination.

[7] The Government disputes this conclusion. It argues, to begin with, that the law is viewpoint neutral because it applies in equal measure to any trademark that demeans or offends. This misses the point. A subject that is first defined by content

and then regulated or censored by mandating only one sort of comment is not viewpoint neutral. To prohibit all sides from criticizing their opponents makes a law more viewpoint based, not less so. Cf. *Rosenberger, supra,* at 831–832 ("The ... declaration that debate is not skewed so long as multiple voices are silenced is simply wrong; the debate is skewed in multiple ways"). The logic of the Government's rule is that a law would be viewpoint neutral even if it provided that public officials could be praised but not condemned. The First Amendment's viewpoint neutrality principle protects more than the right to identify with a particular side. It protects the right to create and present arguments for particular positions in particular ways, as the speaker chooses. By mandating positivity, the law here might silence dissent and distort the marketplace of ideas.

[8] The Government next suggests that the statute is viewpoint neutral because the disparagement clause applies to trademarks regardless of the applicant's personal views or reasons for using the mark. Instead, registration is denied based on the expected reaction of the applicant's audience. In this way, the argument goes, it cannot be said that Government is acting with hostility toward a particular point of view. For example, the Government does not dispute that respondent seeks to use his mark in a positive way. Indeed, respondent endeavors to use The Slants to supplant a racial epithet, using new insights, musical talents, and wry humor to make it a badge of pride. Respondent's application was denied not because the Government thought his object was to demean or offend but because the Government thought his trademark would have that effect on at least some Asian–Americans.

[9] The Government may not insulate a law from charges of viewpoint discrimination by tying censorship to the reaction of the speaker's audience. The Court has suggested that viewpoint discrimination occurs when the government intends to suppress a speaker's beliefs, *Reed,* 135 S.Ct., at 2229–2230, but viewpoint discrimination need not take that form in every instance. The danger of viewpoint discrimination is that the government is attempting to remove certain ideas or perspectives from a broader debate. That danger is all the greater if the ideas or perspectives are ones a particular audience might think offensive, at least at first hearing. An initial reaction may prompt further reflection, leading to a more reasoned, more tolerant position.

[10] Indeed, a speech burden based on audience reactions is simply government hostility and intervention in a different guise. The speech is targeted, after all, based on the government's disapproval of the speaker's choice of message. And it is the government itself that is attempting in this case to decide whether the relevant audience would find the speech offensive. For reasons like these, the Court's cases have long prohibited the government from justifying a First Amendment burden by pointing to the offensiveness of the speech to be suppressed.

[11] The Government's argument in defense of the statute assumes that respondent's mark is a negative comment. In addressing that argument on its own

terms, this opinion is not intended to imply that the Government's interpretation is accurate. From respondent's submissions, it is evident he would disagree that his mark means what the Government says it does. The trademark will have the effect, respondent urges, of reclaiming an offensive term for the positive purpose of celebrating all that Asian–Americans can and do contribute to our diverse Nation. While thoughtful persons can agree or disagree with this approach, the dissonance between the trademark's potential to teach and the Government's insistence on its own, opposite, and negative interpretation confirms the constitutional vice of the statute.

II

[12] The parties dispute whether trademarks are commercial speech and whether trademark registration should be considered a federal subsidy. The former issue may turn on whether certain commercial concerns for the protection of trademarks might, as a general matter, be the basis for regulation. However that issue is resolved, the viewpoint based discrimination at issue here necessarily invokes heightened scrutiny.

[13] "Commercial speech is no exception," the Court has explained, to the principle that the First Amendment "requires heightened scrutiny whenever the government creates a regulation of speech because of disagreement with the message it conveys." *Sorrell v. IMS Health Inc.,* 564 U.S. 552, 566 (2011) (internal quotation marks omitted). Unlike content based discrimination, discrimination based on viewpoint, including a regulation that targets speech for its offensiveness, remains of serious concern in the commercial context. See *Bolger v. Youngs Drug Products Corp.,* 463 U.S. 60, 65, 71–72 (1983).

[14] To the extent trademarks qualify as commercial speech, they are an example of why that term or category does not serve as a blanket exemption from the First Amendment's requirement of viewpoint neutrality. Justice Holmes' reference to the "free trade in ideas" and the "power of ... thought to get itself accepted in the competition of the market," *Abrams v. United States,* 250 U.S. 616, 630 (1919) (dissenting opinion), was a metaphor. In the realm of trademarks, the metaphorical marketplace of ideas becomes a tangible, powerful reality. Here that real marketplace exists as a matter of state law and our common-law tradition, quite without regard to the Federal Government. These marks make up part of the expression of everyday life, as with the names of entertainment groups, broadcast networks, designer clothing, newspapers, automobiles, candy bars, toys, and so on. See Brief for Pro–Football, Inc., as *Amicus Curiae* 8 (collecting examples). Nonprofit organizations—ranging from medical-research charities and other humanitarian causes to political advocacy groups—also have trademarks, which they use to compete in a real economic sense for funding and other resources as they seek to persuade others to join their cause. See *id.,* at 8–9 (collecting examples). To permit viewpoint discrimination in this context is to permit Government censorship.

[15] This case does not present the question of how other provisions of the Lanham Act should be analyzed under the First Amendment. It is well settled, for instance, that to the extent a trademark is confusing or misleading the law can protect consumers and trademark owners. See, *e.g., FTC v. Winsted Hosiery Co.,* 258 U.S. 483, 493 (1922) ("The labels in question are literally false, and ... palpably so. All are, as the Commission found, calculated to deceive and do in fact deceive a substantial portion of the purchasing public"). This case also does not involve laws related to product labeling or otherwise designed to protect consumers. See *Sorrell, supra,* at 579, ("[T]he government's legitimate interest in protecting consumers from commercial harms explains why commercial speech can be subject to greater governmental regulation than noncommercial speech" (internal quotation marks omitted)). These considerations, however, do not alter the speech principles that bar the viewpoint discrimination embodied in the statutory provision at issue here.

[16] It is telling that the Court's precedents have recognized just one narrow situation in which viewpoint discrimination is permissible: where the government itself is speaking or recruiting others to communicate a message on its behalf. See *Legal Services Corporation v. Velazquez,* 531 U.S. 533, 540–542 (2001); *Board of Regents of Univ. of Wis. System v. Southworth,* 529 U.S. 217, 229, 235 (2000); *Rosenberger,* 515 U.S., at 833. The exception is necessary to allow the government to stake out positions and pursue policies. See *Southworth, supra,* at 235. But it is also narrow, to prevent the government from claiming that every government program is exempt from the First Amendment. These cases have identified a number of factors that, if present, suggest the government is speaking on its own behalf; but none are present here.

[17] There may be situations where private speakers are selected for a government program to assist the government in advancing a particular message. That is not this case either. The central purpose of trademark registration is to facilitate source identification. To serve that broad purpose, the Government has provided the benefits of federal registration to millions of marks identifying every type of product and cause. Registered trademarks do so by means of a wide diversity of words, symbols, and messages. Whether a mark is disparaging bears no plausible relation to that goal. While defining the purpose and scope of a federal program for these purposes can be complex, see, *e.g., Agency for Int'l Development v. Alliance for Open Society Int'l, Inc.,* 133 S.Ct. 2321, 2328 (2013), our cases are clear that viewpoint discrimination is not permitted where, as here, the Government "expends funds to encourage a diversity of views from private speakers," *Velazquez, supra,* at 542 (internal quotation marks omitted).

* * *

[18] A law that can be directed against speech found offensive to some portion of the public can be turned against minority and dissenting views to the detriment of all. The First Amendment does not entrust that power to the government's

benevolence. Instead, our reliance must be on the substantial safeguards of free and open discussion in a democratic society.

[19] For these reasons, I join the Court's opinion in part and concur in the judgment.

Justice THOMAS, concurring in part and concurring in the judgment.

…

[1] I also write separately because "I continue to believe that when the government seeks to restrict truthful speech in order to suppress the ideas it conveys, strict scrutiny is appropriate, whether or not the speech in question may be characterized as 'commercial.'" *Lorillard Tobacco Co. v. Reilly,* 533 U.S. 525, 572 (2001) (THOMAS, J., concurring in part and concurring in judgment); see also, *e.g., 44 Liquormart, Inc. v. Rhode Island,* 517 U.S. 484, 518 (1996) (same). I nonetheless join Part IV of Justice ALITO's opinion because it correctly concludes that the disparagement clause, 15 U.S.C. § 1052(a), is unconstitutional even under the less stringent test announced in *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of N. Y.,* 447 U.S. 557 (1980).

Comments and Questions

1. *Marijuana marks*. To qualify for federal registration, a mark must be used in commerce for goods or services that are legal under federal law. For this reason, the T.T.A.B. has affirmed the refusal of registration of the mark HERBAL ACCESS for "retail store services featuring herbs" when such services consisted of the sale of marijuana in Washington state, under whose law such sales are legal. *In re Brown*, 119 USPQ2d 1350 (TTAB 2016). *See also In re JJ206, LLC, dba JuJu Joints*, 120 USPQ2d 1568 (TTAB 2016).

C. Use as a Prerequisite for Rights

Lanham Act § 45, 15 U.S.C. § 1127

> The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce--
>
> (1) on goods when--
>
> (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and
>
> (B) the goods are sold or transported in commerce, and

> (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.
>
> The word "commerce" means all commerce which may lawfully be regulated by Congress.

The trademark owner must make a "use in commerce" of its mark, as that phrase is defined in Lanham Act § 45, in order for the mark to qualify for registration under § 1 of the Lanham Act or for protection as an unregistered mark under § 43(a).[1] *See* § 1(a)(1) (providing that "[t]he owner of a trademark used in commerce" may apply for registration of that mark); § 1(b) (providing that the owner of mark filed on an intent-to-use basis must file a "[v]erified statement that trademark is used in commerce" in order for the mark to proceed to registration); *International Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Estrangers a Monaco*, 329 F.3d 359 (4th Cir. 2003) (assuming, without citing a statutory basis, that for an unregistered mark to qualify for protection under Section 43(a), it must be "use[d] in commerce").

We consider here what kinds of uses of a mark will satisfy § 45's definition of "use in commerce." Both of the opinions below emerge out of priority disputes, i.e., disputes over who by virtue of their being the first to "use in commerce" a particular mark can claim exclusive rights in that mark. (We will address priority in more detail in Part I.E on the geographic scope of trademark rights). But underlying the priority issue in both cases is the more basic question of how much and what kind of use will make the mark registrable or otherwise protectable under the Lanham Act. The first opinion, *Aycock Engineering, Inc. v. Airflite, Inc.*, 560 F.3d 1350 (Fed. Cir. 2009), involves the question of whether Aycock made sufficient use in commerce of its mark to justify registration of the mark at the PTO. The second opinion, *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188 (11th Cir. 2001), involves the question of whether the assignee of the unregistered mark COOLMAIL for email

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[1] There is an important exception to the general rule that a trademark owner must make use in commerce of its mark in order for the mark to qualify for federal registration. As discussed more fully in Part II.D below, Lanham Act § 44, 15 U.S.C. § 1126, provides that foreign applicants applying under a § 44 filing basis need not show actual use in commerce prior to obtaining registration. *See* MCCARTHY § 29:14.

services could benefit from the priority date established by the assignor's pre-assignment use of the mark.

To avoid ambiguity, it may be useful to recognize from the start the several different aspects of the concept of "use in commerce" in U.S. trademark law, only one of which we will focus on in this subsection.

- *"Use in Commerce" as Implementing the Commerce Clause Limitation on the Reach of Congressional Power*: As the Lanham Act § 45 definition of "commerce" quoted above indicates, federal trademark law will regulate only those uses that fall within the Congress's Commerce Clause power. Thus, if a trademark owner does not use its trademark in a manner that affects interstate commerce, federal trademark law will not protect that trademark. The trademark owner must instead rely on state law. This is very rarely an issue given current Commerce Clause jurisprudence. *See, e.g.*, *Christian Faith Fellowship Church v. adidas AG*, 841 F.3d 986, 995 (Fed. Cir. 2016) (holding that plaintiff's single intrastate sale of two hats bearing the mark at issue to an out-of-state resident was regulable by Congress under the Commerce Clause and thus satisfied the Lanham Act's "use in commerce" requirement).
- *"Use in Commerce" for Purposes of Establishing Trademark Rights*: This is the focus of this subsection.
- *"Use in Commerce" for Purposes of Determining Whether a Trademark Owner Has Abandoned Its Rights*: If a trademark owner ceases to use its trademark in commerce without an intent to resume use, it may be deemed to have "abandoned" its mark. *See* Lanham Act § 45, 15 U.S.C. § 1127 (defining when a mark shall be deemed "abandoned"). We will address the doctrine of trademark abandonment in Part III.D below.
- *"Use in Commerce" for Purposes of Determining Whether a Defendant Has Made an Infringing "Actionable Use" of the Plaintiff's Mark*: In several high-profile cases in the past decade, defendants have argued that the terms of each of the infringement sections of the Lanham Act—Lanham Act §§ 32, 43(a), and 43(c)—require a showing that the defendant is making a "use in commerce" to be liable. These defendants have argued that they are not making a "use in commerce" as that term is defined under Lanham Act § 45 and should thus not be found liable. We will address the case law on this issue, which has ultimately largely come to reject this argument, in Part II.A below.

The student is strongly advised to distinguish between these various aspects of "use in commerce" as we proceed, particularly the difference between "use in commerce" by the *plaintiff* for purposes of establishing the plaintiff's trademark rights versus "use in commerce" by the *defendant* for purposes of establishing the defendant's trademark infringement.

In reading *Aycock Engineering* and *Planetary Motion*, consider the following questions:

- What, if anything, justifies "use in commerce" as a prerequisite to trademark registration? Why not allow registration without use? Relatedly, what justifies the specific terms of § 45's "use in commerce" requirement as a prerequisite to unregistered mark protection under § 43(a)?
- What justifies § 45's requirement that, with respect to marks used on goods, the goods must be "sold or transported in commerce"? Shouldn't mere advertising using the mark be sufficient? And why is the mere transportation of the goods, without sale, sufficient?
- Should the "use in commerce" requirement be the same for non-inherently distinctive marks as it is for inherently distinctive marks? If not, what should the mark owner be required to show before its non-inherently distinctive mark can meet the "use in commerce" requirement?
- As between small company David and large company Goliath, which does the use in commerce prerequisite tend to benefit?
- How helpful is the "totality of the circumstances" test referenced in *Planetary Motion*? Can you think of a better alternative test?

United States Patent Office **983,064**
Registered Apr. 30, 1974

SUPPLEMENTAL REGISTER
Service Mark

Ser. No. 367,571, filed P.R. Aug. 10, 1970;
Am. S.R. Apr. 27, 1973

AIRFLITE

Aycock Engineering, Inc. (North Carolina corporation)
492 Rayconda
Fayetteville, N.C. 28304

For: ARRANGING FOR INDIVIDUAL RESERVATIONS FOR FLIGHTS ON AIRPLANES, in CLASS 105 (INT. CL. 39).
First use at least as early as June 23, 1969; in commerce at least as early as Mar. 3, 1970.

Aycock Engineering, Inc. v. Airflite, Inc.
560 F.3d 1350 (Fed. Cir. 2009)

O'GRADY, District Judge:

[1] In 1970, Respondent–Appellant Aycock Engineering, Inc. ("Aycock Engineering") applied for a service mark, which was registered at the United States Patent and Trademark Office ("USPTO") in 1974 after examination. In 2007, however, the USPTO Trademark Trial and Appeal Board ("TTAB") declared the registration void because it failed to meet the "use in commerce" element of the Lanham Act. Aycock Engineering now appeals the TTAB's ruling. The question presented herein is whether the use in commerce requirement is met when an applicant uses a service mark in the preparatory stages of a service's development, but never offers the service to the public. We hold that it is not.

I. BACKGROUND

[2] In the late 1940s, William Aycock conceived of and began work on a service involving chartering flights in the air taxi industry. At that time, the common practice for air taxi companies was to lease entire airplanes, not individual seats. Consequently, individual passengers not belonging to a larger party faced more difficulty and expense in chartering a flight. Mr. Aycock intended, through his service, to allow solo passengers to arrange flights on chartered aircraft for less cost.

[3] Mr. Aycock did not plan on operating the chartered air taxi services himself. Instead, his goal was to develop a system where he would serve his customers by acting as the middleman, or "communication link," between the customer and one of the air taxi service operators he contracted with to provide flights on an individual seat basis. Mr. Aycock planned to advertise his service, which he called the AIRFLITE service, to the public and to have those interested in using the service call a toll-free phone number to schedule reservations. After learning of customers' travel plans, Mr. Aycock would then arrange for the air taxi service to fly his customers with similar travel plans to their destinations. Mr. Aycock believed that in order for his service to become operational, he needed at least 300 air taxi operators in the United States to agree to participate in his air-taxi-operator network.[2]

[4] In the years after conceiving of the idea for his service, Mr. Aycock worked toward offering the service to the public. In the mid–1960s, he formed Aycock Engineering—the corporate entity under which his service would operate. He also sought and obtained two toll-free telephone numbers that the public could use to make reservations. In March of 1970, Mr. Aycock invited virtually all air taxi operators certified by the Federal Aviation Administration ("FAA") to join his operation by, inter alia, distributing flyers with in-depth information about his AIRFLITE service. He eventually entered into contracts with some of those air taxi

[2] Mr. Aycock stated in his deposition, "We start this when 300 air taxi operators in the United States have signed on to provide the transportation." J.A. 1942.

service operators.[3] Under these contracts, air taxi operators agreed to participate in the AIRFLITE service and even paid modest initiation fees to Mr. Aycock. Furthermore, Mr. Aycock filed a service mark application on August 10, 1970 for the term AIRFLITE.

[5] Despite his efforts, Mr. Aycock's operation never got off the ground. While he estimated that he needed at least 300 air service operators under contract to make his service operational, Mr. Aycock never had more than twelve (4% of his minimum goal) under contract at any time throughout his company's history. And while Mr. Aycock advertised to air taxi operators, he never marketed the AIRFLITE service to the general public. More specifically, the record does not suggest that Mr. Aycock ever gave the public an opportunity to use the toll-free phone numbers to book reservations, or that he ever spoke with a member of the general public about making a reservation. Finally, and most notably, Mr. Aycock never arranged for a single passenger to fly on a chartered flight.[4]

[6] Mr. Aycock's AIRFLITE mark, which he applied for on August 10, 1970, was registered by the USPTO on April 30, 1974 on the Supplemental Register[5] after a prosecution that involved considerable negotiation between Mr. Aycock and the trademark examining attorney…. The recitation of services for the AIRFLITE service mark eventually agreed upon by the USPTO and Mr. Aycock was "[a]rranging for individual reservations for flights on airplanes." *Id.* at 729. Mr. Aycock's application to renew his AIRFLITE service mark was granted by the USPTO on April 27, 1994.

[7] In 2001, Airflite, Inc., the Petitioner–Appellee, filed a petition for cancellation alleging, inter alia, that Aycock Engineering did not use its AIRFLITE mark prior to registration in connection with the services identified in its registration. In that proceeding, the TTAB agreed with Airflite, Inc. and cancelled the AIRFLITE registration, finding that Mr. Aycock failed to render the service described in its registration in commerce. *Airflite, Inc. v. Aycock Eng'g, Inc.,* Cancellation 92032520, 2007 WL 2972237, at *7 (TTAB Oct. 4, 2007) ("*TTAB Decision* ").

…

D. Use Requirement

[8] Under § 45 of the Lanham Act, a service mark is any "word, name, symbol or device, or any combination thereof used by a person, or which a person has a bona fide intention to use in commerce ... to identify and distinguish the services of one

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[3] Some of the contracts originated in the 1970s, and some came as late as 2001.

[4] When asked at his deposition whether he had ever arranged for an individual to fly on an airplane, Mr. Aycock stated, "I had never made a—any arrangement ... I had never had a talk with the customer then talked with the air taxi operator and reached any agreement on them carrying the customer."

[5] [The Supplemental Register is reserved for marks that are capable of, but have not yet developed, source distinctiveness. *See* Lanham Act § 23, 15 U.S.C. § 1091.]

person ... from the services of others." 15 U.S.C. § 1127 (2006). The definition of "service mark" is virtually identical to the definition of "trademark." But while service marks apply to intangible services, trademarks are used to distinguish tangible goods. *See Chance v. Pac–Tel Teletrac Inc.,* 242 F.3d 1151, 1156 (9th Cir.2001).

[9] "It is clear from the wording of the Lanham Act that applications for service mark registrations are subject to the same statutory criteria as are trademarks." 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 19:82 (4th ed.2008) [hereinafter McCarthy]; see 15 U.S.C. § 1053 (2006). One such statutory criterion that applies to both trademarks and service marks is the "use in commerce" requirement…. The registration of a mark that does not meet the use requirement is void ab initio. *See Gay Toys, Inc. v. McDonald's Corp.,* 585 F.2d 1067, 1068 (CCPA 1978); 3 McCarthy § 19:112.

[10] Despite the seeming harmony and simplicity in the application of the use requirement to trademarks and service marks, opportunity exists for confusion in this area of the law. Different statutory requirements apply to applications filed before November 16, 1989, as compared to those filed after. This is because in 1988, Congress passed the Trademark Law Revision Act ("TLRA"). The TLRA altered the burden that applicants must meet before satisfying the use element by requiring an applicant to make a "bona fide use of [the] mark in the ordinary course of trade." Trademark Law Revision Act of 1988, Pub.L. No. 100–667, 102 Stat. 3935 (effective November 16, 1989) (codified at 15 U.S.C. § 1127 (2006)).

[11] This "bona fide use" language was intended to eliminate "token uses," which occurred when applicants used marks in conjunction with selling goods or offering services for the sole purpose of obtaining registration, and with no intention of legitimately using the mark in commerce until a later date. See *Blue Bell, Inc. v. Jaymar–Ruby, Inc.,* 497 F.2d 433, 437 (2d Cir.1974). Before 1989, a "token use" was sufficient to satisfy the use requirement and qualify a mark for registration. *See Id.*

[12] In addition to eliminating token uses, the 1988 TLRA made other changes to the use requirement. Before 1989, an applicant only qualified for registration if he was using his mark in commerce at the time he filed his application at the USPTO. *WarnerVision Entm't Inc. v. Empire of Carolina, Inc.,* 101 F.3d 259, 260 (2d Cir.1996). But after 1989, an applicant could begin the registration process even when his mark was not in use in commerce at the time of the filing, so long as he had a "bona fide intention to use the mark in commerce" at a later date. 15 U.S.C. § 1051(b) (2006). Applicants filing these "intent to use" applications are only granted registration, however, if they file a verified statement of commercial use proving eventual use of the mark in commerce. *Id.* § 1051(d).

[13] Because the mark at issue here is a service mark, the use requirement relating to service mark applications, as opposed to trademark applications, guides our analysis. Furthermore, the application at issue in this case was filed in 1970.

Therefore, this case must be decided according to the service mark use requirement that appeared in the Lanham Act in 1970 (i.e., the pre–1989 version). *See* 3 McCarthy § 19:112. However, for the reasons stated below, our holding in this case also applies to the current (and post–1989) service mark use requirement.

E. Use Requirement for Service Marks

[14] With the exception of the 1988 TLRA statutory language eliminating token uses and permitting intent-to-use applications, the service mark use requirement as it appeared in 1970 is materially identical to the post–1989 version. The use provision of the Lanham Act in force in 1970 stated that a service mark was in use in commerce "when it is used or displayed in the sale or advertising of services, and the services are rendered in commerce, or the services are rendered in more than one State or in this and a foreign country and the person rendering the services is engaged in commerce in connection therewith." Pub.L. No. 87–772, 76 Stat. 769 (1962). Therefore, like the current use requirement, a service mark applicant seeking to meet the pre–1989 version had to (1) use the mark in the sale or advertising of a service and (2) show that the service was either rendered in interstate commerce or rendered in more than one state or in this and a foreign country by a person engaged in commerce.

[15] Courts, as well as the TTAB, have interpreted the pre–1989 statutory language in analogous cases. Without question, advertising or publicizing a service that the applicant intends to perform in the future will not support registration. *In re Cedar Point, Inc.,* 220 USPQ 533, 536 (TTAB 1983) (quoting *Intermed Commc'ns, Inc. v. Chaney,* 197 USPQ 501, 507–08 (TTAB 1977)); *Greyhound Corp. v. Armour Life Ins. Co.,* 214 USPQ 473, 474 (TTAB 1982). Instead, the advertising or publicizing must relate to "an existing service which has already been offered to the public." *Greyhound,* 214 USPQ at 474. Furthermore, "[m]ere adoption (selection) of a mark accompanied by preparations to begin its use are insufficient ... for claiming ownership of and applying to register the mark." *Intermed,* 197 USPQ at 507; *see Blue Bell,* 497 F.2d at 437. "At the very least," in order for an applicant to meet the use requirement, "there must be an open and notorious public offering of the services to those for whom the services are intended." *Intermed,* 197 USPQ at 507.

[16] In *Intermed,* the TTAB rejected a service mark application for failing to meet the use in commerce requirement even where the applicant had performed many pre-application service-oriented activities involving the public. *Id.* at 508–09. The applicant in that case sought to register a mark intended to identify an international medical services operation. *Id.* at 502. The applicant's plan was to build the international service from an already operating United States-based medical service. *Id.* at 503. The applicant intended to, and did use the United States-based operation as a fundraising affiliate of the new international operation. *Id.* at 504. Additionally, the applicant communicated with and solicited the support of the Iranian government regarding the service before the application was filed. *Id.* The applicant also issued a detailed announcement using the service mark term before

the filing date designed to inform and update individuals about the service's status. *Id.* Finally, and also before the date of application, the applicant hired a fundraising firm to raise money for the service. *Id.* at 508.

[17] Despite these activities, the TTAB held that the applicant failed to meet the use requirement because the services described in the application were not "offered, promoted, advertised or rendered ... in commerce." *Intermed,* 197 USPQ at 504. The TTAB stated that "[t]he statute requires not only the display of the mark in the sale or advertising of services but also the rendition of those services in order to constitute use of the service mark in commerce." *Id.* At 507–08. The TTAB further explained that adopting a mark accompanied by mere "preparations to begin its use" is insufficient for service mark registration, and that in order for the use requirement to be met, there must be "an open and notorious public offering of the services to those for whom the services are intended." *Id.* at 507.

[18] In 1983, the TTAB again rejected a service mark application because it failed to meet the use requirement. *Cedar Point,* 220 USPQ at 533. In *Cedar Point,* the Cedar Point amusement park, which had been in business for decades, was preparing to open a new water park addition in mid-May of 1980. *Id.* at 535. One preparatory step taken by Cedar Point before opening day was the filing of a service mark application to register the mark "OCEANA" for its new water park service. *Id.* Cedar Point also distributed nearly 700,000 water park advertisement brochures containing the OCEANA mark during the months preceding the grand opening. *Id.*

[19] The TTAB emphasized the fact that Cedar Point filed its service mark application with the USPTO before it opened the water park's doors and offered those services to the public. *Id.* at 535–36. The TTAB then explained that the use of a mark in connection with the advertising of services intended to be "available at some time in the future, but not yet available at the time of filing" does not qualify the mark for registration. *Id.* at 535. Therefore, Cedar Point's water park advertising campaign, which was ongoing at the time the application was filed, was insufficient on its own to support registration. *Id.* As a result, the TTAB held that the "applicant's mark 'OCEANA' was not in 'use in commerce' ... at the time of the filing of [the] application" and that the application was thus void ab initio. *Id.* at 537.

[20] Interestingly, Cedar Point filed for its service mark roughly one month before the scheduled opening of the new water park. *Id.* at 535. With the application date being so close to the opening date, it is indisputable that Cedar Point had taken numerous steps toward constructing the water park by the time the application was filed. Nevertheless, the TTAB found none of these preparatory steps sufficient to satisfy the use in commerce requirement.

[21] The TTAB also addressed the use in commerce issue in the 1982 *Greyhound* case. *Greyhound,* 214 USPQ at 473. In that case, the applicant, a life insurance company, filed a service mark application in November of 1979. *Id.* at 474. Before the filing date, the applicant advertised its services by disseminating informational letters and posters using the service mark. *Id.* Despite this activity, the

TTAB held that the service described in the application was not rendered in commerce and thus declared the application void ab initio. *Id.* at 475. The TTAB explained that "it is well settled that advertising of a service, without performance of a service, will not support registration.... The use in advertising which creates a right in a service mark must be advertising which relates to an existing service which has already been offered to the public." *Id.* at 474.

[22] We find the reasoning of these cases persuasive. The language of the statute, by requiring that the mark be "used or displayed in the sale or advertising of services, and the services are rendered in commerce," makes plain that advertisement and actual use of the mark in commerce are required; mere preparations to use that mark sometime in the future will not do. Thus, we hold that an applicant's preparations to use a mark in commerce are insufficient to constitute use in commerce. Rather, the mark must be actually used in conjunction with the services described in the application for the mark.

F. Analysis

…

[23] But [Aycock's] activities, even taken together, do not constitute a service that falls within the scope of our definition of the recitation of services. As mentioned earlier, it is our view that the service described in Mr. Aycock's service mark application covers only the arranging of flights between an air taxi operator and a passenger, and not preparatory efforts to arrange a network of air taxi operators. The activities described above, however, were merely preparatory steps that Mr. Aycock took toward his goal of one day, as he described, operating a "communication service between persons desiring to charter aircraft" that "put[ ] individuals desiring air transportation in contact with people rendering that service." J.A. 736, 749.

[24] In order for Mr. Aycock to satisfy the use requirement, more was required. Mr. Aycock had to develop his company to the point where he made an open and notorious public offering of his AIRFLITE service to intended customers. *See Intermed,* 197 USPQ at 507. However, at no point in time did Mr. Aycock give a potential customer the chance to use his AIRFLITE service. He never arranged for a single flight between a customer and an air taxi operator. This is because Mr. Aycock, as stated in his deposition, believed he needed at least 300 air taxi operators under contract before his service could become operational. Reasonably, because he never had more than twelve air taxi operators under contract at any one time, Mr. Aycock chose not to open his doors to the public.

[The court affirmed the TTAB's cancellation of Aycock's mark. Note that Judge Newman dissented on the ground that, notwithstanding the description of services listed in the registration that was finally agreed to by Aycock, "it is inappropriate now to construe the registration so as to exclude the actual use of the mark as was explained in the examination, shown in the specimens, and fully explored in the public record of the prosecution." Aycock Eng'g, 560 F.3d at 1365 (Newman, J., dissenting).]

Planetary Motion, Inc. v. Techsplosion, Inc.
261 F.3d 1188 (11th Cir. 2001)

RESTANI, Judge:

[1] Planetary Motion, Inc. ("Planetary Motion" or "Appellee") sued Techsplosion, Inc. and Michael Gay a/k/a Michael Carson (respectively "Techsplosion" and "Carson"; collectively "Appellants") for infringement and dilution of an unregistered trademark under Section 43(a) and (c) of the Federal Trademark Act, 15 U.S.C. § 1051 *et seq.* (1994) ("Lanham Act"), and for violation of Florida's unfair competition law. Fla. Stat. Ann. § 495.151 (West 2000). Finding that Planetary Motion had established priority of use and a likelihood of confusion, the United States District Court for the Southern District of Florida entered summary judgment in favor of Planetary Motion. We affirm the judgment….

Facts

I. Development and Distribution of the "Coolmail" Software

[2] In late 1994, Byron Darrah ("Darrah") developed a UNIX-based program (the "Software") that provides e-mail users with notice of new e-mail and serves as a gateway to the users' e-mail application. On December 31, 1994, Darrah distributed the Software over the Internet by posting it on a UNIX user site called "Sunsite," from which it could be downloaded for free. Darrah had named the Software "Coolmail" and this designation appeared on the announcement sent to the end-users on Sunsite as well as on the Software user-manual, both of which accompanied the release.

[3] The Software was distributed without charge to users pursuant to a GNU General Public License that also accompanied the release. A GNU General Public License allows users to copy, distribute and/or modify the Software under certain restrictions, e.g., users modifying licensed files must carry "prominent notices" stating that the user changed the files and the date of any change. After the release of the Software, Darrah received correspondence from users referencing the "Coolmail" mark and in some cases suggesting improvements. In 1995, Darrah released two subsequent versions of the Software under the same mark and also pursuant to the GNU General Public License.

[4] In early 1995, a German company named S.u.S.E. GmbH sought permission from Darrah to include the Software in a CD-ROM package sold as a compilation of Unix-based programs. Darrah consented and, pursuant to the GNU licensing agreement, S.u.S.E. distributed the Software in its compilation product and in subsequent versions thereof. S.u.S.E. sold and continues to sell the software compilation in stores in the United States and abroad, as well as over the Internet.

II. Launch of Techsplosion's "CoolMail" E-mail Service

[5] In 1998, Appellant Carson formed Techsplosion, for the purpose of operating a business based on an e-mail service that he had developed. On April 16, 1998, Techsplosion began offering the e-mail service on the Internet under the mark "CoolMail." Two days later, Techsplosion activated the domain name "coolmail.to". Techsplosion delivered an e-mail solicitation under the "CoolMail" mark to approximately 11,000 members of the Paramount Banner Network, an Internet advertising network, also created and operated by Carson. Techsplosion charged no fee to subscribe to the service and generated revenues through the sale of banner advertisements on its web site.

III. Planetary Motion's E-mail Service & Application for Trademark Registration

[6] Appellee Planetary Motion is a computer software and telecommunications company that developed and owns an electronic mail service called "Coolmail." As part of its service, Planetary Motion enables a person to check e-mail via telephone without logging onto a computer. On April 24, 1998, Planetary Motion filed three intent-to-use applications to register the mark "Coolmail" with the United States Patent and Trademark Office. Though Planetary Motion was aware that Darrah's Software also bore the mark "Coolmail," it represented in its applications that it was not aware of any mark upon which its proposed registered mark would infringe. Planetary Motion launched its Coolmail e-mail service to subscribers on June 8, 1998.

IV. Planetary Motion's Complaint and Subsequent Acquisition of Darrah's Rights

[7] On April 22, 1999, Planetary Motion filed a complaint against Techsplosion. In the complaint, Planetary Motion alleged infringement of the alleged mark "Coolmail" for use in connection with e-mail services. Planetary alleged federal trademark infringement and unfair competition under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), as well as injury to business reputation and dilution under Florida Statute § 495.151.

[8] On June 10, 1999, Techsplosion filed an Answer, Affirmative Defenses, and Counterclaims. The counterclaims alleged infringement of the mark "Coolmail" for use in connection with e-mail services. Techsplosion alleged unfair competition, false designation, description, and representation under the Lanham Act, common trademark infringement, common law unfair competition, and injury to business reputation and dilution.

[9] In July of 1999, Planetary Motion purchased from Darrah all rights, title, and interest to the Software including all copyrights, trademarks, patents and other intellectual property rights.[6] On August 31, 1999, Planetary filed an Amended

[6] The assignee of a trade name or service mark "steps into the shoes of the assignor." *Premier Dental Prods. Co. v. Darby Dental Supply Co.,* 794 F.2d 850, 853

Verified Complaint, adding a claim for dilution under Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c), and alleging violation of trademark rights assigned from Darrah.

V. Disposition of Planetary Motion's Complaint

[10] On January 31, 2000, the district court entered an Order granting Planetary Motion's motion for summary judgment and denying Carson's and Techsplosion's motion for summary judgment. The district court based the Order on two findings: (1) that the alleged mark was affixed to Darrah's software, and that Darrah's distribution of the software over the Internet constituted a "transport in commerce," resulting in the creation of trademark rights and priority, and (2) there was a likelihood of confusion because the marks "are essentially the same." The district court did not reach the issue of whether Techsplosion's use of "CoolMail" in connection with its e-mail service diluted Planetary Motion's mark.

[11] On the same date, the district court entered final judgment granting Planetary Motion permanent injunctive relief. *See* 15 U.S.C. § 1116. The order also awarded Planetary Motion profits and damages, as well as attorney fees and costs, pursuant to section 35 of the Lanham Act, 15 U.S.C. § 1117. [Techsplosion appealed.]

Discussion

[12] Section 43(a) of the Lanham Act forbids unfair trade practices involving infringement of trade dress, service marks, or trademarks, even in the absence of federal trademark registration. *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 768 (1992).... To prevail under this section, a claimant must show (1) that it had prior rights to the mark at issue and (2) that the defendant had adopted a mark or name that was the same, or confusingly similar to its mark, such that consumers were likely to confuse the two. *Lone Star Steakhouse & Saloon, Inc. v. Longhorn Steaks, Inc.,* 106 F.3d 355, 360 (11th Cir.1997) (citing *Conagra Inc. v. Singleton,* 743 F.2d 1508, 1512 (11th Cir.1984)), *modified,* 122 F.3d 1379 (1997). Appellants argue that the district court erred in finding that Planetary Motion had established both elements. Appellants also dispute the scope of injunctive relief, as well as the award of attorney fees and costs.

I. Prior Use in Commerce

[13] Under common law, trademark ownership rights are "appropriated only through actual prior use in commerce." *Tally-Ho, Inc. v. Coast Community College Dist.,* 889 F.2d 1018, 1022 (11th Cir.1989) (citation omitted). Under the Lanham Act,[7] the term "use in commerce" is defined in … 15 U.S.C. § 1127.[8] The district court

(3d Cir.), *cert. denied,* 479 U.S. 950 (1986). Appellants do not contest the validity of the assignment from Darrah, nor do they dispute that in purchasing rights to Darrah's software, Planetary Motion succeeded to all rights possessed by Darrah.

[7] "In the absence of registration, rights to a mark traditionally have depended on the very same elements that are now included in the statutory definition: the

found that because the statute is written in the disjunctive (i.e., "sale *or* transport"), Darrah's wide distribution of the Coolmail software over the Internet, even absent any sales thereof, was sufficient to establish ownership rights in the "CoolMail" mark. Appellants contend that "transport in commerce" alone—here, Darrah's free distribution of software over the Internet "with no existing business, no intent to form a business, and no sale under the mark"—is insufficient to create trademark rights. Appellants' Brief at 13. Appellants' argument lacks merit.

[14] The parties do not make clear the two different contexts in which the phrase "use in commerce" is used. The term "use in commerce" as used in the Lanham Act "denotes Congress's authority under the Commerce Clause rather than an intent to limit the [Lanham] Act's application to profit making activity." *United We Stand Am., Inc. v. United We Stand, Am. N.Y., Inc.,* 128 F.3d 86, 92-93 (2d Cir.1997) (citation omitted), *cert. denied,* 523 U.S. 1076 (1998); U.S. Const., Art. I, § 8, cl. 3. Because Congress's authority under the Commerce Clause extends to activity that "substantially affects" interstate commerce, *United States v. Lopez,* 514 U.S. 549, 559 (1995), the Lanham Act's definition of "commerce" is concomitantly broad in scope: "all commerce which may lawfully be regulated by Congress." 15 U.S.C. § 1127. *See also Steele v. Bulova Watch Co.,* 344 U.S. 280, 283-84 (1952); *Larry Harmon Pictures*

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bona fide use of a mark in commerce that was not made merely to reserve a mark for later exploitation." *Allard Enters., Inc. v. Advanced Programming Res., Inc.,* 146 F.3d 350, 357 (6th Cir.1998). Common law and statutory trademark infringements are merely specific aspects of unfair competition. *New West Corp. v. NYM Co. of Cal., Inc.,* 595 F.2d 1194, 1201 (9th Cir.1979) (citing, *inter alia, Dresser Indus., Inc. v. Heraeus Engelhard Vacuum, Inc.,* 395 F.2d 457, 461 (3d Cir.), *cert. denied,* 393 U.S. 934, 89 S.Ct. 293, 21 L.Ed.2d 270 (1968)).

[8] Appellants appear to have conceded that if Darrah sent out original programs and related manuals, this would satisfy the affixation requirement:

> MR. GIGLIOTTI [counsel for Techsplosion]: [The mark] has to be on the product or on the associated documentation. It is on neither.
>
> THE COURT: It is not on the associated documentation[?] How about the original programs Darrah sent out and manuals that went with it, and all that material, wasn't that enough for affixation?
>
> MR. GIGLIOTTI: Yes, Your Honor, that is affixation; however, he did not meet the sale requirement.
>
> R3-85-19 to 20.

In any case, the affixation requirement is met because the Software was distributed under a filename that is also the claimed mark, was promoted under the same mark, was accompanied by a user manual bearing the mark, and was sold in a compilation under the mark.

Corp. v. Williams Rest. Corp., 929 F.2d 662, 666 (Fed.Cir.) (allowing registration for an intrastate provider of restaurant services with an undefined interstate clientele), *cert. denied,* 502 U.S. 823 (1991). The distribution of the Software for end-users over the Internet satisfies the "use in commerce" jurisdictional predicate. *See, e.g., Planned Parenthood Fed'n of Am., Inc. v. Bucci,* 42 U.S.P.Q.2d 1430, 1434 (S.D.N.Y.1997) ("The nature of the Internet indicates that establishing a typical home page on the Internet, for access to all users, would satisfy the Lanham Act's 'in commerce' requirement."), *aff'd,* 152 F.3d 920 (2d Cir.), *cert. denied,* 525 U.S. 834 (1998).

[15] Nevertheless, the use of a mark in commerce also must be sufficient to establish *ownership rights* for a plaintiff to recover against subsequent users under section 43(a). *See New England Duplicating Co. v. Mendes,* 190 F.2d 415, 417-18 (1st Cir.1951) (after finding "use in commerce" jurisdiction predicate satisfied, court noted that "[t]he question remains whether the plaintiff has established that he was the 'owner' of the mark, for under [15 U.S.C. § 1051] only the 'owner' of a mark is entitled to have it registered."). The court in *Mendes* set forth a two part test to determine whether a party has established "prior use" of a mark sufficient to establish ownership:

> [E]vidence showing, first, adoption,[9] and, second, use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark, is competent to establish ownership, even without evidence of actual sales.[10]

Id. at 418. *See also New West,* 595 F.2d at 1200.[11]

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[9] It is uncontested that Darrah adopted the mark "Coolmail" before Appellants' use of the mark in connection with their e-mail service.

[10] This ownership test is not for the purpose of establishing the "use in commerce" jurisdictional predicate of the Lanham Act. *See, e.g., Univ. of Fla. v. KPB, Inc.,* 89 F.3d 773, 776 n. 4 (11th Cir.1996). *See supra* discussion in text.

[11] This ownership requirement parallels the statutory definition of "trademark": "any word, name, symbol, or device, or any combination thereof ... used by a person ... to identify and distinguish his or her goods ... from those manufactured or sold by others ...." 15 U.S.C. § 1127. The Seventh Circuit has held that a higher quantum of use may be necessary to establish ownership rights under common law than under the statute because the notice function of registration is lacking. *See Zazu Designs v. L'Oreal, S.A.,* 979 F.2d 499, 503-04 (7th Cir.1992). In addition, the continuity of a user's commercial activities in connection with the mark is also relevant to determining whether use is sufficient to establish common law ownership. *Circuit City Stores, Inc. v. CarMax, Inc.,* 165 F.3d 1047, 1054-55 (6th Cir.1999) ("A party establishes a common law right to a trademark only by

[16] Courts generally must inquire into the activities surrounding the prior use of the mark to determine whether such an association or notice is present. *See, e.g., Johnny Blastoff, Inc. v. L.A. Rams Football Co.,* 188 F.3d 427, 433 (7th Cir.1999) ("The determination of whether a party has established protectable rights in a trademark is made on a case by case basis, considering the totality of the circumstances."), *cert. denied,* 528 U.S. 1188, (2000). Under the "totality of circumstances" analysis, a party may establish "use in commerce" even in the absence of sales. "[A]lthough evidence of sales is highly persuasive, the question of use adequate to establish appropriation remains one to be decided on the facts of each case ...." *New West,* 595 F.2d at 1200 (quoting *Mendes,* 190 F.2d at 418). The court in *New West* recognized that "mere advertising by itself may not establish priority of use," but found that promotional mailings coupled with advertiser and distributor solicitations met the *Mendes* "public identification" ownership requirement. *Id.* at 1200. Thus, contrary to Appellants' assertions, the existence of sales or lack thereof does not by itself determine whether a user of a mark has established ownership rights therein.[12] *Compare Marvel Comics Ltd. v. Defiant,* 837 F.Supp. 546, 549 (S.D.N.Y.1993) (finding announcement of "Plasmer" title to 13 million comic book readers and promotion at annual trade convention sufficient to establish trademark ownership rights, notwithstanding lack of any sales) *with WarnerVision Entm't Inc. v. Empire of Carolina Inc.,* 915 F.Supp. 639, 645-46 (S.D.N.Y.) (finding toy manufacturer's promotional efforts insufficient to establish priority of use where only a few presentations were made to industry buyers, even though one resulted in a sale to a major toy retailer), *aff'd in part, vacated in part,* 101 F.3d 259 (2d Cir.1996).[13]

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demonstrating that its use of the mark was 'deliberate and continuous, not sporadic, casual or transitory.' ").

[12] Appellants cite *Future Domain Corp. v. Trantor Sys. Ltd.,* 27 U.S.P.Q.2d 1289, 1293, 1993 WL 270522 (N.D.Cal.1993) for the proposition that there must be a sale in order to satisfy the "use in commerce" requirement. *Future Domain,* however, turned not on the *existence* of sales but whether the extent of the purported mark owner's activities created a public association between the mark and the product. There, the court determined that a computer software manufacturer's promotion of a mark at a trade show—where at most 7,000 persons actually received or requested information about the mark and where no orders were taken—was not sufficient to create such an association. *Id.* at 1293-95.

[13] Courts applying the "totality of circumstances" approach routinely have found evidence of a few sales of goods to which the mark had been affixed insufficient to establish trademark ownership. For example, in *Zazu Designs,* 979 F.2d at 503-04, the plaintiff hair salon had sold a few bottles of shampoo bearing the mark "Zazu" both over the counter and mailed over state lines. The court found that such limited sales "neither link the Zazu mark with [the plaintiff's] product in the minds of consumers nor put other producers on notice." *Id.* at 503.

[17] Similarly, not every transport of a good is sufficient to establish ownership rights in a mark. To warrant protection, use of a mark "need not have gained wide public recognition," but "[s]ecret, undisclosed internal shipments are generally inadequate." *Blue Bell, Inc. v. Farah Mfg. Co.,* 508 F.2d 1260, 1265 (5th Cir.1975).[14] In general, uses that are *de minimis* may not establish trademark ownership rights. *See, e.g., Paramount Pictures Corp. v. White,* 31 U.S.P.Q.2d 1768, 1772-73, 1994 WL 484936 (Trademark Tr. & App. Bd.1994) (finding no bona fide use in ordinary course of trade where mark was affixed to a game consisting of three pieces of paper and distributed for the purpose of promoting musical group).

[18] We find that, under these principles, Darrah's activities under the "Coolmail" mark constitute a "use in commerce" sufficiently public to create ownership rights in the mark. First, the distribution was widespread, and there is evidence that members of the targeted public actually associated the mark Coolmail with the Software to which it was affixed. Darrah made the software available not merely to a discrete or select group (such as friends and acquaintances, or at a trade show with limited attendance), but to numerous end-users via the Internet. The Software was posted under a filename bearing the "Coolmail" mark on a site accessible to anyone who had access to the Internet. End-users communicated with Darrah regarding the Software by referencing the "Coolmail" mark in their e-mails. Appellants argue that only technically-skilled UNIX-users made use of the Software, but there is no evidence that they were so few in number to warrant a finding of *de minimis* use.

[19] Third,[15] the mark served to identify the source of the Software. The "Coolmail" mark appeared in the subject field and in the text of the announcement accompanying each release of the Software, thereby distinguishing the Software from other programs that might perform similar functions available on the Internet or sold in software compilations.[16] The announcements also apparently indicated that Darrah was the "Author/Maintainer of Coolmail" and included his e-mail

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[14] In *Bonner v. City of Prichard,* 661 F.2d 1206 (11th Cir.1981) (en banc), the Eleventh Circuit adopted as binding precedent all decisions handed down by the former Fifth Circuit prior to October 1, 1981.

[15] [Note: The court apparently miscounted. There is no "second" in the unedited opinion.]

[16] Darrah testified that "[m]ost of the source files ... have [the mark] in them. Also there's a copyright notice included with the software that has the name Coolmail. And the name of the executable file itself is Coolmail." R2-47-Exh. 3 at 67.

address. The user manual also indicated that the Software was named “Coolmail.”[17] The German company S.u.S.E. was able to locate Darrah in order to request permission to use his Software in its product under the mark “Coolmail.” Appellants do not assert that S.u.S.E. was unaware that the Software was called “Coolmail” when it contacted Darrah.

[20] Fourth, other potential users of the mark had notice that the mark was in use in connection with Darrah's Software. In investigating whether the mark Coolmail existed before submitting its trademark registration application for its e-mail service, Planetary Motion was able to discover that Darrah was using the mark to designate his Software product.

[21] Fifth, the Software was incorporated into several versions of a product that was in fact sold worldwide and specifically attributed ownership of the Software to Darrah under the “Coolmail” mark. Any individual using the S.u.S.E. product, or competitor of S.u.S.E., that wanted to know the source of the program that performed the e-mail notification function, could do so by referring to the user manual accompanying the product. There is no support for the argument that for a trademark in software to be valid, the mark must appear on the box containing the product incorporating it, that the mark must be displayed on the screen when the program is running, or that the software bearing the mark be a selling point for the product into which it is incorporated. There is no requirement that the public come to associate a mark with a product in any particular way or that the public be passive viewers of a mark for a sufficient public association to arise.

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[17] Darrah: The Coolmail name always comes with the documentation that comes with the software.

> * * *
>
> Q: What documentation are you talking about?
>
> A: There's a user manual that comes with it.
>
> * * *
>
> Q: Does it say “Coolmail” on page 1?
>
> A. Yes.
>
> Q: Where does it say “Coolmail” on page 1?
>
> A: At the top.
>
> ... and on the header of every page.
>
> Q: What does it say, exactly?
>
> A: I'm not sure if it says this verbatim, it's “Coolmail,” space, then the version number.

R2-47-Exh. 3 at 68, 72 to 73.

[22] Sixth, software is commonly distributed without charge under a GNU General Public License. The sufficiency of use should be determined according to the customary practices of a particular industry. *See* S. Rep. 100-515 at 44 (1988) ("The committee intends that the revised definition of 'use in commerce' [see note 13, *supra*] be interpreted to mean commercial use *which is typical in a particular industry.*") (emphasis added). That the Software had been distributed pursuant to a GNU General Public License does not defeat trademark ownership, nor does this in any way compel a finding that Darrah abandoned his rights in trademark. Appellants misconstrue the function of a GNU General Public License. Software distributed pursuant to such a license is not necessarily ceded to the public domain and the licensor purports to retain ownership rights, which may or may not include rights to a mark.[18]

…

[23] Appellants also rely on *DeCosta v. Columbia Broad. Sys., Inc.,* 520 F.2d 499, 513 (1st Cir.1975), *cert. denied,* 423 U.S. 1073 (1976), to argue that Darrah is an eleemosynary individual and therefore unworthy of protection under unfair competition laws. The *DeCosta* court did not hold that the that the absence of a profit-oriented enterprise renders one an eleemosynary individual, nor did it hold that such individuals categorically are denied protection. Rather, the *DeCosta* court expressed "misgivings" of extending common law unfair competition protection, clearly available to eleemosynary organizations, to eleemosynary individuals.[19] *Id.* The court's reluctance to extend protection to eleemosynary individuals was based on an apparent difficulty in establishing a line of demarcation between those eleemosynary individuals engaged in commerce and those that are not. But as the sufficiency of use to establish trademark ownership is inherently fact-driven, the court need not have based its decision on such a consideration. *Mendes,* 190 F.2d at 418. Common law unfair competition protection extends to non-profit organizations because they nonetheless engage in *competition* with other organizations. *See Girls Clubs of Am., Inc. v. Boys Clubs of Am., Inc.,* 683 F.Supp. 50 (S.D.N.Y.1988), *aff'd,* 859 F.2d 148 (2d Cir.). Thus, an eleemosynary individual that uses a mark in connection

[18] Because a GNU General Public License requires licensees who wish to copy, distribute, or modify the software to include a copyright notice, the license itself is evidence of Darrah's efforts to control the use of the "CoolMail" mark in connection with the Software.

[19] It is unlikely that the plaintiff's activities in *De Costa*—costumed performances and distribution of his picture at local rodeos, parades, hospitals, etc.—would generate a "public association" sufficient to confer him common law trademark ownership rights. The court assumed *arguendo,* however, that the plaintiff's activities did warrant protection, and went on to find that the evidence did not support a finding of likelihood of confusion.

with a good or service may nonetheless acquire ownership rights in the mark if there is sufficient evidence of competitive activity.

[24] One individual can invest time, effort and money in developing software or other technologically-based goods or services that would be of interest to a multitude of users, other developers, and retail establishments. In fact, the program was of sufficient interest for S.u.S.E. to put effort into including it in its own software which was sold for profit, including the effort of obtaining Darrah's permission under the GNU General Public License.

[25] Here, Darrah's activities bear elements of competition, notwithstanding his lack of an immediate profit-motive. By developing and distributing software under a particular mark, and taking steps to avoid ceding the Software to the public domain, Darrah made efforts to retain ownership rights in his Software and to ensure that his Software would be distinguishable from other developers who may have distributed similar or related Software. Competitive activity need not be fueled solely by a desire for direct monetary gain. Darrah derived value from the distribution because he was able to improve his Software based on suggestions sent by end-users. Just as any other consumers, these end-users discriminate among and share information on available software. It is logical that as the Software improved, more end-users used his Software, thereby increasing Darrah's recognition in his profession and the likelihood that the Software would be improved even further.

[26] In light of the foregoing, the use of the mark in connection with the Software constitutes significant and substantial public exposure of a mark sufficient to have created an association in the mind of public.

[The court went on to find a likelihood of confusion between Planetary Motion's and Techsplosion's marks. The court affirmed the terms of the permanent injunction but found the award of attorney fees to be an abuse of discretion.]

Comments and Questions

1. *The "totality of the circumstances" test*. *Aycock Engineering* stands for the proposition that, as a general matter, the use of a mark merely in pre-sales advertising or merely in preparation to sell goods or services does not constitute "use in commerce" under § 45. Yet *Planetary Motion* points out that the actual sale of goods or services bearing the mark may also be insufficient to constitute use in commerce. So how can courts determine what kind and degree of pre-sales and/or sales activity can satisfy the use in commerce requirement? Most courts have adopted some form of a "totality of the circumstances" test, sometimes heavily influenced by the equities of the case. *See La Societe Anonyme des Parfums Le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1274 n. 11 (2d Cir.1974) ("[T]he balance of the equities plays an important role in deciding whether defendant's use is sufficient to warrant trademark protection."). In *Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151 (9th Cir. 2001), for example, the Ninth Circuit summarized the factors that might be

relevant to a totality of the circumstances analysis of use in commerce sufficient to justify rights:

> Accordingly, we hold that the totality of the circumstances must be employed to determine whether a service mark has been adequately used in commerce so as to gain the protection of the Lanham Act. In applying this approach, the district courts should be guided in their consideration of non-sales activities by factors we have discussed, such as the genuineness and commercial character of the activity, the determination of whether the mark was sufficiently public to identify or distinguish the marked service in an appropriate segment of the public mind as those of the holder of the mark, the scope of the non-sales activity relative to what would be a commercially reasonable attempt to market the service, the degree of ongoing activity of the holder to conduct the business using the mark, the amount of business transacted, and other similar factors which might distinguish whether a service has actually been "rendered in commerce".

Id. at 1159. Applying these factors, the Ninth Circuit found that the October 1989 mailing by Allen Chance ("Chance") of 35,000 postcards promoting his TELETRAC tracking service that led to 128 telephone responses but no sales was not sufficient to establish use in commerce. Meanwhile,

> Pac–Tel, in contrast, had significant activities even prior to [Chance's] post card mailing. The record demonstrates that as early as June 1989, Pac–Tel began using the mark on a continuous basis. As early as 1984, a Pac–Tel predecessor company was using the mark as part of its business name. Pac–Tel began a public relations campaign using the mark to introduce its new service in July 1989. In September 1989, it sent out brochures to potential customers. In early fall 1989, it conducted interviews with major newspapers including the *Wall Street Journal*, *Washington Post* and *Chicago Tribune* which resulted in a number of stories that mentioned the service mark. During this time the service was marketed to potential customers who managed large vehicle fleets through a slide presentation using the mark. While the district court found that Pac–Tel's first use was in April 1990, when it began making its service available on a commercial basis for the first time on the Los Angeles school buses, the totality of the record demonstrates that its first use of the mark was significantly earlier and clearly predated [Chance]'s first use

Id. at 1160.

Another example of the application of the totality of the circumstances test, along with a strong grounding in the balance of the equities, is *Johnny Blastoff, Inc. v. Los Angeles Rams Football Co*., 188 F.3d 427 (7th Cir. 1999). When the Los Angeles Rams announced that they were moving to St. Louis, Rodney Rigsby, proprietor of

Johnny Blastoff, Inc., had the bright idea somehow to claim ownership of the ST. LOUIS RAMS mark before the football team could. He filed a State of Wisconsin trademark application on February 22, 1995, and two federal intent-to-use registration applications in March 10, 1995. The court found that the football team's use in commerce preceded these dates. Here is the core of the court's analysis:

> On January 17, 1995, Georgia Frontiere, the owner of the Rams, and St. Louis Mayor Freeman Bosley held a press conference at which they announced the Rams' intention to relocate from Los Angeles to St. Louis. The press conference story received extensive national and local press, including the *St. Louis Dispatch's* publication, on January 18, 1995, of a sixteen-page pullout section of the newspaper entitled "St. Louis Rams." Vendors sold unlicensed "St. Louis Rams" merchandise in the St. Louis area in January of 1995, and by February of 1995, more than 72,000 personal seat licenses for the St. Louis Rams' home games had been received. By the time Blastoff registered the "St. Louis Rams" mark in Wisconsin in February of 1995, a significant portion of the public associated the mark with the Rams football club. However, Blastoff asserts that the defendants had not sufficiently used the mark "St. Louis Rams" to be given priority. Blastoff argues that at the January 17, 1995, press conference, none of the defendants used the words "St. Louis Rams," and thus, this term was rendered an "unarticulated idea for a team name," which is not protectable. Blastoff also states that newspaper and media coverage is insufficient to establish priority. Finally, Blastoff contends that the football club "operated publicly and exclusively as [the] 'L.A. Rams'" as late as February 8, 1995.
>
> For the purpose of establishing public identification of a mark with a product or service, the fact-finder may rely on the use of the mark in "advertising brochures, catalogs, newspaper ads, and articles in newspapers and trade publications," *T.A.B. Systems v. Pactel Teletrac,* 77 F.3d 1372, 1375 (Fed.Cir.1996), as well as in media outlets such as television and radio. *See In re Owens–Corning Fiberglas Corp.*, 774 F.2d 1116, 1125 (Fed.Cir.1985). In addition, courts have recognized that "abbreviations and nicknames of trademarks or names used *only* by the public give rise to protectable rights in the owners of the trade name or mark which the public modified." *Nat'l Cable Television Assoc. v. Am. Cinema Editors, Inc.*, 937 F.2d 1572, 1577 (Fed.Cir.1991). Such public use of a mark is deemed to be on behalf of the mark's owners. *See id.* Blastoff has failed to demonstrate any equivalent use of the mark "St. Louis Rams" by February of 1995, when the defendants established, by use and public association, their priority in the mark. Blastoff's insignificant and very limited use of the mark prior to February of 1995, consisting of the development of the "Tower City Rams" design, along with the production of a swatch of material with "St. Louis Rams"

> embroidery, is insufficient to establish a link between the mark and its products. Furthermore, the owner's use of a trademark is relevant in establishing public identification of a mark with a product or service. Georgia Frontiere, owner of the Rams, in announcing her intention to move the franchise to St. Louis from Los Angeles, implicitly adopted the exact phrase "St. Louis Rams" on the date of her press conference. This Court's decision in *Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club Ltd*., 34 F.3d 410, 413 (7th Cir.1994), is strong support for the proposition that the Rams organization and the NFL had a long-established priority over the use of the "Rams" name in connection with the same professional football team, regardless of urban affiliation.

Id. at 435.

2. "*Stealing" someone else's idea for a trademark*. Because use, rather than invention, is the basis for trademark rights under the Lanham Act, there is no remedy under the Act for the "theft" of an idea for a trademark. In *American Express Co. v. Goetz*, 515 F.3d 156 (2d Cir. 2008), cert. denied, 129 S. Ct. 176 (U.S. 2008), the declaratory defendant Stephen Goetz developed the slogan "My Life. My Card." for a credit card and sought to interest various credit card providers in using it and his consulting services. On July 30, 2004, Goetz mailed a proposal to American Express urging American Express to adopt the mark. American Express never responded. In November, 2004, however, American Express launched a global campaign based on the phrase "My Life. My Card."

When Goetz threatened suit, American Express filed for a declaration of non-infringement. Documents produced in the litigation showed that the advertising firm Ogilvy Group first proposed the mark to American Express on July 22, 2004, and Goetz eventually conceded that Ogilvy had developed and American Express had adopted the mark without any knowledge of his proposal.

The district court granted summary judgment to American Express and the Second Circuit affirmed. What drove the outcome of the litigation was not the priority of invention issue, however. Instead, it was the simple fact that Goetz never made a qualifying use in commerce of the mark: "[C]onstruing all the facts in Goetz's favor, the only reasonable conclusion that can be drawn is that My Life, My Card was a component of Goetz's business proposal to the credit card companies rather than a mark designating the origin of any goods or services he offered to them." *Id*. at 160.

3. *Trademark trolls and the use in commerce requirement*. The use in commerce prerequisite for trademark rights has the salutary effect of limiting the ability of bad faith agents to exploit the trademark registration system in the way that some "non-practicing entities" arguably exploit the patent system. In *Central Mfg., Inc. v. Brett*, 492 F.3d 876 (9th Cir. 2007), the defendant George Brett (and brothers) manufactured a hybrid wood-metal bat under the trademark STEALTH. Plaintiff Central Mfg., of which the then-notorious trademark troll Leo Stoller was president and sole shareholder, sued for infringement of its own mark STEALTH,

which it had registered in 1985 for "[s]porting goods, specifically, tennis rackets, golf clubs, tennis balls, basketballs, baseballs, soccer balls, golf balls, cross bows, tennis racket strings and shuttle cocks." When Brett challenged Stoller to produce any evidence of use in commerce of the mark, Stoller's documents failed to persuade the district court. For example: "Plaintiffs produced a table of 'Stealth Brand Baseball Sales' between 1996 and 2003, but could provide absolutely no information to justify the lump sum 'sales' figures listed. There is no way for this Court to know that this alleged sales sheet bears any relation to reality and is not simply something Plaintiffs generated on a home computer for the purposes of this litigation." *Id*. at 883 (quoting Central Mfg. Co. v. Brett, 2006 WL 681058 (N.D.Ill. Mar 15, 2006)). The Seventh Circuit affirmed:

> Stoller has repeatedly sought ways to get around trademark law's prohibition on the stockpiling of unused marks, and this case is no different. It is unfathomable that a company claiming to have engaged in thousands of dollars of sales of a product for more than a decade would be unable to produce even a single purchase order or invoice as proof. Self-serving deposition testimony is not enough to defeat a motion for summary judgment. By exposing Central's failure to make bona fide use of the "Stealth" mark for baseballs, Brett Brothers met its burden to overcome the presumption afforded by the 1985 registration, and summary judgment in its favor was the appropriate course.

Id. at 883. Brett was also awarded attorney fees.

In December 2010, Stoller was indicted on fraud charges related to statements made in his bankruptcy filings. In November 2014, he was sentenced to 20 months in a federal prison. *See* http://en.wikipedia.org/wiki/Leo_Stoller.

D. The Trademark Registration Process

Use, rather than registration, is the basis of federal trademark rights in the United States (subject to one exception noted below). As explained previously in this Part, the Lanham Act will protect a trademark owner's exclusive rights in any trademark it is using in commerce regardless of whether the mark is registered provided that the unregistered mark meets the various substantive requirements for registration established by the Act. In other words, if the mark as used in commerce could be registered, it will be protected even if it is not registered. Conversely, the Lanham Act will not protect a trademark registrant's exclusive rights in its registered mark if it no longer uses its mark in commerce and cannot prove an intent to resume use in the near future. On this basis, it is often said that the U.S. trademark system is a "use-based" system in contrast to the "registration-based" systems more common around the world.[1] In the United States, registration merely records the preexistence of externally established rights.[2]

The U.S. registration system is different in another significant respect. Unlike most foreign registration systems, which review applications only for compliance with formal requirements, the PTO reviews applications to ensure that they meet both formal requirements (which are largely set forth in Lanham Act § 1) and substantive requirements (largely found in Lanham Act § 2). These substantive requirements include both "absolute grounds" for refusal of registration, such as that the mark is deceptive or scandalous, and "relative grounds" for refusal, such as that the mark is confusingly similar with a previously registered mark.

A trademark applicant at the PTO must claim at least one "filing basis" for its application among the five that are provided by the Lanham Act. These filing bases are:

1. Lanham Act § 1(a): the applicant is already making actual use of the mark in commerce;
2. Lanham Act § 1(b): the applicant has a bona fide intent to use the mark in commerce in the near future;
3. Lanham Act § 44(d): the applicant filed a foreign application to register the mark within six months of its application to the PTO and claims the priority date of that foreign application;
4. Lanham Act § 44(e): the applicant possesses a registration of the mark in the applicant's country of origin;
5. Lanham Act § 66(a): the applicant requests extension of protection of an international registration under the Madrid System for the international registration of trademarks.

Note that the first four filing bases are not mutually exclusive; the § 66(a) filing basis, by contrast, may not be combined with other filing bases. Note also that while the §§ 1(a), 44(d), and 44(e) filing bases have been available since the effective date

[1] *See, e.g.*, Graeme B. Dinwoodie, *(National) Trademark Laws and the (Non-National) Domain Name System*, 21 U. PA. J. INT'L ECON. L. 495, 496 (2000) ("[F]or over a century the United States has steadfastly resisted adoption of a registration-based system of trademark priority and has adhered instead to a use-based philosophy."); *see also* William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & Econ. 265, 282 (1987) (comparing the American use-based system to other nations' registration-based systems, and concluding that the former is more economically efficient).

[2] *See, e.g.*, Keebler Co. v. Rovira Biscuit Corp., 624 F.2d 366, 372 (1st Cir. 1980) ("[F]ederal registration . . . does not create the underlying right in a trademark. That right, which accrues from the use of a particular name or symbol, is essentially a common law property right . . . .").

of the original Lanham Act on July 5, 1947, the § 1(b), or "ITU," filing basis became available with the effective date of the Trademark Law Revision Act (TLRA) on November 16, 1989,[3] and the § 66(a) filing basis became available with the effective date of the Madrid Protocol Implementation Act on November 2, 2003.[4] Most trademark applications at the PTO are now filed under the Lanham Act § 1(b) intent to use basis.

Lanham Act §§ 44 & 66(a), 15 U.S.C. §§ 1126 & 1141f, constitute important though relatively obscure exceptions to the general rule that a trademark must be used in commerce for it to be federally registered. As noted in *In re Cyber-Blitz Trading Services*, 47 U.S.P.Q.2d 1638 (Comm'r Pats. 1998),

> [o]ne significant difference between Section 1(b) and 44 of the Trademark Act is that Applicants who rely on Section 1(b) as a filing basis must establish use of the mark prior to registration, or the application will become abandoned. In contrast, Applicants who rely solely on Section 44 are not required to demonstrate use in order to obtain registration. *Crocker National Bank v. Canadian Imperial Bank of Commerce*, 223 USPQ 909 (TTAB 1984). In fact, the first time evidence of use usually is required for Section 44 Applicants is upon the filing of an Affidavit of Continued Use under Section 8 of the Trademark Act, 15 U.S.C. §1058. This does not occur until five to six years after registration.

Id. at 1639-40. *See also* TMEP § 1009. The reasoning of *Cyber-Blitz* also applies to § 66(a) applications.[5]

For a sense of scale, the figure below shows the number of trademark applications at the PTO per year for each filing basis from 1981 through 2010. What might explain the significant rise in applications in the period 1999-2000?

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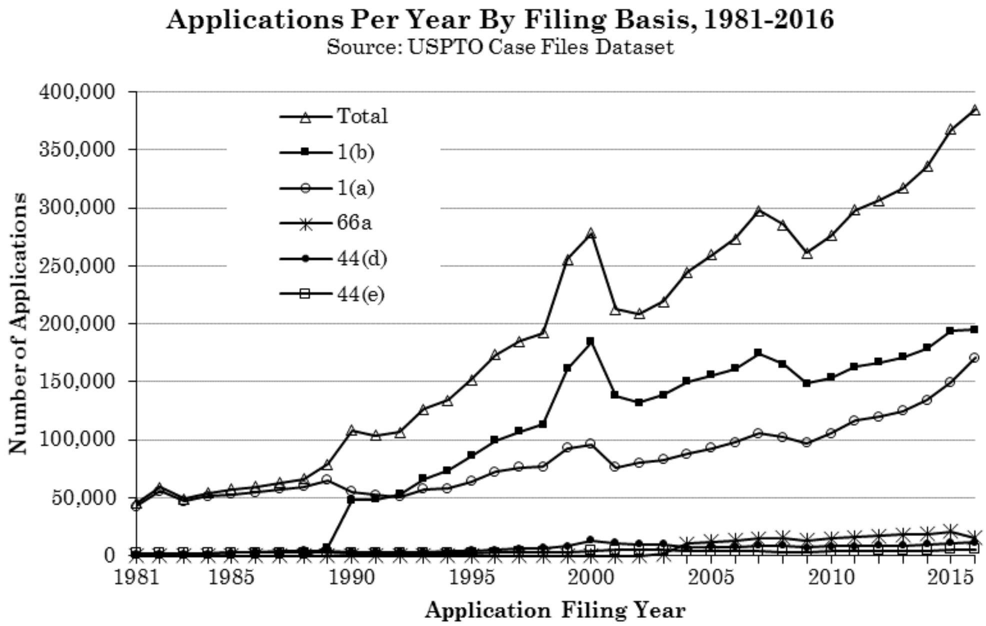
[3] Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935 (codified as amended in scattered sections of the U.S.C.).

[4] Madrid Protocol Implementation Act, Pub. L. No. 107-273, 116 Stat. 1913 (2002) (codified as amended at 15 U.S.C. §§ 1141–1141 (2006).

[5] However, as is suggested by *Dragon Bleu (SARL) v. VENM*, LLC, 112 U.S.P.Q.2d 1925 (TTAB 2014), which dealt with § 66(a) registrations, if the § 44 or § 66(a) registrant is accused of having abandoned its mark in the U.S., the registrant may be required to present evidence of use sooner than five years after the date of registration. On the issue of trademark abandonment, see Part III.D.



For marks already being used in commerce, a successful application proceeds though at least five basic stages: (1) application, (2) examination, (3) publication in the PTO's Official Gazette, (4) opposition, and (5) registration. Intent-to-use applications proceed through two additional stages following opposition and preceding registration: (4.a) the issuance by the PTO of a "Notice of Allowance" and (4.b) the filing by the applicant of a Statement of Use showing that the applicant has begun to make actual use of the mark in commerce. We review each of these stages below. But first we consider why a trademark owner should federally register its mark.

Comments and Questions

1. *The Phenomenon of "Submarine Trademarks."* Below is the registration certificate for the IPHONE mark. Note the priority date claimed: "Priority claimed under Sec. 44(d) on Trinidad/Tobago Application No. 37090, filed 3-27-2006." Rather than file an application for the mark at the USPTO on March 27, 2006, Apple instead filed on that date in Trinidad & Tobago through a shell company. As the registration certificate indicates, on September 26, 2006 (six months after March 27, 2006 minus a day), Apple then took advantage of Lanham Act § 44(d) to assert the priority date of their Trinidad & Tobago application in the U.S. Why would Apple, like many other consumer-oriented high-technology and fashion companies, engage in such a circuitous route to registration? *See* Carsten Fink, Andrea Fosfuri, Christian Helmers, & Amanda Myers, "Submarine Trademarks" (working paper).

Int. Cl.: 9

Prior U.S. Cls.: 21, 23, 26, 36 and 38

Reg. No. 3,669,402

United States Patent and Trademark Office **Registered Aug. 18, 2009**

TRADEMARK
PRINCIPAL REGISTER

iPhone

APPLE INC. (CALIFORNIA CORPORATION)
1 INFINITE LOOP
CUPERTINO, CA 95014

FOR: HANDHELD MOBILE DIGITAL ELECTRONIC DEVICES FOR THE SENDING AND RECEIVING OF TELEPHONE CALLS, ELECTRONIC MAIL, AND OTHER DIGITAL DATA, FOR USE AS A DIGITAL FORMAT AUDIO PLAYER, AND FOR USE AS A HANDHELD COMPUTER, PERSONAL DIGITAL ASSISTANT, ELECTRONIC ORGANIZER, ELECTRONIC NOTEPAD, AND CAMERA, IN CLASS 9 (U.S. CLS. 21, 23, 26, 36 AND 38).

FIRST USE 1-9-2007; IN COMMERCE 1-29-2007.

THE MARK CONSISTS OF STANDARD CHARACTERS WITHOUT CLAIM TO ANY PARTICULAR FONT, STYLE, SIZE, OR COLOR.

PRIORITY CLAIMED UNDER SEC. 44(D) ON TRINIDAD/TOBAGO APPLICATION NO. 37090, FILED 3-27-2006.

SEC. 2(F).

SER. NO. 77-975,076, FILED 9-26-2006.

LINDA ESTRADA, EXAMINING ATTORNEY

1. Benefits of Registration

a. Registration on the Principal Register

Registration on the Principal Register confers significant, substantive advantages on the registered mark. First and perhaps most importantly, under Lanham Act § 7(c), 15 U.S.C. § 1057, registration confers on the registrant nationwide priority in the mark as of the date of application. Section 7(c) reads as follows:

> (c) *Application to register mark considered constructive use*. Contingent on the registration of a mark on the principal register provided by this Act, the filing of the application to register such mark shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration against any other person except for a person whose mark has not been abandoned and who, prior to such filing–
>
> (1) has used the mark;
>
> (2) has filed an application to register the mark which is pending or has resulted in registration of the mark; or
>
> (3) has filed a foreign application to register the mark on the basis of which he or she has acquired a right of priority, and timely files an

> application under section 44(d) [15 USC 1126(d)] to register the mark which is pending or has resulted in registration of the mark.

15 U.S.C § 1057. This right of priority extends nationwide even if, as is often the case, the registrant has not itself used the mark throughout the nation. And in the case of ITU applications, the intent to use applicant enjoys nationwide priority as of its ITU application date even if several years pass before the applicant finally makes an actual use of its mark and completes its registration. (We will address the geographic scope of trademark rights in more detail in Part I.E).

Second, registration confers on the mark a prima facie presumption of the validity of the mark and the registrant's ownership of the mark. Lanham Act §§ 7(b) & 33(a), 15 U.S.C. §§ 1057(b) & 1115(a). In practice, however, it is not clear how much weight courts place on the § 33 presumption of validity. *See, e.g., Custom Vehicles, Inc. v. Forest River, Inc.*, 476 F.3d 481, 486 (7th Cir. 2007) ("[T]he presumption of validity that registration creates is easily rebuttable, since it merely shifts the burden of production to the alleged infringer."); *Door Systems, Inc. v. Pro-Line Door Systems, Inc.*, 83 F.3d 169, 172 (7th Cir. 1996) ("The presumption of validity that federal registration confers evaporates as soon as evidence of invalidity is presented. Its only function is to incite such evidence and when the function has been performed the presumption drops out of the case.").

Third, only marks registered on the Principal Register may achieve incontestable status, which confers a significant benefit on descriptive marks. Lanham Act §§ 15 and 33, 15 U.S.C. §§ 1065 & 1115, set out the main requirements a registrant must meet to file a Declaration of Incontestability of a Mark Under Section 15: (1) the mark must have been in continuous use for any period of five consecutive years after the date of registration and must still be in use at the time of filing, (2) there has been no final decision adverse to the registrant's ownership of or validity of the registration of the mark, and (3) there is no proceeding involving the registrant's ownership of or validity of the registration of the mark pending at the PTO or in any court. Lanham Act § 15, 15 U.S.C. § 1065.

Incontestable status limits the grounds on which the registered mark's validity may be contested for the remaining life of the registration (which may be renewed in perpetuity). Lanham Act §§ 15 and 33(b) explicitly list out these grounds; any that are not listed are foreclosed. One ground not listed is that the mark lacks secondary meaning. Thus, the validity of descriptive marks that have achieved incontestable status may not be challenged on the ground that they lack secondary meaning (though they may be challenged on the ground that they are generic).

The Supreme Court confirmed this rule in the notorious case of *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985), which is excerpted in Part I.D.7 below. In *Park 'N Fly*, the Court held that the incontestable—and clearly descriptive—mark "Park 'N Fly" for airport parking services could not be challenged on the ground that it lacked secondary meaning, notwithstanding that the record below strongly suggested that the mark lacked secondary meaning at the time of registration in 1971 and still lacked secondary meaning when the case was being litigated in the early 1980s. *See id.* at 211 (Stevens, J., dissenting).[6]

Registration confers additional benefits on the trademark owner:

- Owners of registered marks may obtain statutory damages against counterfeiters. *See* Lanham Act § 35(c) (statutory damages available in "cases involving the use of a counterfeit mark"), 15 U.S.C. 1117(c), and Lanham Act § 34(d)(1)(B)(i) (defining "counterfeit mark" as "counterfeit of a mark that is registered on the principal register"), 15 U.S.C. § 1116(d)(1)(B)(i).
- Owners of registered marks enjoy the right to request customs officials to bar the importation of goods bearing infringing trademarks under Lanham Act § 42, 15 U.S.C. §1124.
- In the case of registered trade dress, owners do not bear the burden of establishing the non-functionality of their trade dress. Under Lanham Act § 43(a)(3), 15 U.S.C. § 1125(a)(3), owners of unregistered trade dress bear this burden.

Note that it is often still said, incorrectly, that only owners of *registered* marks may seek treble damages and attorney fees in exceptional cases under Lanham Act § 35(a). In fact, the TLRA of 1988 amended Section § 35(a) to reference any "violation under section 43(a)," thus providing enhanced damages and attorney fees in exceptional cases to owners of unregistered marks.

b. Registration on the Supplemental Register

Marks that fail to qualify for Principal Register registration because they are determined to lack secondary meaning may nevertheless seek registration on the

[6] In his lengthy dissent, Justice Stevens expressed his dismay that the decision of a single trademark examiner in an ex parte proceeding a decade earlier, followed by the registrant's perfunctory filing of a declaration of incontestability, could somehow prevent the Court from striking from the Principal Register an "inherently unregistrable" mark. *See Park 'N Fly*, 469 U.S. at 206–07 (Stevens, J., dissenting). He also added his own opinion of trademark quality at the PTO for good measure. *See id*. at 212 ("No matter how dedicated and how competent administrators may be, the possibility of error is always present, especially in nonadversary proceedings."). In a footnote to this statement, Justice Stevens quoted a PTO official who testified to Congress that "at any one time, about 7 percent of our 25 million documents are either missing or misfiled." *Id*. at 212 n.12 (quoting Hearing Before the Subcomm. on Patents, Copyrights & Trademarks of the S. Comm. on the Judiciary, 98th Cong. 5 (1983) (statement of Gerald J. Mossinghoff, Assistant Secretary and Comm'r of Patents and Trademarks)).

Supplemental Register. Specifically, Lanham Act Section 23(a), 15 U.S.C. § 1091(a), provides in part:

> All marks capable of distinguishing applicant's goods or services and not registerable on the principal register provided in this chapter, except those declared to be unregisterable under subsections (a), (b), (c), (d), and (e)(3) of section 1052 [Lanham Act § 2] of this title, which are in lawful use in commerce by the owner thereof, on or in connection with any goods or services may be registered on the supplemental register upon the payment of the prescribed fee and compliance with the provisions of subsections (a) and (e) of section 1051 [Lanham Act § 1] of this title so far as they are applicable.

Id. Principal Register applicants typically seek Supplemental Register registration (by amending their application) only after the PTO has refused registration on the Principal Register on the ground that the applied-for mark is descriptive and lacks secondary meaning. As the language of § 23(a) establishes ("which are in lawful use in commerce"), only use-based applications can be converted into supplemental registrations; intent to use applications do not have this option.

There are several benefits to Supplemental Register registration:

- Examiners may cite the supplemental registration against future applications for either Principal or Supplement Register registration where the future applied-for mark would be confusingly similar under § 2(d) with the supplemental registration mark. *See* Lanham Act § 2(d), 15 U.S.C. § 1052.
- Relatedly, the mark registered on the Supplemental Register is more likely to be detected in search reports prepared for others contemplating the registration of similar marks.
- Supplemental registration may form the basis for registration of certain marks (particularly those that are descriptive or take the form of product configuration or packaging) in certain foreign countries and regions. The Supplemental Register was originally established for this purpose. *See* Armstrong Paint & Varnish Works v. Nu-Enamel Corp., 305 U.S. 315, 334 n. 21 (1938); In Re the Pepsi-Cola Co., 120 U.S.P.Q. 468 (T.T.A.B. Mar. 4, 1959).

Note, however, that supplemental registration does not provide any of the important advantages gained by principal registration. It has no evidentiary or remedial significance. It does not establish constructive use under § 7(c), 15 U.S.C. § 1057(c), or constructive notice of ownership under § 22, 15 U.S.C. § 1072, nor can a supplemental registration become incontestable under § 15, 15 U.S.C. § 1065.

2. Lanham Act § 1(b) Intent to Use Applications and the Bona Fide Intent to Use Requirement

As Figure 1 above shows, by 1993, over half of all trademark applications filed annually at the PTO were filed on a § 1(b) intent to use filing basis. The ITU filing basis allows an applicant to begin the trademark registration process before it has used its mark in commerce provided that it has a "a bona fide intention, under circumstances showing the good faith of such person, to use [the] trademark in commerce." Lanham Act § 1(b)(1), 15 U.S.C. § 1051(b)(1). The ITU filing basis greatly benefits firms that wish to establish the registrability of and priority rights in their marks before actually using their marks in commerce. However, the ITU system is also open to abuse from firms who have at the time of filing no real intention to use the mark, but rather wish merely to establish an option to use the mark sometime in the future. It is also open to abuse from "meme mark" filers who rush to file a § 1(b) application for the latest cultural catchphrase but have at the time of filing no reasonably well-developed plan actually to use that phrase on or in connection with goods or services. *See* Barton Beebe, *Is the Trademark Office a Rubber Stamp?*, 48 HOUSTON L. REV. 751, 757 (2011) (discussing "meme mark" filings such as "Let's Roll" and "Seal Team 6"). In the following opinion, the Federal Circuit recently reviewed facts in which the ITU applicant's bona fide intention to use the mark in commerce was at best tenuous. Consider what the opinion teaches about how one might advise a client on how best to take advantage of the ITU process.

M.Z. Berger & Co., Inc. v. Swatch AG
787 F.3d 1368 (Fed. Cir. 2015)

CHEN, Circuit Judge.

[1] M.Z. Berger & Co., Inc. (Berger) appeals from the Trademark Trial and Appeal Board (Board) decision to sustain an opposition on grounds that Berger, at the time of its application for the mark "iWatch," lacked a bona fide intent to use the mark in commerce under Section 1(b)(1) of the Lanham Act, 15 U.S.C. § 1051(b)(1). *See Swatch AG v. M.Z. Berger & Co.,* 108 U.S.P.Q.2d (BNA) 1463 (T.T.A.B.2013) (*Opinion*). The Board concluded that Berger merely intended to reserve a right in the mark and thus lacked the requisite intent. Because substantial evidence supports the Board's determination, we affirm.

I. BACKGROUND

[2] Berger is a business that manufactures, imports, and sells watches, clocks, and personal care products. On July 5, 2007, it filed an intent-to-use application at the Patent and Trademark Office (PTO), seeking to register the mark "iWatch" for over thirty different goods, each of which belongs to one of three general categories: watches, clocks, and goods related to watches and/or clocks (e.g., clock dials, watch bands, and watch straps).

[3] The application included a declaration which states that Berger has "a bona fide intention to use or use through [Berger's] related company or licensee the mark in commerce on or in connection with the identified goods and/or services."

[4] The PTO approved the application for publication on May 21, 2008. On October 22, 2008, Swatch AG (Swatch) filed a Notice of Opposition on the basis that "iWatch" is confusingly similar to its mark, "Swatch." Swatch later added a claim opposing the mark on ground that Berger lacked a bona fide intent to use the mark in commerce at the time Berger filed the application.

[5] The Board assessed whether Berger had the requisite intent to use the iWatch mark by separately considering each of the three general categories of goods. *Opinion* at 1475. With respect to Berger's intent to use the iWatch mark on two of the categories, clocks and goods related to watches/clocks, the Board considered the testimony of Berger's owner and CEO, Bernard Mermelstein. *Id.* Mr. Mermelstein not only created the iWatch mark and instructed that the trademark application be filed, but he was Berger's sole witness designated under Federal Rule of Civil Procedure 30(b)(6). *Id.* The Board thus treated Mr. Mermelstein's testimony as representing the views of the company at the time the application was filed. *Id.*

[6] Although the trademark application recited watches, clocks, and goods related to clocks and watches as the goods Berger intended to sell with the proposed mark, Mr. Mermelstein testified that Berger never intended for the mark to be used for any goods other than watches….

[7] Berger's paralegal who filed the application, Monica Titera, testified that Mr. Mermelstein instructed her to register the mark only for watches and clocks. J.A. 979. When asked why the other related goods were identified in the application, Ms. Titera claimed that the list was "standard" and used to "leave all doors open." Based on Mr. Mermelstein's and Ms. Titera's testimonies, the Board concluded that Berger lacked a genuine intent to use the mark on clocks and related goods. *Opinion* at 1475.

[8] With respect to the third category of goods, watches, the Board also concluded that Berger lacked a genuine plan to commercialize the iWatch mark on such goods. The Board considered the documentary evidence of record but found that such evidence did not demonstrate intent because the documents related solely to prosecution of the trademark application. As for the testimonial evidence presented by Berger, the Board found that Berger's employees failed to tell a consistent story about the company's intent at the time the application was filed. The Board lastly considered the company's long history in the watch business, but found that Berger's inaction with respect to a potential iWatch product diminished the value of such evidence.

[9] The only documents relating to the potential use of the mark consisted of: (i) a trademark search performed by the paralegal; (ii) an internal email describing the substance of a discussion between the paralegal with the trademark examining

attorney concerning the application; and (iii) a series of internal emails forwarding images of watches and a clock bearing the iWatch mark. *Id.* at 1472–73.

[10] The Board agreed with Swatch that the documentary evidence only related to the trademark application and thus did not evidence a genuine intent to commercialize certain watches using the iWatch mark. It found that the trademark search was performed only a few days prior to the filing of the application.[1] The Board found that the forwarded images were also prosecution-driven because they appeared to have been created and submitted to the PTO in response to the examining attorney's request for additional information on how Berger planned to use the mark. *Id.* at 1472, 1473–74 (noting that the images were created shortly before they were submitted to the PTO in response to the request).

[11] Moreover, the Board found there was conflicting testimony among Berger employees regarding what the images actually depicted. Some employees testified that the images were pictures of actual mockup watches and clocks. *Id.* at 1473. On the other hand, Mr. Mermelstein testified that no such mockups were ever made and that the images were generated for purposes of advancing the trademark application. And although Berger employees claimed that creating physical models and renderings was a normal part of its product development process, Berger did not present any physical or documentary evidence relating to the iWatch mark beyond the images submitted to the PTO. *Opinion* at 1474.

[12] Based on Mr. Mermelstein's admissions and the timing of the creation of the documents, the Board concluded that the documentary evidence did not establish that Berger had a bona fide intent to use the mark in commerce. *Id.* at 1474–75.

[13] The Board then considered the remaining evidence, which consisted of Berger employee testimony, and likewise found that it failed to establish that Berger genuinely intended to use the mark in commerce. For example, Berger's vice president of merchandising, Brenda Russo, generally recalled having discussed the iWatch mark for a few minutes with a buyer during a discussion in a Berger showroom. *See id.* at 1476. But this testimony conflicts with that of Mr. Mermelstein, who denied that Berger had discussions regarding the iWatch mark with anyone outside the company. ("Q. Has the iWatch mark been discussed outside of your office except with respect to the counsel in this proceeding? A. No.").

[14] Ms. Russo's testimony also appears to contradict representations Berger made to the PTO during prosecution of the trademark application. In particular, the examiner rejected the mark as descriptive because the "i" in iWatch could be interpreted as a well-established reference to "interactive." In response to that rejection, Berger alleged:

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[1] From our review of the record, it appears that the trademark search was actually performed on July 5, 2007, the same date the application was filed.

> The "i" does not refer to any particular feature of the watches or clocks. The "i" is purely arbitrary. The images we previously submitted were just mock-ups to show a buyer. However, the buyer decided that models which previously had interactive features were too expensive. Thus, there will be no interactive features on any models.

Ms. Russo, who was the only Berger witness who claimed to have met with a buyer, testified to the contrary. She recalled mentioning to the buyer that the watch would have certain technological features, and when asked at her deposition whether that buyer expressed concern about the cost of the iWatch watch, she answered "no." *See Opinion* at 1476. Because the evidence relating to Ms. Russo's discussion with the buyer conflicted with Berger's statement during prosecution, the Board chose not to credit the alleged meeting as demonstrating bona fide intent. *Id.*

[15] The Board considered that some of Berger's employees testified to having attended internal brainstorming sessions and merchandising meetings about the iWatch mark, none of which were documented in the record. But there was testimony from Mr. Mermelstein that suggested any alleged meetings would not have been particularly meaningful. For example, he testified that, as of 2010, three years after the application was filed, Berger had yet to figure out what type of watch it intended to sell with the iWatch mark, or even whether such a watch would have any particular features. Mr. Mermelstein also stated that, at the time of the filing, Berger had little more than an aspiration to reserve rights in the mark in case it later decided to develop an associated watch:

> Q. Okay. And how did you come up with that mark?
>
> A. I think that I came up with the mark because of the advent of technology and information gathering around the globe over the last I guess few years, I thought that ***if we decided*** to do a—either a technology watch or information watch or something that would have that type of characteristics that would be a good mark for it.

[16] Finally, the Board considered the fact that Berger had been in the business of making and selling watches and clocks for many years. It determined, however, that Berger's history of making and selling watches was not particularly relevant to the instant dispute because Berger employees testified they had not previously made a watch with technological features, and admitted they never took any step toward developing any such features, either contemporaneous with the filing of the application or in the eighteen months thereafter. *Opinion* at 1476. Though Berger represented to the PTO that the mark was not restricted to "interactive" watches, the Board found Berger's inaction was significant in light of its contention that the idea was to use the mark with a "smart" watch. *Id.* at 1476–77. Berger argued that its intent to use the iWatch mark was corroborated by its use of a subsequent mark, i-Kidz and its efforts to develop the mark iMove for watches. The Board found this evidence unpersuasive, as these efforts were related to different marks and had

occurred almost three years after the iWatch application was filed. *Id.* at 1477 (noting intent must be considered at the time the application was filed).

[17] The Board ultimately concluded that some of Berger's evidence, reviewed in isolation, may have been sufficient to establish intent. However, the circumstances as a whole—including the lack of documentary evidence and the conflicting testimony of Berger witnesses—demonstrated that Berger lacked a bona fide intent to use the mark in commerce as required, and sustained the opposition under Section 1(b) of the Lanham Act. *Id.* Berger appealed the Board's decision to sustain the opposition on this ground.[2] ...

II. DISCUSSION

A

[18] We review the Board's legal conclusions without deference and its factual findings for substantial evidence….

B

[19] The Trademark Law Revision Act of 1988 (TLRA) contemplated the very scenario presented by this case. The TLRA changed the Lanham Act by permitting applicants to begin the registration process before actual use of the mark in commerce at the time of filing, so long as the applicant had a "*bona fide intention* ... to use [the] mark in commerce" at a later date. 15 U.S.C. § 1051(b)(1) (emphasis added).

[20] The prior version of the Lanham Act required that a trademark applicant already be using the mark in commerce at the time of the application's filing to qualify for trademark registration. *See Aycock Eng'g, Inc. v. Airflite, Inc.,* 560 F.3d 1350, 1357 (Fed.Cir.2009). This requirement, however, led to the practice of some applicants engineering a "token use," which refers to the most minimal use of a trademark, designed purely to secure rights in that mark before an applicant is truly prepared to commercialize a good or service in connection with a given mark. In the legislative record of the TLRA, Congress noted that token use was problematic for a number of reasons, including that such uses were not uniformly available across industries. S.REP. NO. 100–515 ("Senate Report"), at 6 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5582. For example, token use for large or expensive products, such as airplanes, or for service industries was "virtually impossible." *Id.* Another problem was that the rules allowed registration based on minimal use, which led to an undesirable surplus of registered but virtually unused marks. *Id.* On the other hand, Congress also recognized that the use requirement placed "significant legal risks on the introduction of new products and services" and disadvantaged certain

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[2] The Board separately found that there was no likelihood of confusion between the Swatch and iWatch marks. Swatch challenges that finding in its briefing. Because we affirm on the basis of lack of bona fide intent, we do not address that aspect of the Board's decision.

industries and smaller companies in the marketplace. *Id.* at 5. An applicant already using a mark in commerce risks, for example, potential infringement of a competitor's pre-existing mark prior to being able to begin the process of securing its own rights.

[21] Congress sought to address these problems in passing the TLRA. *Id.* To address the problem of "token use," the TLRA heightened the burden for use applications by requiring that an applicant's use be "*bona fide use* of [the] mark in the ordinary course of trade." Trademark Law Revision Act of 1988, Pub.L. No. 100–667, 102 Stat. 3935 (effective November 16, 1989) (codified at 15 U.S.C. § 1127) (emphasis added). Concurrently, the TLRA lowered the bar to starting registration by allowing applicants to proceed on the basis that they have a "bona fide intention to use the mark in commerce" at a later date. 15 U.S.C. § 1051(b)(1); *see* H.R.REP. NO. 100–1028 ("House Report"), at 8–9 (1988) ("By permitting applicants to seek protection of their marks through an 'intent to use' system, there should be no need for 'token use' of a mark simply to provide a basis for an application. The use of the term 'bona fide' is meant to eliminate such 'token use' and to require, based on an objective view of the circumstances, a good faith intention to eventually use the mark in a real and legitimate commercial sense."); J. Thomas McCarthy, 3 *McCarthy on Trademarks and Unfair Competition* § 19.14, at 19.47–48 (4th ed. 2014) (*McCarthy on Trademarks*).

[22] While applicants can begin the registration process having only a sincere intent, the TLRA also requires that applicants filing such intent-to-use applications must in due course either (i) file a verified statement of actual use of the mark, or (ii) convert the application into a use application. 15 U.S.C. §§ 1051(b)(3), (c), (d). In other words, such applicants are eventually required to show that the mark is being used in commerce before obtaining a registration on the mark.

C

[23] Because this court has not previously done so, we first address the issue of whether lack of a bona fide intent is proper statutory grounds on which to challenge a trademark application. The PTO has long held that lack of such intent is a proper basis on which an opposer can challenge an applicant's registration. We agree. An opposer is "entitled to rely on any statutory ground which negates appellant's right to the subject registration[.]" *Lipton Indus., Inc. v. Ralston Purina Co.,* 670 F.2d 1024, 1031 (CCPA 1982) (citing *Warth v. Seldin,* 422 U.S. 490, 501, 95 S.Ct. 2197, 45 L.Ed.2d 343 (1975))….

D

[24] We turn now to the question of what "bona fide intention" means under Section 1(b) of the Lanham Act. In its entirety, Section 1(b)(1) specifies that:

> A person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may request registration of its trademark on the principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement, in such form as may be prescribed by the Director.

15 U.S.C. § 1051(b)(1).

[25] There is no statutory definition of the term "bona fide," but the language is clear on its face that an applicant's intent must be "under circumstances showing the good faith of such person." *Id.* The reference to "circumstances showing the good faith" strongly suggests that the applicant's intent must be demonstrable and more than a mere subjective belief. Both the PTO and the leading treatise on trademark law have arrived at this same understanding. *See Lane,* 33 U.S.P.Q.2d at 1355; 3 *McCarthy on Trademarks* § 19.14, at 19.48 ("Congress did not intend the issue to be resolved simply by an officer of the applicant later testifying, 'Yes, indeed, at the time we filed that application, I did truly intend to use the mark at some time in the future.'").

[26] This interpretation is confirmed by the legislative history, where Congress made clear that whether an applicant's intent is "bona fide" should be assessed on an objective basis:

> Although "bona fide" is an accepted legal term, it can be read broadly or narrowly, subjectively or objectively, by a court or the Patent and Trademark Office. In connection with this bill, *"bona fide" should be read to mean a fair, objective determination of the applicant's intent* based on all the circumstances.

Senate Report at 24 (emphasis added); *see also id.* at 23 ("Bona fide intent is measured by objective factors."); House Report at 8–9 ("The use of the term 'bona fide' is meant to ... require, based on an objective view of the circumstances, a good faith intention to eventually use the mark in a real and legitimate commercial sense."). In addition, an applicant's intent must reflect an intention to use the mark consistent with the Lanham Act's definition of "use in commerce":

> [T]he bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.

15 U.S.C. § 1127; *see also* Senate Report at 24–25 (quoting the definition). The applicant's intention to use the mark in commerce must have been "firm." Senate Report at 24.

[27] Neither the statute nor the legislative history indicates the specific quantum or type of objective evidence required to meet the bar. Indeed, Congress expressly rejected inclusion of a statutory definition for "bona fide" in order to

preserve "the flexibility which is vital to the proper operation of the trademark registration system." *Id.*[3]

[28] Accordingly, we hold that whether an applicant had a "bona fide intent" to use the mark in commerce at the time of the application requires objective evidence of intent. 15 U.S.C. § 1051(b)(1). Although the evidentiary bar is not high, the circumstances must indicate that the applicant's intent to use the mark was firm and not merely intent to reserve a right in the mark. *See id.* § 1127; *see also* Senate Report at 24–25. The Board may make such determinations on a case-by-case basis considering the totality of the circumstances.

III. M.Z. BERGER'S APPEAL

A

[29] Berger argues that it satisfied the minimal standard for intent, and that the Board improperly discounted Berger's evidence. Berger's arguments hinge on its belief that the Board should have found the intent requirement satisfied because Berger offered *some* objective evidence in support of its position. Viewed in isolation, the evidence Berger prefers to focus on could perhaps lead a reasonable fact-finder to conclude there was bona fide intent. As discussed above, however, all circumstances regarding an applicant's bona fide intent must be considered, including those facts that would tend to disprove that Berger had the requisite intent. 15 U.S.C. § 1051(b)(1); *see also Lane,* 33 U.S.P.Q.2d at 1353 ("[W]hether an applicant has a bona fide intention ... must be an objective determination based on *all* the circumstances." (emphasis added)).

[30] Here, viewing the evidence as a whole, we find that substantial evidence supports the Board's conclusion. First, we agree with the Board that the documentary evidence offered by Berger appears to relate only to the prosecution of the trademark application. *See Opinion* at 1474–75 (citing *Research In Motion Ltd. v. NBOR Corp.,* 92 U.S.P.Q.2d (BNA) 1926, 1931 (TTAB 2009) ("If the filing and prosecution of a trademark application constituted a bona fide intent to use a mark, then in effect, lack of a bona fide intent to use would never be a ground for opposition or cancellation, since an *inter partes* proceeding can only be brought if the defendant has filed an application.")). The paralegal who performed the trademark search testified that such searches are routinely conducted before Berger files a trademark so that Berger does not waste time filing an application on an

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[3] The PTO has promulgated a rule specifying that an applicant's ongoing efforts to make use of a mark "may include product or service research or development, market research, manufacturing activities, promotional activities, steps to acquire distributors, steps to obtain governmental approval, or other similar activities." 37 C.F.R. § 2.89(d). Although this rule relates to the required showing of "good cause" for an extension to file a statement of use, i.e., at a time after the initial filing, such evidence may also indicate sources of objective evidence of an applicant's bona fide intent to use the mark in commerce.

unavailable mark. It is undisputed that the internal email relaying the substance of a discussion with the trademark examining attorney also relates to the application. The other internal emails, which forwarded the images of two watches and a clock bearing the mark, were undisputedly submitted to the PTO in response to the trademark examining attorney's request for documents showing how the mark would be used. *Opinion* at 1473–74.

[31] Faced with conflicting statements from Berger witnesses about whether the images were created for prosecution or for business reasons evidencing intent, the Board exercised its discretion in crediting the testimony of Mr. Mermelstein, Berger's Rule 30(b)(6) witness, over that of other Berger employees. *Id.* at 1474 (relying on Mr. Mermelstein's admissions that the images were created for the trademark application). We defer to the Board's determination of the weight and credibility of such evidence. *See, e.g., Velander v. Garner,* 348 F.3d 1359, 1371 (Fed.Cir.2003) (stating, in a PTO interference proceeding, that it is "within the discretion of the trier of fact to give each item of evidence such weight as it feels appropriate"). Having found that the documentary evidence was generated in relation to the trademark application, the Board reasonably determined that such images were likely created with an intention to advance the prosecution of the trademark application rather than an intention to move forward on an actual product in commerce. *See Opinion* at 1474–75.

[32] Berger has offered no reason to disturb the Board's findings based on the remaining testimonial evidence. The Board properly exercised its judgment in finding that Berger lacked a bona fide intent to use the mark on any of the goods identified in the application. Mr. Mermelstein admitted that there was no intent to use the iWatch mark for clocks, and Ms. Titera conceded that the other accessories and related goods were only designated to leave Berger's options open. *Id.* at 1475.

[33] With respect to watches, the Board considered conflicting testimony about Berger's alleged meeting with a buyer, as well as whether the watch would be technological in nature. The Board was within its discretion to disagree with Berger's bottom-line position that it possessed a bona fide intent, given the inability of the Berger witnesses to pull together a consistent story on a number of issues, e.g., would the watch be technological, did actual physical samples exist, were potential customers ever consulted. Critically, Mr. Mermelstein all but conceded that Berger had not yet made a firm decision to use the mark in commerce at the time of its application. J.A. 845 ("[I]f [Berger] decided to do a—either a technology watch or information watch or something that would have that type of characteristics that [iWatch] would be a good mark for it."). *See, e.g., Research In Motion,* 92 U.S.P.Q.2d at 1931 (applicant's stated belief that the mark would be "a good mark for future use" does not establish a bona fide intent to use).

[34] We also find unavailing Berger's contention that the Board ignored Berger's history in the watch industry. The Board did consider Berger's past but noted that even though the iWatch mark was allegedly to be used with a "smart"

watch, Berger had never made such a watch and took no steps following the application to develop such a watch. *Opinion* at 1476–77. We find no error with the Board's determination that there was no nexus between Berger's general capacity to produce watches and the capacity required to produce a "smart" watch.

[35] Ultimately, we find that the Board properly exercised its judgment as the trier of fact in assessing the evidence and concluding that Berger did not have a bona fide intent to use the mark at the time of its application. Berger's contention that the Board "missed the forest for the trees" by systematically discrediting each piece of evidence is misplaced. Quite to the contrary, the Board's opinion reflects that it carefully considered Berger's evidence and understandably found that Berger lacked "bona fide" intent to use the iWatch mark on the recited goods at the time of the application was filed. *E.g., id.* at 1474, 1476.

[36] The bar for showing a bona fide intent is not high. But in our view, considering the inconsistent testimony offered by Berger employees and the general lack of documentary support, substantial evidence supports the Board's conclusion that Berger's intent at the time of the application was merely to reserve a right in the mark, and not a bona fide intent to use the mark in commerce. *Id.* at 1477. …

IV. CONCLUSION

[37] [] For the foregoing reasons, we conclude that the Board properly sustained the opposition on the basis that Berger lacked a bona fide intention to use the mark in commerce at the time of the application.

3. Process of Registration

The PTO provides excellent annotated flowcharts of the registration process for each of the five filing bases on its website at:

http://www.uspto.gov/trademarks/process/tm_timeline.jsp

The reader is very strongly encouraged to consult these flow charts while reviewing the following information.

a. Application

Trademark applications are filed electronically or, at additional cost, in paper form. Very few applications are now filed on paper. The application is relatively simple. *See* Lanham Act §§ 1(a) & 1(b) (setting out the required contents of use-based and intent-to-use applications, respectively). The following are the most important elements of the application:

- *Filing Basis*: As mentioned above, the applicant must specify at least one of the five filing bases provided for in the Lanham Act.
- *Designation of Goods and Services*: The applicant must identify the particular goods or services on or in connection with which it uses or intends to use the mark. The *U.S. Acceptable Identification of Goods and Services Manual*, available online, provides a listing of acceptable identifications of goods and

services. The applicant should also identify the international class number(s) of the identified goods or services. *See* TMEP § 805. In principle, this identification of goods or services does not limit the breadth of the applicant's registered exclusive rights. The sole purpose of the identification of goods and services is to aid the PTO in internal administration and review of applications. However, litigants sometimes cite a registered mark's identification of goods and services to support their particular view of the scope of the registered rights at issue—and courts sometimes treat the identification as relevant, though not binding, on the question.

- *Drawing*: The applicant must submit a drawing of the trademark. As of 2003, if the mark consists of colors, the drawing must as well. For word marks, a typed representation of the mark is sufficient. For nonvisual marks, such as sound or scent marks, the applicant need not submit a drawing. The PTO relies instead on the applicant's description of the mark given elsewhere in the application and on the applicant's specimen of use. TMEP § 807.09.
- *Specimen of Use*: Applicants filing a "1(a)" use-based application must submit a specimen showing use of the mark in commerce. For electronic applications, this specimen typically takes the form of digital photographs of the mark attached to goods or .pdf images of materials promoting services. Applicants filing a "1(b)" intent-to-use application need not (because they very likely cannot) submit a specimen of use with their application, but must do so instead when they file their Statement of Use. See Lanham Act § 1(d)(1) (15 U.S.C. 1051(d)(1)).

See Lanham Act § 1, 15 U.S.C. § 1051.

For applications filed under Lanham Act § 1 or § 44, the PTO will grant a filing date to the application according to the date on which all of the following "minimum requirements" are received at the PTO: (1) name of the applicant, (2) name and address for correspondence, (3) a clear drawing of the mark; (4) a listing of the goods or services; and (5) the filing fee for at least one class of goods or services. See TMEP §§ 201-02. For Madrid System applications filed under Lanham Act § 66(a), compliance with minimum filing requirements is established by the International Bureau at the World Intellectual Property Organization. (We will discuss the Madrid System in more detail in Part I.D.4 below).

b. Examination

Typically within about three months from the application's filing date, an examining attorney will engage in a substantive examination of the application to determine if there are any absolute or relative grounds for refusal. *See* Lanham Act § 12(a), 15 U.S.C. § 1062(a). With respect to relative grounds for refusal, the examining attorney will search the PTO's X-Search and TESS databases (the latter of which is available online at no charge) to determine if any marks have already been filed that may be confusingly similar with the applied-for mark.[4] If the examining attorney finds no grounds for refusal, the attorney will approve the mark for publication in the PTO's Official Gazette. A recent study suggests that only about 15% of use-based applications and 21% of ITU applications proceed directly from application to approval for publication.[5]

If the examining attorney finds grounds for refusal, he or she will send an "Office action" to the applicant to explain the grounds for refusal. The applicant has six months to respond and to amend its application to satisfy the examiner's objections; if the applicant fails to respond, the application will be deemed abandoned. *See* Lanham Act § 12(b), 15 U.S.C. § 1062(b). Correspondence between the office and the applicant will continue until either (1) the examining attorney approves the application for publication, (2) the examining attorney issues a final Office action refusing registration of the mark, or (3) the applicant abandons the application. *See id*. The applicant may appeal the final Office action to the Trademark Trial and Appeal Board.

c. Publication

Marks approved for publication are published in the PTO's Official Gazette (OG), a weekly online publication. *See* Lanham Act § 12(a), 15 U.S.C. § 1062(a). Publication in the OG gives notice to the public that the PTO plans to register the mark. For a 30-day period following the date of the mark's publication in the OG, any party that believes it would be harmed by the registration, including as a result of dilution, may file an opposition to the registration of the mark. *See* Lanham Act § 13, 15 U.S.C. § 1063.

d. Opposition and the Trademark Trial and Appeal Board

Oppositions are rare, but those few that are filed are heard by the Trademark Trial and Appeal Board. The TTAB is an administrative board within the PTO that acts in the capacity of a trial court of first instance in opposition, cancellation, interference, and concurrent use proceedings and in the capacity of an appellate body in ex parte appeals from final Office actions. Created in 1958, the TTAB consists of the Director of the PTO, the Commissioner for Patents, the Commissioner for Trademarks, and Administrative Judges appointed by the Secretary of Commerce in consultation with the Director. The Director and Commissioners rarely sit on

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[4] At the examination stage, an examiner may not refuse registration on the ground that the applied-for mark will dilute another mark. *See* Lanham Act § 2(f), 15 U.S.C. § 1052(f) ("A mark which when used would cause dilution under section 43(c) may be refused registration only pursuant to a[n opposition] proceeding brought under section 13.").

[5] See Barton Beebe, Is the Trademark Office a Rubber Stamp?: Trademark Registration Rates at the PTO, 1981-2010, 48 HOUSTON L. REV. 752 (2012)

TTAB panels. At this writing, there are 26 Administrative Judges on the TTAB, all of whom are very highly experienced in trademark matters. The TTAB sits in panels of three judges. Trademark Trial and Appeal Board Manual of Procedure, available online, details all aspects of TTAB procedure. Proceedings before the TTAB are conducted in writing (though counsel may request oral argument). There is no live testimony, though transcribed testimony, taken under oath and subject to cross-examination, may be submitted. Note that only those TTAB opinions that are explicitly labeled as "citable as precedent" should be cited to the TTAB in subsequent proceedings.

Under the terms of Lanham Act § 21, 15 U.S.C. § 1071, TTAB judgments may be appealed either to a federal district court or to the Court of Appeals for the Federal Circuit. The advantage of the district court route is that the record in the case may be supplemented with additional evidence. A disadvantage of the district court route is that the applicant must pay all reasonable expenses of the government in defending the PTO decision before the district court, including prorated salaries of the government attorneys, regardless of whether the applicant prevails. *See* Lanham Act § 21(b)(3), 15 U.S.C. § 1071(b)(3); *Nantkwest, Inc. v. Matal*, No. 2016-1794, __ F.3d __, 2017 WL 2697995 (Fed. Cir. June 23, 2017); *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015).

If the applicant prevails in the opposition proceeding, then the mark proceeds to registration.

The TTAB and Issue Preclusion. TTAB proceedings may gain substantially increased importance in certain situations in light of the recent Supreme Court opinion in *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015). In 1993, B & B registered the mark SEALTIGHT in connection with metal fasteners for use in the aerospace industry. In 1996, Hargis sought to register the mark SEALTITE in connection with metal fasteners for use in building construction. B & B opposed on the ground that Hargis's mark was confusingly similar to B & B's mark. The TTAB found a likelihood of confusion and refused registration. Hargis did not appeal this decision. While the TTAB opposition proceeding was pending, B & B sued Hargis in federal district court, arguing that Hargis's mark infringed B & B's. Before the district court could rule, the TTAB announced its finding of a likelihood of confusion. B & B argued to the district court that the TTAB's decision should be given preclusive effect. The district court disagreed and the jury ultimately found no likelihood of confusion. The Eight Circuit affirmed.

The Supreme Court reversed and remanded. It held: "So long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply." *Id*. at 1310. For an example of the effect of *B & B* outside of the likelihood of confusion context, see *Ashe v. PNC Financial Services Group, Inc.*, __ F.Supp.3d __, 2015 WL 7252190 (D. Md. Nov. 17, 2015) (holding that TTAB's prior determination that defendant had priority of use of mark SPENDOLOGY collaterally estopped plaintiff from asserting that defendant's use infringed on plaintiff's identical mark).

e. Registration

With respect to use-based applications, if no opposition is filed within thirty days or if the opposition fails, then the PTO issues a certificate of registration and notice of the registration is published in the Official Gazette. With respect to intent-to-use applications that are either unopposed or unsuccessfully opposed, the PTO issues a Notice of Allowance. The applicant then has six months (extendable for a total of three years) to file a Statement of Use showing that it is making use of the mark in commerce. *See* Lanham Act § 2(d), 15 U.S.C. § 1052(d). See also TMEP § 1106.

f. Post-Registration Maintenance of the Registration

The term of registration is ten years. Lanham Act § 8, 15 U.S.C. §§ 1058. The registration may be renewed indefinitely provided that the registrant complies with the requirements of Lanham Act §§ 8 & 9, 15 U.S.C. §§ 1058 & 1059. Section 8 requires the registrant to file an Affidavit of Continuing Use during the sixth year and every tenth year following the date of registration (thus, the registrant must file a "Section 8 affidavit" in the sixth year, the tenth year, the twentieth year, the thirtieth year, etc.). Section 9 requires the registrant to file a Renewal Application every tenth year following the date of registration.[6] Registrants typically file the Affidavit of Continuing Use and the Renewal Application as a single document.

Registrants are also strongly advised to file an Affidavit of Incontestability under Lanham Act § 15 (15 U.S.C. § 1065) within one year after any five-year period of continuous use of the mark. In practice, sophisticated trademark owners typically combine their first § 8 Affidavit of Continuing Use (filed in the sixth year following registration) with a § 15 Affidavit of Incontestability. A § 15 affidavit may be filed at any time during the duration of the registration of the mark, however, provided that it is filed within the year following five years' continuous use of the mark. See TMEP § 1605.03.

4. Notice of Federal Registration

Lanham Act § 29, 15 U.S.C. § 1111, provides:

> Notwithstanding the provisions of section 22 hereof [15 USC 1072], a registrant of a mark registered in the Patent Office, may give notice that his mark is registered by displaying with the mark the words

[6] Sections 8 and 9 add a sixth-month grace period to these deadlines. *See* Lanham Act §§ 8(c) & 9(a), 15 U.S.C. §§ 1058(c) & 1059(a). Thus, for example, the first Section 8 affidavit must be filed, strictly speaking, during the sixth year following registration or the six-month grace period following that sixth year.

> "Registered in U. S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." or the letter R enclosed within a circle, thus (R); and in any suit for infringement under this Act by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this Act unless the defendant had actual notice of the registration.

Id. The latter part of § 29 is generally understood to provide that in situations where the registrant has not provided statutory notice of the registration of its mark, that registrant may only win profits and damages from a period *after* the defendant had actual notice of the registration status of the mark. *See* MCCARTHY § 19:144.[7]

The ® or "r in a circle" designation indicates that the mark is registered on either the Principal or Supplemental Register. A "TM" or "SM" designation indicates that the mark is unregistered, but that the owner is claiming property rights in the mark. Firms may sometimes use the "TM" or "SM" designations in an attempt to educate consumers that the mark at issue is a designation of source rather than simply a description, decoration, or feature of the product.

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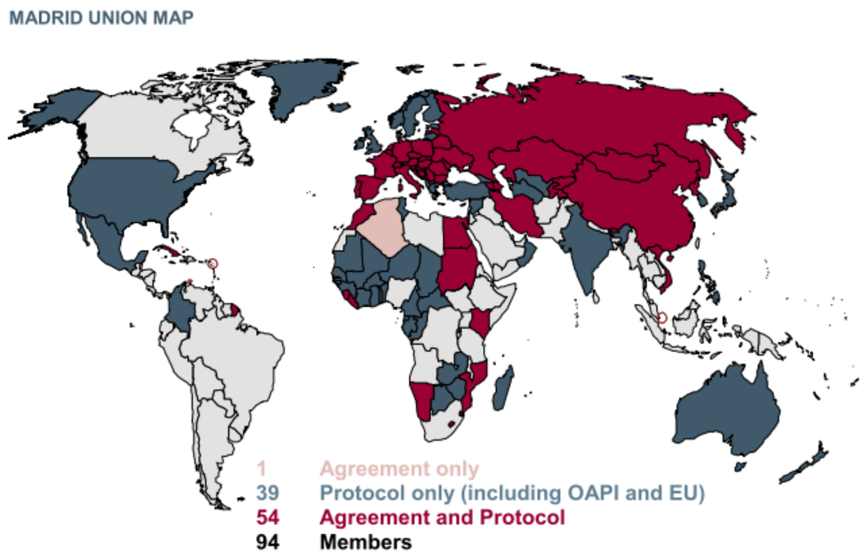
[7] May registrants take advantage of their rights under Lanham Act § 43(a), dealing with unregistered marks, to claim profits and damages even where the registrant did not provide statutory notice? McCarthy suggests that the answer is no:

> The more problematic question is whether a registrant who proves infringement under both § 32(1) (registered mark) and § 43(a) (unregistered mark) can avoid the notice limitation imposed by § 29 by claiming all of its damages fall under the § 43(a) count. A strict reading of the statutory language of § 29 would, in the author's opinion, lead to the conclusion that such a registrant cannot avoid the § 29 damage limitation by using § 43(a). Section 29 does not distinguish between the kind of statutory infringement that a registrant proves. Rather, § 29 simply states that no profits and damages shall be recovered "under the provisions of this Act" unless statutory or actual notice was given.

MCCARTHY § 19:144.

5. The Madrid System



[8]

The United States has been a member of the "Madrid System" for the international registration of trademarks since November 2, 2003, which was the effective date of the Madrid Protocol Implementation Act ("MPIA"), 116 Stat. 1758, 1913 Pub. L. 107-273.[9] The Madrid System provides an efficient means by which trademark applicants or registrants may apply to register their marks at multiple foreign trademark offices through a single application filed at (and a single fee paid to) their home trademark office. For example, a trademark applicant or registrant at the PTO may file a single application and pay a single fee to register its trademark at any or all of the 114 countries[10] within the Madrid Union; the fee increases with the number of countries. The PTO will forward any such application to the International Bureau administering the Madrid System (based in Geneva at the

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[8] WIPO, Madrid Highlights, December 2014, No. 4/2014, at 11. The dark-gray countries indicate the 39 countries that are members of only the Protocol. Notice any significant countries, indicated by light-gray, that are not members of the Madrid Union?

[9] The Madrid System functions under two international instruments, the Madrid Agreement Concerning the International Registration of Marks of 1891, which the U.S. has never joined, and the 1989 Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (generally referred to as the "Madrid Protocol"), which was developed primarily to bring the U.S. and other major economies (such as the U.K. and Japan), into the Madrid System. Both the Agreement and the Protocol are filing treaties rather than substantive harmonization treaties.

[10] As of June 2016. *See* http://www.wipo.int/madrid/en/members/.

World Intellectual Property Organization ("WIPO")), which will then forward the application in turn to all countries selected by the applicant. This can result in significant cost savings for the applicant because it need not hire foreign local counsel to prosecute its application unless the local trademark office rejects or otherwise demands some response relating to the application. Furthermore, the Madrid registrant need only file a single form and pay a single fee to renew its mark across multiple foreign countries.

For U.S. applicants, there are certain drawbacks to using Madrid. First, many foreign trademark offices permit relatively broad definitions of the goods or services with which the mark will be used. The PTO, however, does not. As a result, the U.S. applicant must file a narrow definition of the applied-for mark's goods in order to satisfy the PTO but will then be required to use that definition when it seeks to extend its protection abroad. For this reason, some U.S. applicants seek to file in foreign countries locally rather than through Madrid.

A second disadvantage of Madrid is that all international trademark registrations filed through Madrid remain dependent on the applicant's home (or "basic") registration for five years from the date of that home registration. If the home registration fails during that five year period (as a result of a "central attack" from a third party opposer or for any other reason), then all international registrations will fail as well. However, within three months from the date of the cancellation of its home registration, the Madrid registrant may file to "transform" its international registrations into local registrations.

6. Cancellation of Registration

Lanham Act § 14, 15 U.S.C. § 1064, address the circumstances under which a third party may petition to cancel a registration. It provides, in essence, that for the five year period following the date of registration, a third party may petition to cancel the registration for any reason. *See* Lanham Act § 14(1), 15 U.S.C. § 1064(1). After five years has passed from the date of registration, a third party may petition to cancel a registration for only a limited number of reasons expressly enumerated in Lanham Act § 14(3), 15 U.S.C. § 1064(3). Here is the relevant statutory language:

> A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged, including as a result of a likelihood of dilution by blurring or dilution by tarnishment under section 1125(c) of this title, by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905:
>
> (1) Within five years from the date of the registration of the mark under this chapter.
>
> …

> (3) At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or is functional, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsection (a), (b), or (c) of section 1052 of this title for a registration under this chapter, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.

Lanham Act § 14, 15 U.S.C. § 1064. Note what is missing from § 14(3). Most significantly, after five years has passed since the date of registration, a third party cannot petition to cancel the registration on the ground that the mark is merely descriptive (this ground is not included in § 14(3)) or on the ground that the registered mark is confusingly similar with a previously used mark (§2(d) is not included in §14(3)). This five-year time limit on grounds for cancellation petitions at the PTO applies even if the registrant has not applied for incontestable status.[11]

Lanham Act § 37, 15 U.S.C. § 1119, provides federal courts with broad powers over registrations:

> In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Director, who shall make

[11] Note that Lanham Act § 14 can be read only to apply to cancellation petitions brought before *the PTO*. If the registrant has not obtained incontestable status for the mark, challengers *in federal court* are arguably not limited by Lanham Act § 14 in the grounds on which they can challenge the validity—or at least the enforceability—of the mark. *But see* MCCARTHY § 30:112 (arguing that § 14's five-year limit on grounds for cancellation applies to federal courts as well).

appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

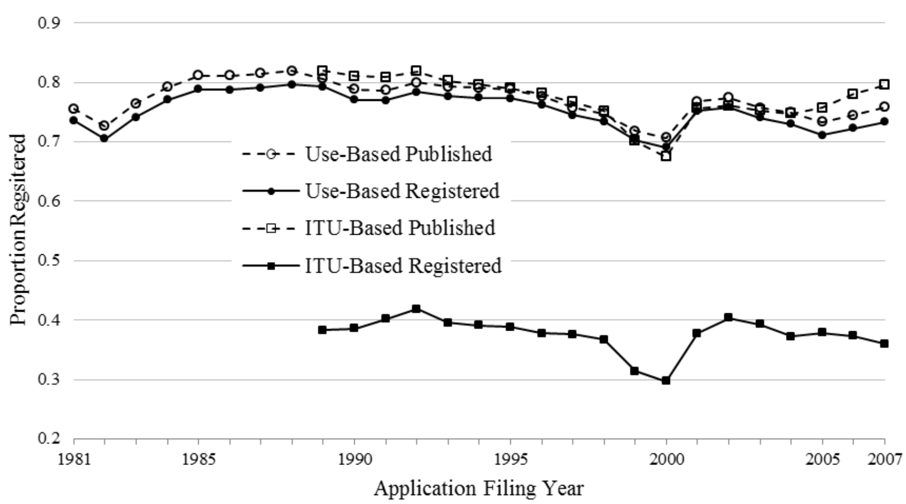
Id. The Fourth Circuit has determined, however, that § 37 does not allow federal courts to override the time limits built in to § 14. *See Shakespeare Co. v. Silstar Corp. of Am*., 9 F.3d 1091 (4th Cir. 1993).

Comments and Questions

1. *Trademark Registration Rates at the PTO*. The PTO's recent release of data concerning the registration process has made it possible to estimate the overall trademark registration rate at the PTO, i.e., the proportion of trademark applications that result in registration. For use-based applications filed at the PTO from 1981 through 2007, the overall registration rate was .75. *See* Barton Beebe, *Is the Trademark Office a Rubber Stamp?*, 48 HOUSTON L. REV. 751, 762 (2011). For ITU-based applications filed from November 16, 1989 through 2007, the registration rate was .37. *Id*. What might explain this significant difference in registration rates between use-based and ITU-based applications? Consider the publication rates of such applications, i.e., the proportion of applications that the PTO approved for publication. For use-based applications filed at the PTO from 1981 through 2007, the publication rate was .76. *Id*. at 770. For ITU-based applications filed from November 16, 1989 through 2007, the publication rate was also .76. *Id*. Recall that after an ITU-based application is approved for publication, the applicant must then submit a Statement of Use in order to complete the registration process.

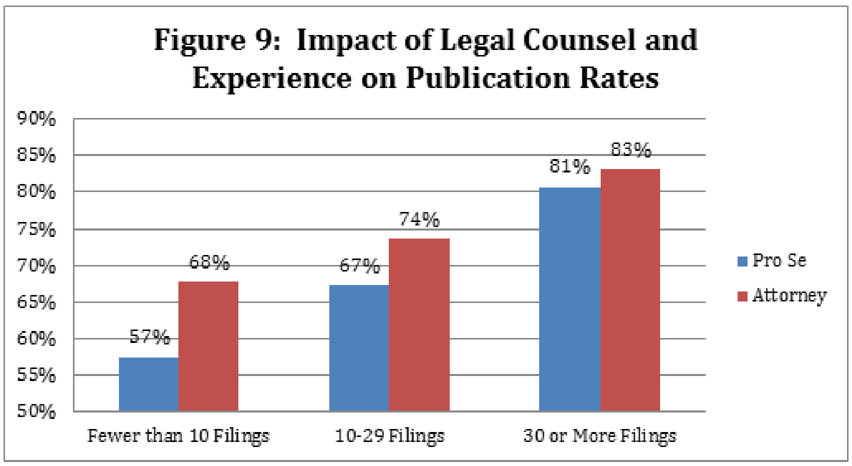
The figure below shows trademark publication and registration rates at the PTO over time. What might explain the pronounced dip in registration rates in 1999-2000?

Figure 2
Proportion of Use-Based and ITU-Based Applications Published and Registered by Application Filing Year, 1981-2007



Id. at 763.

2. *Do Trademark Lawyers Matter?* Deborah Gerhardt and John McClanahan have presented compelling evidence that trademark applications filed by attorneys do significantly better than applications filed by non-attorneys. *See* Deborah R. Gerhardt & Jon P. McClanahan, *Do Trademark Lawyers Matter?*, 16 STAN. TECH. L. REV. 583 (2013). They note in particular that for the period 1984 through 2012, the publication rate for applications filed by attorneys was 82% while the publication rate for applications filed by non-attorneys was 60%. *Id*. at 606. As the figure below shows, they also reported significant differences in the publication rates of applications depending on the experience of the attorney filing the application.



Id. at 610. See the article for a consideration of factors that may explain these differences in publication rates.

3. *Trademark Registrations as an Index of Innovation?* Recent scholarly work has focused on the question of whether trademark registration data may be used to measure the rate of "non-technological" innovation, specifically, innovation in the service and marketing sectors (sectors about which patent data often has very little to say). *See, e.g.*, Valentine Millot, Trademarks as an Indicator of Product and Marketing Innovations, OECD Science, Technology and Industry Working Papers 2009/06 (2009), http://dx.doi.org/10.1787/224428874418.

4. *Do State Trademark Regsitrations Have Any Value?* In general, no they do not. Scholars have even gone so far as to call for their abolition. *See* Lee Ann W. Lockridge, *Abolishing State Trademark Registrations*, 29 CARDOZO ARTS & ENT. L.J. 597 (2011). Rockridge reports:

> Under the law of forty-five states, registrations provide registrants with no significant, enforceable substantive rights beyond those awarded under state common law or under the federal statute protecting unregistered common law trademarks. In five states certain substantive

> rights can accrue to an owner through state registration, although those rights are limited by competing rights held by certain common law owners or federal registrants.

Id. at 598-99. Rockridge observes that in five states (Massachusetts, Minnesota, Rhode Island, Texas, and Washington), state law provides that a state trademark registration will create constructive notice of the registrant's claim of ownership as of the date of state registration, which impairs the ability of a common law adopter of the mark to claim good faith adoption of the mark after that date (or good faith geographic expansion within the state of its prior continuing use). *Id*. at 624. This benefit arises only under state law, however, and has no bearing on claims brought under federal law. *Id*. In the face of a subsequent third party federal registration, a state trademark registrant is treated no better than a Section 7(c) prior "common law" user and will be restricted to the geographic extent of its actual use of the mark within the state as of the date of the federal application.

McCarthy proposes one way in which state registration may provide a slight advantage in federal litigation:

> State registrations in most states have little legal significance other than serving as proof that on a certain date the registrant filed a claim that it was using a certain mark. This gives a slight procedural advantage of proving priority compared to merely relying upon a trademark owner's inherent common-law right of priority as proven by business records.

MCCARTHY at § 22:1 (footnote omitted). Note, however, that before the TTAB, state trademark registrations are not competent evidence of use by the state registrant of the mark. *See, e.g*., *Visa International Service Ass'n v. Visa Realtors*, 208 U.S.P.Q. 462 (TTAB 1980).

For a broader historical discussion of the relation between state trademark law and federal trademark law, see Mark P. McKenna, *Trademark Law's Faux Federalism*, *in* INTELLECTUAL PROPERTY AND THE COMMON LAW 288 (Shyamkrishna Balganesh ed. 2013). McKenna argues that "the persistent sense that federal and state law regulate concurrently has masked a significant federalization of trademark and unfair competition law over the last forty to fifty years." *Id*. at 289. McKenna goes so far as to call for the explicit federal preemption of state trademark and unfair competition law. *Id*. at 298.

7. Incontestable Status and *Park 'N Fly*

Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.
469 U.S. 189 (1985)

Justice O'CONNOR delivered the opinion of the Court.

[1] In this case we consider whether an action to enjoin the infringement of an incontestable trade or service mark may be defended on the grounds that the mark

is merely descriptive. We conclude that neither the language of the relevant statutes nor the legislative history supports such a defense.

I

[2] Petitioner operates long-term parking lots near airports. After starting business in St. Louis in 1967, petitioner subsequently opened facilities in Cleveland, Houston, Boston, Memphis, and San Francisco. Petitioner applied in 1969 to the United States Patent and Trademark Office (Patent Office) to register a service mark consisting of the logo of an airplane and the words "Park 'N Fly." The registration issued in August 1971. Nearly six years later, petitioner filed an affidavit with the Patent Office to establish the incontestable status of the mark. As required by § 15 of the Trademark Act of 1946 (Lanham Act), 60 Stat. 433, as amended, 15 U.S.C. § 1065, the affidavit stated that the mark had been registered and in continuous use for five consecutive years, that there had been no final adverse decision to petitioner's claim of ownership or right to registration, and that no proceedings involving such rights were pending. Incontestable status provides, subject to the provisions of § 15 and § 33(b) of the Lanham Act, "conclusive evidence of the registrant's exclusive right to use the registered mark...." § 33(b), 15 U.S.C. § 1115(b).

[3] Respondent also provides long-term airport parking services, but only has operations in Portland, Oregon. Respondent calls its business "Dollar Park and Fly." Petitioner filed this infringement action in 1978 in the United States District Court for the District of Oregon and requested the court permanently to enjoin respondent from using the words "Park and Fly" in connection with its business. Respondent counterclaimed and sought cancellation of petitioner's mark on the grounds that it is a generic term. See § 14(c), 15 U.S.C. § 1064(c). Respondent also argued that petitioner's mark is unenforceable because it is merely descriptive. See § 2(e), 15 U.S.C. § 1052(e)....

[4] After a bench trial, the District Court found that petitioner's mark is not generic and observed that an incontestable mark cannot be challenged on the grounds that it is merely descriptive…. The District Court permanently enjoined respondent from using the words "Park and Fly" and any other mark confusingly similar to "Park 'N Fly."

[5] The Court of Appeals for the Ninth Circuit reversed. 718 F.2d 327 (1983). The District Court did not err, the Court of Appeals held, in refusing to invalidate petitioner's mark. *Id.,* at 331. The Court of Appeals noted, however, that it previously had held that incontestability provides a defense against the cancellation of a mark, but it may not be used offensively to enjoin another's use. *Ibid.* Petitioner, under this analysis, could obtain an injunction only if its mark would be entitled to continued registration without regard to its incontestable status. Thus, respondent could defend the infringement action by showing that the mark was merely descriptive. Based on its own examination of the record, the Court of Appeals then determined

that petitioner's mark is in fact merely descriptive, and therefore respondent should not be enjoined from using the name "Park and Fly." *Ibid.*

[6] The decision below is in direct conflict with the decision of the Court of Appeals for the Seventh Circuit in *Union Carbide Corp. v. Ever-Ready Inc.,* 531 F.2d 366, cert. denied, 429 U.S. 830, 97 S.Ct. 91, 50 L.Ed.2d 94 (1976). We granted certiorari to resolve this conflict, 465 U.S. 1078, 104 S.Ct. 1438, 79 L.Ed.2d 760 (1984), and we now reverse.

II

[7] Congress enacted the Lanham Act in 1946 in order to provide national protection for trademarks used in interstate and foreign commerce. S.Rep. No. 1333, 79th Cong., 2d Sess., 5 (1946). Previous federal legislation, such as the Federal Trademark Act of 1905, 33 Stat. 724, reflected the view that protection of trademarks was a matter of state concern and that the right to a mark depended solely on the common law. S.Rep. No. 1333, at 5. Consequently, rights to trademarks were uncertain and subject to variation in different parts of the country. Because trademarks desirably promote competition and the maintenance of product quality, Congress determined that "a sound public policy requires that trademarks should receive nationally the greatest protection that can be given them." *Id.,* at 6. Among the new protections created by the Lanham Act were the statutory provisions that allow a federally registered mark to become incontestable. §§ 15, 33(b), 15 U.S.C. §§ 1065, 1115(b).

[8] The provisions of the Lanham Act concerning registration and incontestability distinguish a mark that is "the common descriptive name of an article or substance" from a mark that is "merely descriptive." §§ 2(e), 14(c), 15 U.S.C. §§ 1052(e), 1064(c). Marks that constitute a common descriptive name are referred to as generic. A generic term is one that refers to the genus of which the particular product is a species. *Abercrombie & Fitch Co. v. Hunting World, Inc.,* 537 F.2d 4, 9 (CA2 1976). Generic terms are not registrable, and a registered mark may be canceled at any time on the grounds that it has become generic. See §§ 2, 14(c), 15 U.S.C. §§ 1052, 1064(c). A "merely descriptive" mark, in contrast, describes the qualities or characteristics of a good or service, and this type of mark may be registered only if the registrant shows that it has acquired secondary meaning, *i.e.,* it "has become distinctive of the applicant's goods in commerce." §§ 2(e), (f), 15 U.S.C. §§ 1052(e), (f).

[9] This case requires us to consider the effect of the incontestability provisions of the Lanham Act in the context of an infringement action defended on the grounds that the mark is merely descriptive. Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose. See *American Tobacco Co. v. Patterson,* 456 U.S. 63, 68, 102 S.Ct. 1534, 1537, 71 L.Ed.2d 748 (1982). With respect to incontestable trade or service marks, § 33(b) of the Lanham Act states that "registration shall be conclusive evidence of the registrant's exclusive right to

use the registered mark" subject to the conditions of § 15 and certain enumerated defenses. Section 15 incorporates by reference subsections (c) and (e) of § 14, 15 U.S.C. § 1064. An incontestable mark that becomes generic may be canceled at any time pursuant to § 14(c). That section also allows cancellation of an incontestable mark at any time if it has been abandoned, if it is being used to misrepresent the source of the goods or services in connection with which it is used, or if it was obtained fraudulently or contrary to the provisions of § 4, 15 U.S.C. § 1054, or §§ 2(a)–(c), 15 U.S.C. §§ 1052(a)–(c).

[10] One searches the language of the Lanham Act in vain to find any support for the offensive/defensive distinction applied by the Court of Appeals. The statute nowhere distinguishes between a registrant's offensive and defensive use of an incontestable mark. On the contrary, § 33(b)'s declaration that the registrant has an "exclusive right" to use the mark indicates that incontestable status may be used to enjoin infringement by others. A conclusion that such infringement cannot be enjoined renders meaningless the "exclusive right" recognized by the statute. Moreover, the language in three of the defenses enumerated in § 33(b) clearly contemplates the use of incontestability in infringement actions by plaintiffs. See §§ 33(b)(4)–(6), 15 U.S.C. §§ 1115(b)(4)–(6).

[11] The language of the Lanham Act also refutes any conclusion that an incontestable mark may be challenged as merely descriptive. A mark that is merely descriptive of an applicant's goods or services is not registrable unless the mark has secondary meaning. Before a mark achieves incontestable status, registration provides prima facie evidence of the registrant's exclusive right to use the mark in commerce. § 33(a), 15 U.S.C. § 1115(a). The Lanham Act expressly provides that before a mark becomes incontestable an opposing party may prove any legal or equitable defense which might have been asserted if the mark had not been registered. *Ibid.* Thus, § 33(a) would have allowed respondent to challenge petitioner's mark as merely descriptive if the mark had not become incontestable. With respect to incontestable marks, however, § 33(b) provides that registration is *conclusive* evidence of the registrant's exclusive right to use the mark, subject to the conditions of § 15 and the seven defenses enumerated in § 33(b) itself.[1] Mere descriptiveness is not recognized by either § 15 or § 33(b) as a basis for challenging an incontestable mark.

[12] The statutory provisions that prohibit registration of a merely descriptive mark but do not allow an incontestable mark to be challenged on this ground cannot be attributed to inadvertence by Congress. The Conference Committee rejected an amendment that would have denied registration to any descriptive mark, and instead retained the provisions allowing registration of a merely descriptive mark that has acquired secondary meaning. See H.R.Conf.Rep. No. 2322, 79th Cong., 2d Sess., 4 (1946) (explanatory statement of House managers). The Conference

[1] [Lanham Act § 33(b) has since been amended to list nine defenses.]

Committee agreed to an amendment providing that no incontestable right can be acquired in a mark that is a common descriptive, *i.e.,* generic, term. *Id.,* at 5. Congress could easily have denied incontestability to merely descriptive marks as well as to generic marks had that been its intention.

[13] The Court of Appeals in discussing the offensive/defensive distinction observed that incontestability protects a registrant against cancellation of his mark. 718 F.2d, at 331. This observation is incorrect with respect to marks that become generic or which otherwise may be canceled at any time pursuant to §§ 14(c) and (e). Moreover, as applied to marks that are merely descriptive, the approach of the Court of Appeals makes incontestable status superfluous. Without regard to its incontestable status, a mark that has been registered five years is protected from cancellation except on the grounds stated in §§ 14(c) and (e). Pursuant to § 14, a mark may be canceled on the grounds that it is merely descriptive only if the petition to cancel is filed within five years of the date of registration. § 14(a), 15 U.S.C. § 1064(a). The approach adopted by the Court of Appeals implies that incontestability adds nothing to the protections against cancellation already provided in § 14. The decision below not only lacks support in the words of the statute; it effectively emasculates § 33(b) under the circumstances of this case.

III

[14] Nothing in the legislative history of the Lanham Act supports a departure from the plain language of the statutory provisions concerning incontestability. Indeed, a conclusion that incontestable status can provide the basis for enforcement of the registrant's exclusive right to use a trade or service mark promotes the goals of the statute. The Lanham Act provides national protection of trademarks in order to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. See S.Rep. No. 1333, at 3, 5. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation. *Id.,* at 4. The incontestability provisions, as the proponents of the Lanham Act emphasized, provide a means for the registrant to quiet title in the ownership of his mark. See Hearings on H.R. 82 before the Subcommittee of the Senate Committee on Patents, 78th Cong., 2d Sess., 21 (1944) (remarks of Rep. Lanham); *id.,* at 21, 113 (testimony of Daphne Robert, ABA Committee on Trade Mark Legislation); Hearings on H.R. 102 et al. before the Subcommittee on Trade-Marks of the House Committee on Patents, 77th Cong., 1st Sess., 73 (1941) (remarks of Rep. Lanham). The opportunity to obtain incontestable status by satisfying the requirements of § 15 thus encourages producers to cultivate the goodwill associated with a particular mark. This function of the incontestability provisions would be utterly frustrated if the holder of an incontestable mark could not enjoin infringement by others so long as they established that the mark would not be registrable but for its incontestable status.

…

IV

[15] Respondent argues that the decision by the Court of Appeals should be upheld because trademark registrations are issued by the Patent Office after an *ex parte* proceeding and generally without inquiry into the merits of an application. This argument also unravels upon close examination. The facts of this case belie the suggestion that registration is virtually automatic. The Patent Office initially denied petitioner's application because the examiner considered the mark to be merely descriptive. Petitioner sought reconsideration and successfully persuaded the Patent Office that its mark was registrable.

[16] More generally, respondent is simply wrong to suggest that third parties do not have an opportunity to challenge applications for trademark registration. If the Patent Office examiner determines that an applicant appears to be entitled to registration, the mark is published in the Official Gazette. § 12(a), 15 U.S.C. § 1062(a). Within 30 days of publication, any person who believes that he would be damaged by registration of the mark may file an opposition. § 13, 15 U.S.C. § 1063. Registration of a mark provides constructive notice throughout the United States of the registrant's claim to ownership. § 22, 15 U.S.C. § 1072. Within five years of registration, any person who believes that he is or will be damaged by registration may seek to cancel a mark. § 14(a), 15 U.S.C. § 1064(a). A mark may be canceled at any time for certain specified grounds, including that it was obtained fraudulently or has become generic. § 14(c), 15 U.S.C. § 1064(c).

[17] The Lanham Act, as the dissent notes, *post,* at 673 – 674, authorizes courts to grant injunctions "according to principles of equity." § 34, 15 U.S.C. § 1116. Neither respondent nor the opinion of the Court of Appeals relies on this provision to support the holding below. Whatever the precise boundaries of the courts' equitable power, we do not believe that it encompasses a substantive challenge to the validity of an incontestable mark on the grounds that it lacks secondary meaning. To conclude otherwise would expand the meaning of "equity" to the point of vitiating the more specific provisions of the Lanham Act.[2] Similarly, the power of the courts to cancel registrations and "to otherwise rectify the register," § 37, 15 U.S.C. § 1119, must be subject to the specific provisions concerning incontestability. In effect, both respondent and the dissent argue that these provisions offer insufficient protection against improper registration of a merely descriptive mark, and therefore the validity of petitioner's mark may be challenged notwithstanding its incontestable status. Our responsibility, however, is not to evaluate the wisdom of the legislative determinations reflected in the statute, but instead to construe and apply the provisions that Congress enacted.

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[2] We note, however, that we need not address in this case whether traditional equitable defenses such as estoppel or laches are available in an action to enforce an incontestable mark. See generally Comment, Incontestable Trademark Rights and Equitable Defenses in Infringement Litigation, 66 Minn.L.Rev. 1067 (1982).

V

[18] The Court of Appeals did not attempt to justify its decision by reference to the language or legislative history of the Lanham Act. Instead, the court relied on its previous decision in *Tillamook County Creamery v. Tillamook Cheese & Dairy Assn.,* 345 F.2d 158, 163 (CA9), cert. denied, 382 U.S. 903 (1965), for the proposition that a registrant may not rely on incontestability to enjoin the use of the mark by others. Examination of *Tillamook,* however, reveals that there is no persuasive justification for the judicially created distinction between offensive and defensive use of an incontestable mark….

VI

[19] We conclude that the holder of a registered mark may rely on incontestability to enjoin infringement and that such an action may not be defended on the grounds that the mark is merely descriptive. Respondent urges that we nevertheless affirm the decision below based on the "prior use" defense recognized by § 33(b)(5) of the Lanham Act. Alternatively, respondent argues that there is no likelihood of confusion and therefore no infringement justifying injunctive relief. The District Court rejected each of these arguments, but they were not addressed by the Court of Appeals. 718 F.2d, at 331–332, n. 4. That court may consider them on remand. The judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

Justice STEVENS, dissenting.

[1] In trademark law, the term "incontestable" is itself somewhat confusing and misleading because the Lanham Act expressly identifies over 20 situations in which infringement of an allegedly incontestable mark is permitted.[1] Moreover, in § 37 of the Act, Congress unambiguously authorized judicial review of the validity of the registration "in any action involving a registered mark." The problem in this case arises because of petitioner's attempt to enforce as "incontestable" a mark that Congress has plainly stated is inherently unregistrable.

[2] The mark "Park 'N Fly" is at best merely descriptive in the context of airport parking. Section 2 of the Lanham Act plainly prohibits the registration of such a

[1] Section 33(b) enumerates seven categories of defenses to an action to enforce an incontestable mark. See 15 U.S.C. § 1115(b), quoted *ante,* at 662, n. 3. In addition, a defendant is free to argue that a mark should never have become incontestable for any of the four reasons enumerated in § 15. 15 U.S.C. § 1065. Moreover, § 15 expressly provides that an incontestable mark may be challenged on any of the grounds set forth in subsections (c) and (e) of § 14, 15 U.S.C. § 1064, and those sections, in turn, incorporate the objections to registrability that are defined in §§ 2(a), 2(b), and 2(c) of the Act. 15 U.S.C. §§ 1052(a), (b), and (c).

mark unless the applicant proves to the Commissioner of the Patent and Trademark Office that the mark "has become distinctive of the applicant's goods in commerce," or to use the accepted shorthand, that it has acquired a "secondary meaning." See 15 U.S.C. §§ 1052(e), (f). Petitioner never submitted any such proof to the Commissioner, or indeed to the District Court in this case. Thus, the registration plainly violated the Act.

[3] The violation of the literal wording of the Act also contravened the central purpose of the entire legislative scheme. Statutory protection for trademarks was granted in order to safeguard the goodwill that is associated with particular enterprises. A mark must perform the function of distinguishing the producer or provider of a good or service in order to have any legitimate claim to protection. A merely descriptive mark that has not acquired secondary meaning does not perform that function because it simply "describes the qualities or characteristics of a good or service." *Ante,* at 662. No legislative purpose is served by granting anyone a monopoly in the use of such a mark.

[4] Instead of confronting the question whether an inherently unregistrable mark can provide the basis for an injunction against alleged infringement, the Court treats the case as though it presented the same question as *Union Carbide Corp. v. Ever-Ready, Inc.,* 531 F.2d 366 (CA7), cert. denied, 429 U.S. 830, 97 S.Ct. 91, 50 L.Ed.2d 94 (1976), a case in which the merely descriptive mark had an obvious and well-established secondary meaning. In such a case, I would agree with the Court that the descriptive character of the mark does not provide an infringer with a defense. In this case, however, the provisions of the Act dealing with incontestable marks do not support the result the Court has reached. I shall first explain why I agree with the conclusion that the Court of Appeals reached; I shall then comment on each of the three arguments that the Court advances in support of its contrary conclusion.

I

[5] The word "incontestable" is not defined in the Act. Nor, surprisingly, is the concept explained in the Committee Reports on the bill that was enacted in 1946. The word itself implies that it was intended to resolve potential contests between rival claimants to a particular mark. And, indeed, the testimony of the proponents of the concept in the Committee hearings that occurred from time to time during the period when this legislation was being considered reveals that they were primarily concerned with the problem that potential contests over the ownership of registrable marks might present. No one ever suggested that any public purpose would be served by granting incontestable status to a mark that should never have been accepted for registration in the first instance.

[6] In those hearings the witnesses frequently referred to incontestability as comparable to a decree quieting title to real property. Such a decree forecloses any further contest over ownership of the property, but it cannot create the property itself. Similarly the incontestability of a trademark precludes any competitor from

contesting the registrant's ownership, but cannot convert unregistrable subject matter into a valid mark. Such a claim would be clearly unenforceable.

…

[7] The legislative history of the incontestability provisions indicates that Congress did not intend to prevent the use of mere descriptiveness as a substantive defense to a claim of infringement if the mark has not acquired secondary meaning….

[8] […] In light of this legislative history, it is apparent that Congress could not have intended that incontestability should preserve a merely descriptive trademark from challenge when the statutory procedure for establishing secondary meaning was not followed and when the record still contains no evidence that the mark has ever acquired a secondary meaning.

[9] If the registrant of a merely descriptive mark complies with the statutory requirement that prima facie evidence of secondary meaning must be submitted to the Patent and Trademark Office, it is entirely consistent with the policy of the Act to accord the mark incontestable status after an additional five years of continued use. For if no rival contests the registration in that period, it is reasonable to presume that the initial prima facie showing of distinctiveness could not be rebutted. But if no proof of secondary meaning is ever presented, either to the Patent and Trademark Office or to a court, there is simply no rational basis for leaping to the conclusion that the passage of time has transformed an inherently defective mark into an incontestable mark.

[10] No matter how dedicated and how competent administrators may be, the possibility of error is always present,[2] especially in nonadversary proceedings. For that reason the Court normally assumes that Congress intended agency action to be subject to judicial review unless the contrary intent is expressed in clear and unambiguous language. In this statute Congress has expressed no such intent. On the contrary, it has given the courts the broadest possible authority to determine the validity of trademark registrations "in any action involving a registered mark." § [37, 15 U.S.C. § 1119]. The exercise of that broad power of judicial review should be informed by the legislative purposes that motivated the enactment of the Lanham Act.

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[2] Recently, Gerald J. Mossinghoff, Assistant Secretary and Commissioner of Patents and Trademarks, gave the following testimony before Congress: "[O]ne of the biggest problems we have had is that, at any one time, about 7 percent of our 25 million documents are either missing or misfiled. The paper system was set up in 1836 and has remained virtually unchanged since then. During that time it simply has deteriorated to the point where 7 percent of the documents are missing." Hearing before the Subcommittee on Patents, Copyrights and Trademarks of the Senate Committee on the Judiciary, 98th Cong., 1st Sess., 5 (1983).

[11] Congress enacted the Lanham Act "to secure trade-mark owners in the goodwill which they have built up." [S.Rep. No. 1333, at 5] But without a showing of secondary meaning, there is no basis upon which to conclude that petitioner has built up any goodwill that is secured by the mark "Park 'N Fly." In fact, without a showing of secondary meaning, we should presume that petitioner's business appears to the consuming public to be just another anonymous, indistinguishable parking lot. When enacting the Lanham Act, Congress also wanted to "protect the public from imposition by the use of counterfeit and imitated marks and false trade descriptions." [*Ibid.*] Upon this record there appears no danger of this occurrence, and as a practical matter, without any showing that the public can specifically identify petitioner's service, it seems difficult to believe that anyone would imitate petitioner's marks, or that such imitation, even if it occurred, would be likely to confuse anybody.

[12] On the basis of the record in this case, it is reasonable to infer that the operators of parking lots in the vicinity of airports may make use of the words "park and fly" simply because those words provide a ready description of their businesses, rather than because of any desire to exploit petitioner's goodwill. There is a well-recognized public interest in prohibiting the commercial monopolization of phrases such as "park and fly." When a business claims the exclusive right to use words or phrases that are a part of our common vocabulary, this Court should not depart from the statutorily mandated authority to "rectify the register," 15 U.S.C. § 1119, absent a clear congressional mandate. Language, even in a commercial context, properly belongs to the public unless Congress instructs otherwise. In this case we have no such instruction; in fact, the opposite command guides our actions: Congress' clear insistence that a merely descriptive mark, such as "Park 'N Fly" in the context of airport parking, remain in the public domain unless secondary meaning is proved.

[13] The basic purposes of the Act, the unambiguous congressional command that no merely descriptive mark should be registered without prior proof that it acquired secondary meaning, and the broad power of judicial review granted by § 37 combine to persuade me that the registrant of a merely descriptive mark should not be granted an injunction against infringement without ever proving that the mark acquired secondary meaning.

II

[14] The Court relies on three different, though not unrelated, arguments to support its negative answer to the question "whether an action to enjoin the infringement of an incontestable mark may be defended on the grounds that the mark is merely descriptive," *ante,* at 660: (1) the language of § 33(b) is too plain to prevent any other conclusion; (2) the legislative history indicates that Congress decided not to deny incontestable status to merely descriptive marks; and (3) the practical value of incontestable status would be nullified if the defense were recognized. Each of these arguments is unpersuasive.

The Plain Language

[15] After the right to use a registered mark has become incontestable, § 33(b) provides that "the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark." 15 U.S.C. § 1115(b). Read in isolation, this provision surely does lend support to the Court's holding. Indeed, an isolated and literal reading of this language would seem to foreclose any nonstatutory defense to an action to enjoin the infringement of an incontestable mark. The Court, however, wisely refuses to adopt any such rigid interpretation of § 33(b).

[16] An examination of other provisions of the Act plainly demonstrates that no right to injunctive relief against infringement automatically follows from the achievement of incontestable status. Thus, § 34 states that courts with proper jurisdiction "shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable." 15 U.S.C. § 1116. If a registrant establishes the violation of any right, § 35 additionally emphasizes that any recovery shall be "subject to the principles of equity." 15 U.S.C. § 1117. These sections are in addition to the broad power that § 37 grants to courts in "any action involving a registered mark" to "determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action." 15 U.S.C. § 1119. Moreover, it is well established that injunctions do not issue as a matter of course, and that "the essence of equity jurisdiction has been the power of the Chancellor to do equity," [*Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944),] particularly when an important public interest is involved.

[17] In exercising its broad power to do equity, the federal courts certainly can take into account the tension between the apparent meaning of § 33(b) and the plain command in §§ 2(e), (f) of the Act prohibiting the registration of a merely descriptive mark without any proof of secondary meaning. Because it would be [ ]demonstrably at odds with the intent of [Congress] [ ] to grant incontestable status to a mark that was not eligible for registration in the first place, the Court is surely authorized to require compliance with § 2(f) before granting relief on the basis of § 33(b).

The Legislative History

[18] The language of §§ 2(e), (f) expressly demonstrates Congress' concern over granting monopoly privileges in merely descriptive marks. However, its failure to include mere descriptiveness in its laundry list of grounds on which incontestability could be challenged is interpreted by the Court today as evidence of congressional approval of incontestable status for all merely descriptive marks.

[19] This history is unpersuasive because it is perfectly clear that the failure to include mere descriptiveness among the grounds for challenging incontestability was based on the understanding that such a mark would not be registered without a showing of secondary meaning. See *supra,* at 618. To read Congress' failure as

equivalent to an endorsement of incontestable status for merely descriptive marks without secondary meaning can only be described as perverse.

The Practical Argument

[20] The Court suggests that my reading of the Act "effectively emasculates § 33(b) under the circumstances of this case." *Ante,* at 663. But my reading would simply require the owner of a merely descriptive mark to prove secondary meaning before obtaining any benefit from incontestability. If a mark is in fact "distinctive of the applicant's goods in commerce" as § 2(f) requires, that burden should not be onerous. If the mark does not have any such secondary meaning, the burden of course could not be met. But if that be the case, the purposes of the Act are served, not frustrated, by requiring adherence to the statutory procedure mandated by Congress.

[21] In sum, if petitioner had complied with § 2(f) at the time of its initial registration, or if it had been able to prove secondary meaning in this case, I would agree with the Court's disposition. I cannot, however, subscribe to its conclusion that the holder of a mark which was registered in violation of an unambiguous statutory command "may rely on incontestability to enjoin infringement." *Ante,* at 667; see also *ante,* at 663. Accordingly, I respectfully dissent.

E. The Territorial Extent of Trademark Rights

We consider in this section the geographical extent of rights in registered and unregistered marks. Because the case law excerpted below on the geographical extent of rights in unregistered marks assumes knowledge of the regime relating to registered marks, we begin first with registered marks.

1. The Territorial Extent of Rights in *Registered* Marks

a. Applications Filed on or after November 16, 1989: Constructive Use Priority as of Date of Application

The Trademark Law Revision Act of 1988 (TLRA) created Lanham Act § 7(c), 15 U.S.C. § 1057(c), which applies to all applications filed on or after the November 16, 1989 effective date of the TLRA.[3] Section 7(c) reads as follows:

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[3] The Lanham Act does not explicitly state that the benefits of § 7(c) should be available only to applications filed on or after the effective date of the TLRA. However, as McCarthy notes, "Lanham Act § 33(b)(5), 15 U.S.C. § 1115(b)(5) distinguishes between the application date creating constructive use on the one hand and the registration date creating constructive notice [under § 22] on the other hand, limiting the later to a case where "the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988." This indicates a legislative intent to restrict the benefits of § 7(c) constructive use to registrations

> (c) *Application to register mark considered constructive use*. Contingent on the registration of a mark on the principal register provided by this Act, the filing of the application to register such mark shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration against any other person except for a person whose mark has not been abandoned and who, prior to such filing–
>
> (1) has used the mark;
>
> (2) has filed an application to register the mark which is pending or has resulted in registration of the mark; or
>
> (3) has filed a foreign application to register the mark on the basis of which he or she has acquired a right of priority, and timely files an application under section 44(d) [15 USC 1126(d)] to register the mark which is pending or has resulted in registration of the mark.

Id. Section 7(c) thus confers on the successful registrant nationwide "constructive use" priority in the registered mark as of the date of application, and does so regardless of whether the registrant has in fact made or is in fact making actual nationwide use of the mark. *See Humanoids Group v. Rogan*, 375 F.3d 301, 305 n.3 (4th Cir. 2004) ("Constructive use establishes a priority date with the same legal effect as the earliest actual use of a trademark at common law." (citation omitted)). Note that until the registration issues, this priority is merely "contingent" nationwide priority. The applicant may not use § 7(c) to enjoin others' conduct until the registration issues, at which time the registrants' constructive use priority is the date of application.

To appreciate the practical significance of § 7(c), imagine the following course of events:

- Time 1: A files a § 1(b) intent-to-use application for registration of the mark.
- Time 2: B subsequently begins to make actual use of the mark throughout the U.S.
- Time 3: A begins to make actual use of the mark throughout the U.S. and files a Statement of Use.
- Time 4: A's application matures into registration.

Under the terms of § 7(c), registration confers on A nationwide priority as of Time 1 even though A did not make actual use of the mark until Time 3. At Time 4, A may enjoin B's use. Meanwhile, even though B was the first to make actual use of the mark, it cannot on that basis enjoin A from completing the ITU process by making its own actual use. *See WarnerVision Entertainment Inc. v. Empire of Carolina Inc.*, 101

resulting from applications filed after the effective date of the revision." McCarthy § 26.38 fn 1.10.

F.3d 259, 262 (2d Cir. 1996) ("The ITU provisions permit the holder of an ITU application to use the mark in commerce, obtain registration, and thereby secure priority retroactive to the date of filing of the ITU application. Of course, this right or privilege is not indefinite; it endures only for the time allotted by the statute. But as long as an ITU applicant's privilege has not expired, a court may not enjoin it from making the use necessary for registration on the grounds that another party has used the mark subsequent to the filing of the ITU application. To permit such an injunction would eviscerate the ITU provisions and defeat their very purpose.").

As the statutory language makes clear, § 7(c) nationwide constructive use priority is subject to certain important exceptions. Most significantly, the registrant cannot assert priority over any person who began use of the mark prior to the registrant's date of application. This prior "common law" or unregistered user may continue to use its mark in the area in which it was using it as of the registrant's date of application. One statutory basis for this rule—that the pre-application user is frozen to its area of use as of the date of application—is § 33(b)(5), 15 U.S.C. § 1115(b)(5), which establishes a so-called "intermediate junior user" defense against either a contestable or incontestable registration. Section 33(b)(5) provides that the registrant's rights are subject to the defense

> (5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 7(c) [15 USC 1057(c)], (B) the registration of the mark under this Act if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 12 of this Act [15 USC 1062(c)]: Provided, however, That this defense or defect shall apply only for the area in which such continuous prior use is proved.

15 U.S.C. § 1115(b)(5).

The practical significance of § 33(b)(5) may be demonstrated with the following set of facts:

- Time 1: A begins actual use of the mark in Area A.
- Time 2: B begins actual use of the mark in Area B.
- Time 3: A applies to register the mark.
- Time 4: A's registration issues.

In this set of facts, A is the senior national user and B is the junior national user who began its use at a time "intermediate" between A's first use and A's application to register. From Time 4, A may enjoin B's use anywhere in the U.S. except in Area B (provided that B adopted the mark without knowledge of A's use). If B has been expanding its use between Time 2 and Time 4, it will be allowed to continue to use its mark in its area of actual use as of Time 3.

What about situations in which the non-registrant is the senior national user? Thus:

- Time 1: A begins actual use of the mark in Area A.
- Time 2: B begins actual use of the mark in Area B.
- Time 3: B applies to register the mark.
- Time 4: B's registration issues.

Here, § 33(b)(5) does not apply because A is not the intermediate junior user. Instead, A is the senior user. There is some uncertainty over whether registrant B may limit A's use to its area of expansion as of B's date of application or B's date of registration. McCarthy endorses the view that B may only limit A's area of expansion as of the latter date, B's date of registration, because this was the view of the Trademark Review Commission in 1988. MCCARTHY § 26:40. It is not clear, however, why § 7(c) nationwide constructive use, to the extent that it is equivalent to actual nationwide common law use, would not freeze the non-registrant as of the date of application.

b. Applications Filed before November 16, 1989: Constructive Notice Priority as of Date of Registration

Applications filed before November 16, 1989 must rely on § 22, 15 U.S.C. § 1072:

> Registration of a mark on the principal register provided by this Act or under the Act of March 3, 1981, or the Act of February 20, 1905, shall be constructive notice of the registrant's claim of ownership thereof.

This "constructive notice" disables any person who adopts the mark after the registrant's date of registration from claiming that it did so in good faith. *See* MCCARTHY § 26:32. Section 33(b)(5) applies to intermediate junior users (those who adopted the mark after the registrant began actual use of the mark but before the registrant's date of registration). *See, e.g., Burger King of Fla., Inc. v. Hoots*, 403 F.2d 904 (7th Cir. 1968) (limiting intermediate junior user of BURGER KING for restaurant services to 25-mile radius around Mattoon, Illinois). Senior common law users (those who adopted the mark before the registrant began actual use of the mark) are frozen to their area of use as of the date of registration. *See* Lanham Act § 15, 15 U.S.C. § 1065.

c. Concurrent Use and Registration

Lanham Act § 2(d), 15 U.S.C. § 1052(d), provides that two or more parties may use or register similar or identical marks for similar or identical goods provided that their respective uses of the marks will be sufficiently geographically distinct as not to cause consumer confusion. The text of § 2(d) provides as follows:

> No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—
>
> (d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: Provided, That if the Director determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (1) the earliest of the filing dates of the applications pending or of any registration issued under this chapter; (2) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date; or (3) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Use prior to the filing date of any pending application or a registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. Concurrent registrations may also be issued by the Director when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Director shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods on or in connection with which such mark is registered to the respective persons.

15 U.S.C. § 1052(d). *See also* TMEP § 1207.

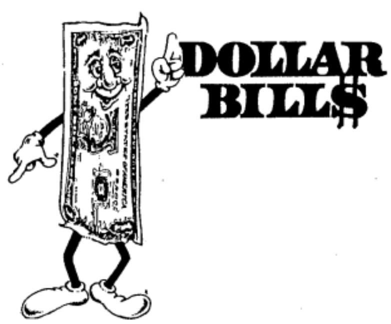
Thus, the first applicant for a mark may be granted a registration covering the entirety of the U.S. except for the limited area in which an intermediate junior user or senior common law user is entitled to use the mark. *See, e.g.*, *Terrific Promotions, Inc. v. Vanlex, Inc.*, 36 U.S.P.Q.2d 1349 (TTAB 1995) ("TPI is entitled to a concurrent use registration for the mark DOLLAR BILLS and design for discount variety goods store services for the area comprising the entire United States except for the counties of Essex, Bergen, Hudson, Union and Middlesex in New Jersey, the five Boroughs of New York City and the counties of Suffolk, Nassau, Westchester, Rockland and Putnam in New York, the county of Fairfield in Connecticut and the county of Allegheny in Pennsylvania." (see registration certificate below)); *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512 (C.C.P.A. 1980) (limiting junior user-registrant's registration to the entirety of the U.S. except for certain areas of New Jersey in which senior user had been using its mark). Meanwhile, the intermediate junior user or senior common law user may seek to register the mark for the limited area in which it is allowed still to use the mark. *See, e.g.*, *Ole' Taco, Inc. v. Tacos Ole, Inc.*, 221 U.S.P.Q. 912 (TTAB 1984) (limiting senior user's registration to entirety of U.S. except for area consisting of 180-mile radius around Grand Rapids, Michigan; limiting junior user's registration to Grand Rapids, Michigan (see registration certificates below)).

Int. Cl.: 42

Prior U.S. Cl.: 101

United States Patent and Trademark Office **Reg. No. 1,926,806** Registered Oct. 17, 1995

SERVICE MARK
PRINCIPAL REGISTER
CONCURRENT USE



TPI OF ILLINOIS, INC. (ILLINOIS CORPORATION)
4611 WEST 136TH STREET
CRESTWOOD, IL 60445 , BY MERGER WITH TERRIFIC PROMOTIONS, INC. (MARYLAND CORPORATION) ALEXANDRIA, VA 22312

FOR: DISCOUNT VARIETY GOODS STORE SERVICES, IN CLASS 42 (U.S. CL. 101).
FIRST USE 11-15-1986; IN COMMERCE 11-15-1986.
REGISTRATION LIMITED TO THE AREA COMPRISING THE ENTIRE UNITED STATES EXCEPT FOR THE COUNTIES OF ESSEX, BERGEN, HUDSON, UNION AND MIDDLESEX IN NEW JERSEY, THE FIVE BOROUGHS OF NEW YORK CITY AND THE COUNTIES OF SUFFOLK, NASSAU, WESTCHESTER, ROCKLAND AND PUTNAM IN NEW YORK, THE COUNTY OF FAIRFIELD IN CONNECTICUT AND THE COUNTY OF ALLEGHENY IN PENNSYLVANIA, CONCURRENT USE PROCEEDING NO. 853 WITH SERIAL NO. 73/725611.

SER. NO. 73-725,611, FILED 5-2-1988.

WAI BUI ZEE, EXAMINING ATTORNEY

Int. Cl.: 42

Prior U.S. Cl.: 100

United States Patent and Trademark Office **Reg. No. 1,376,369** **Registered Dec. 17, 1985**

SERVICE MARK
PRINCIPAL REGISTER

Ole' Tacos

OLE' TACO INC. (MICHIGAN CORPORATION)
2417 EASTERN AVE. SE.
GRAND RAPIDS, MI 49507

FOR: RESTAURANT SERVICES, IN CLASS 42 (U.S. CL. 100).
FIRST USE 9-0-1969; IN COMMERCE 9-0-1969.
SUBJECT TO CONCURRENT USE PROCEEDING WITH SERIAL NO. 89,563. APPLICANT CLAIMS THE AREA COMPRISING THE STATE OF MICHIGAN, AND SUCH PORTIONS OF INDIANA, ILLINOIS, AND OHIO AS DO NOT EXTEND BEYOND A 180-MILE RADIUS WHOSE CENTRAL POINT IS GRAND RAPIDS, MICHIGAN.
NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "TACOS", APART FROM THE MARK AS SHOWN.
THE TERM "OLE'" AS USED IN THE MARK IS A SPANISH EXPRESSION MEANING "BRAVO!".

SER. NO. 93,243, FILED 7-12-1976.

MARC BERGSMAN, EXAMINING ATTORNEY

Int. Cl.: 42

Prior U.S. Cl.: 100

United States Patent and Trademark Office **Reg. No. 1,135,911** **Registered May 20, 1980**
Restricted **OG Date Aug. 18, 1987**

SERVICE MARK
PRINCIPAL REGISTER

TACOS OLE'

TACOS OLE, INC. (FLORIDA CORPORATION)
4142 SW. 70TH CT.
MIAMI, FL 33155

REGISTRATION LIMITED TO THE AREA COMPRISING THE ENTIRE UNITED STATES EXCEPT THE STATE OF MICHIGAN AND SUCH PORTIONS OF ILLINOIS, INDIANA AND OHIO AS DO NOT EXTEND A 180-MILE RADIUS WHOSE CENTRAL POINT IS GRAND RAPIDS, MICHIGAN. CONCURRENT USE PROCEEDING NO. 498 WITH, OLE' TACO INC.
WITHOUT DISCLAIMING ANY COMMON LAW RIGHTS OR RIGHTS IN THE MARK AS A WHOLE, THE WORD "TACOS" IS DISCLAIMED, APART FROM THE MARK AS SHOWN.
FOR: RESTAURANT AND CATERING SERVICES, IN CLASS 42 (U.S. CL. 100).
FIRST USE 1-20-1969; IN COMMERCE 1-20-1969.

SER. NO. 89,563, FILED 6-7-1976.

d. The *Dawn Donut* Rule

In *Dawn Donut Co. v. Hart's Food Stores, Inc*., 267 F.2d 358 (2d Cir. 1959), the Second Circuit established a significant geographic limitation on a federal registrant's ability to enjoin confusingly-similar uses by those over whom the registrant has priority. The *Dawn Donut* court held that though registration confers on the registrant nationwide priority, mere registration without more does not entitle the registrant to nationwide injunctive relief. Instead, the registrant must show that it is likely to make (or is already making) an actual use of the mark in a post-registration junior user's area of trade before the registrant will be entitled to enjoin the junior use. The *Dawn Donut* rule does not present a problem for a registrant making nationwide use of its mark. But for a registrant making only a local or regional use of its mark, the registrant cannot enjoin uses in different geographic areas until it can show that it is likely to use or is actually using its mark in those areas.

In the *Dawn Donut* case itself, the plaintiff was the senior user and registrant of the mark DAWN for doughnuts, which it had registered in 1927 and renewed under the Lanham Act in 1947. In 1951, the defendant began to use the same mark for doughnuts in Rochester, New York. At the time of the suit, the plaintiff was not using its mark in the Rochester area. The Second Circuit held that if the plaintiff was not making actual use of its mark in the Rochester area, then the defendant's use of the mark would not create a likelihood of confusion that could form the basis of injunctive relief:

> [I]f the use of the marks by the registrant and the unauthorized user are confined to geographically separate markets, with no likelihood that the registrant will expand his use into the defendant's market, so that no public confusion is possible, then the registrant is not entitled to enjoin the junior user's use of the mark.

Dawn Donut, 267 F. 2d at 364. The plaintiff could seek relief at a later date if it could show an intent to expand into the defendant's area of use:

> [B]ecause of the effect we have attributed to the constructive notice provision of the Lanham Act, the plaintiff may later, upon a proper showing of an intent to use the mark at the retail level in defendant's market area, be entitled to enjoin defendant's use of the mark.

Id. at 365. The strange effect of the *Dawn Donut* rule is that the defendant would have to stop its use of the mark and yield to the plaintiff at some point in the future when the plaintiff could show expansion into defendant's area of trade.

Dawn Donut remains good law. In the remarkable case of *What-A-Burger Of Virginia, Inc. v. Whataburger, Inc. Of Corpus Christi, Texas*, 357 F.3d 441 (4th Cir. 2004), the declaratory defendant Whataburger-Texas registered the mark WHATABURGER for restaurant services in September, 1957. By the time of the suit, Whataburger-Texas was using the mark in connection with over 500 locations in various southern states but not in Virginia. The declaratory plaintiff What-a-burger-

Virginia began to use the mark WHAT-A-BURGER in Newport News, Virginia in August, 1957, and subsequently expanded its use to various other locations in Virginia in the following years. In 1970, Whataburger-Texas became aware of What-a-burger-Virginia's use in Virginia and proposed a licensing arrangement. There was no further communication between the parties until 2002, when Whataburger-Texas contacted What-a-burger-Virginia to determine if What-a-burger-Virginia's use was infringing on Whataburger-Texas's registered mark. What-a-burger-Virginia asserted, among other things, that Whataburger-Texas was barred by the doctrine of laches from asserting infringement because it had waited nearly thirty years to do so. Whataburger-Texas successfully argued that laches could not apply because, under the principles established in *Dawn Donut*, Whataburger-Texas could not have sought during that thirty year period to enjoin What-a-burger-Virginia's use of the mark in Virginia. The Fourth Circuit explained: "There is nothing in this case to indicate a likelihood of entry into the local Virginia market by [Whataburger-Texas] (in fact, [Whataburger-Texas] specifically disavows any such intention) or that the likelihood of confusion otherwise looms large, triggering the obligation for [Whataburger-Texas] to initiate an action for trademark infringement." *Id*. at 451.

At least one judge, however, has criticized the *Dawn Donut* rule as obsolete:

> The *Dawn Donut* Rule was enunciated in 1959. Entering the new millennium, our society is far more mobile than it was four decades ago. For this reason, and given that recent technological innovations such as the Internet are increasingly deconstructing geographical barriers for marketing purposes, it appears to me that a re-examination of precedents would be timely to determine whether the Dawn Donut Rule has outlived its usefulness.

Circuit City Stores, Inc. v. CarMax, Inc., 165 F.3d 1047, 1057 (6th Cir. 1999) (Jones, J., concurring).

2. The Territorial Extent of Rights in *Unregistered* Marks

A classic hypothetical in U.S. trademark law involves the question of whether the owner of an unregistered mark used in, say, Anchorage, Alaska, can assert exclusive rights in that mark beyond the borders of Anchorage. Can the proprietor of the unregistered mark ARCTIC COFFEE for a cafe in Anchorage, Alaska prevent someone in Miami, Florida from later opening a cafe under the same name? And should it make a difference if the proprietor of the Miami coffee shop knew of the existence of the ARCTIC COFFEE cafe in Anchorage when it opened its cafe in Miami?

In the cases *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916) (commonly known as the *Tea Rose* case), and *United Drug Co. v. Theodore Rectanus*, 248 U.S. 90 (1918), the Supreme Court established the so-called "*Tea Rose-Rectanus* rule," which holds that:

> (1) The territorial scope of an unregistered mark is limited to the territory in which the mark is known and recognized by relevant consumers in that territory.
>
> (2) The national senior user of an unregistered mark cannot stop the use of a territorially "remote" good faith national junior user who was first to use the mark in that "remote" territory.

MCCARTHY § 26.2. The result of the *Tea Rose-Rectanus* rule is that, for an unregistered mark, the first person to adopt the mark in the U.S. (the senior national user) and subsequent good faith remote junior users may end up coexisting in the national marketplace, with each entity claiming exclusive rights in the mark in the geographic area in which it was the first to use the mark. Thus, the Anchorage and Miami cafes both using the mark ARCTIC COFFEE may coexist, provided that the Miami cafe adopted its mark in good faith (the standard for which we will consider in a moment). Furthermore, barring federal registration by either the Anchorage or the Miami cafe, the two firms' exclusive rights will expand across the country only in those areas in which each firm is the first to use the mark in good faith.

What constitutes a good faith adoption of a mark? All courts agree that if the junior user of an unregistered mark had no knowledge of the senior user's use of the mark at the time that the junior user adopted the mark, then the junior user adopted the mark in good faith. But what if the junior user did have knowledge of the senior user's use? As discussed below in *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, __ F.3d __, 2017 WL 2951672 (9th Cir. July 11, 2017), the circuits are split on this question.

Stone Creek, Inc. v. Omnia Italian Design, Inc.
__ F.3d __, 2017 WL 2951672 (9th Cir. July 11, 2017)

[Stone Creek manufactures furniture and sells directly to consumers in five showrooms in the Phoenix, Arizona area. It adopted the mark STONE CREEK in a red oval for furniture in 1990 and obtained federal registration of the mark in 2012. In 2003, Stone Creek and Omnia agreed that Omnia would manufacture leather furniture branded with the STONE CREEK mark for sale in Stone Creek's showrooms. In 2008, without Stone Creek's knowledge or authorization, Omnia began to supply furniture under the STONE CREEK mark to Bon-Ton furniture stores in portions of Illinois, Indiana, Iowa, Michigan, Ohio, Pennsylvania, and Wisconsin. For this purpose, Omnia copied the STONE CREEK logo directly from Stone Creek's materials and used the logo in a variety of sales materials and on warranty cards. In 2013, Stone Creek learned of Omnia's conduct and filed suit.

The district court found no likelihood of confusion largely on the basis that the parties operated in geographically separated marketing channels. Reversing, the Ninth Circuit found a likelihood of confusion. It then turned to the issue of good faith under the *Tea Rose-Rectanus* doctrine.]

[…]

II. The Tea Rose–Rectanus *Doctrine*

[1] Our determination of a likelihood of confusion with respect to the STONE CREEK mark does not end the infringement analysis. Omnia asserts that its use of Stone Creek's mark is protected under the *Tea Rose–Rectanus* doctrine and argues that we may affirm the district court's judgment of no liability on this alternative basis. The district court rejected this defense, and so do we.

[2] The *Tea Rose–Rectanus* doctrine has its roots in the common law: it is named for a pair of Supreme Court cases, *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916) ("*Tea Rose*"), and *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918). The central proposition underlying the two cases is that common-law trademark rights extend only to the territory where a mark is known and recognized, so a later user may sometimes acquire rights in pockets geographically remote from the first user's territory. The question we address is whether Omnia acquired common-law rights in the Midwest under the *Tea Rose–Rectanus* doctrine.

[3] Omnia's common-law rights, if they exist, are not wiped out merely because Stone Creek later filed a federal registration. Although federal registration presumptively entitles the senior user to nationwide protection, 15 U.S.C. § 1057(b), the Lanham Act preserves legal and equitable defenses that could have been asserted prior to registration, *id.* § 1115(a). Under this rule, already-established common-law rights are carved out of the registrant's scope of protection. *Id.* § 1115(b)(5); *Johnny Blastoff, Inc. v. L.A. Rams Football Co.*, 188 F.3d 427, 435 (7th Cir. 1999). In other words, the geographic scope of a senior user's rights in a registered trademark looks like Swiss cheese: it stretches throughout the United States with holes cut out where others acquired common-law rights prior to the registration. Because Omnia began using the mark in 2008, well before Stone Creek's federal registration in 2012, the *Tea Rose–Rectanus* defense is available to Omnia if it is applicable.

[4] To take advantage of the *Tea Rose–Rectanus* doctrine, the junior user must establish good faith use in a geographically remote area. *See Rectanus*, 248 U.S. at 100, 39 S.Ct. 48; *cf. Grupo Gigante SA De CV v. Dallo & Co.*, 391 F.3d 1088, 1096 & n.26 (9th Cir. 2004). Like the district court, we limit our discussion to the question of good faith because it is dispositive.

[5] The varying descriptions of good faith in the leading Supreme Court cases have spawned a circuit split, and our circuit has not yet weighed in. *See Grupo Gigante*, 391 F.3d at 1096 n.26. On one side, some circuits have held that the junior user's knowledge of the senior user's prior use of the mark destroys good faith. *See, e.g.*, *Nat'l Ass'n for Healthcare Commc'ns, Inc. v. Cent. Ark. Area Agency on Aging, Inc.*,

257 F.3d 732, 735 (8th Cir. 2001); *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 674–75 (7th Cir. 1982). In contrast, other circuits have held that knowledge is a factor informing good faith, but the "focus is on whether the [junior] user had the intent to benefit from the reputation or goodwill of the [senior] user." *GTE Corp. v. Williams*, 904 F.2d 536, 541 (10th Cir. 1990); *see C.P. Interests, Inc. v. Cal. Pools, Inc.*, 238 F.3d 690, 700 (5th Cir. 2001). We conclude that the better view is that there is no good faith if the junior user had knowledge of the senior user's prior use.

[6] Looking back to the origins of the *Tea Rose–Rectanus* doctrine informs why knowledge defeats a claim of good faith use. In *Tea Rose*, the senior user began selling "Tea Rose" flour in approximately 1872; many years later, the junior user began selling "Tea Rose" flour without any knowledge of the senior user's prior use. 240 U.S. at 407–08. At the time that the trademark infringement action was filed, the senior user had made sales in Massachusetts, Ohio, and Pennsylvania, while the junior user's sales had reached Mississippi, Alabama, Georgia, and Florida. *Id.* at 408–10. *Rectanus* arose on similar facts: the senior user began selling "Rex" drugs around 1877 and operated in New England, while the junior user began selling "Rex" drugs around 1883 and operated in Kentucky, with neither party being aware of the other's use of the "Rex" mark for more than twenty years. 248 U.S. at 94–96. In both cases, the Supreme Court held that the senior user could not enjoin the junior user's use of the same mark because the junior user adopted the mark in good faith and had developed a local reputation in an area where the mark was not recognized as designating the senior user. *See id.* at 103–04; *Tea Rose*, 240 U.S. at 415–16.

[7] When describing good faith, the Supreme Court emphasized that the junior user had no awareness of the senior user's use of the mark. The Court in *Tea Rose* states that the junior user "adopted and used [the trademark] in good faith without knowledge or notice that the name 'Tea Rose' had been adopted or used ... by anybody else." 240 U.S. at 410. The Court also refers to the situation as one where the two parties "independently" employ the same mark. *Id.* at 41. And the Court's reasoning concentrates on knowledge:

> Under the circumstances that are here presented, to permit the [senior user] to use the mark in Alabama, to the exclusion of the [junior user], would take the trade and good will of the latter company—built up at much expense and *without notice of the former's rights*—and confer it upon the former, to the complete perversion of the proper theory of trademark rights.

Id. at 420 (emphasis added).

[8] The same focus on notice emerges in *Rectanus*, which grants protection for an "innocent" junior user who has "hit upon" the same mark and avers that the parties acted "in perfect good faith; neither side having any knowledge or notice of what was being done by the other." 248 U.S. at 96, 103. The Court also relies on a case that says that the defendants there acted in good faith because they "believ[ed]

[their] use to be original with them." *Richter v. Anchor Remedy Co*, 52 F. 455, 455 (C.C.W.D. Pa. 1892), *aff'd sub nom. Richter v. Reynolds*, 59 F. 577 (3d Cir. 1893). Seventy years later, Justice Brennan stressed that application of the *Tea Rose–Rectanus* doctrine requires an absence of knowledge. *See K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 314 n.8 (1988) (Brennan, J., concurring in part and dissenting in part) ("[A] firm can develop a trademark that is identical to a trademark already in use in a geographically distinct and remote area if the firm is unaware of the identity.").

[9] The Seventh and Eighth Circuits and the Trademark Trial and Appeal Board ("TTAB") agree with this reading. The Seventh Circuit put it explicitly: "A good faith junior user is one who begins using a mark with no knowledge that someone else is already using it." *Money Store*, 689 F.2d at 674. The court went on to analyze whether the junior user in that case had constructive or actual knowledge of the senior user's use. *Id.* at 675. The Eighth Circuit follows the same approach, parroting the language from *Tea Rose* and *Rectanus*. *See Nat'l Ass'n for Healthcare Commc'ns*, 257 F.3d at 735 ("adopted the [mark] in good faith, without knowledge of [the] prior use"). And the TTAB, the administrative board charged with deciding certain trademark disputes and appeals, similarly holds that "appropriat[ing] a mark with knowledge that it is actually being used by another" means "that use is not believed to be a good faith use." *Woman's World Shops Inc. v. Lane Bryant Inc.*, 5 U.S.P.Q.2d 1985, 1988 (T.T.A.B. 1988).

[10] The courts that have ruled the other way have latched on to one line in the *Tea Rose* case which reads:

> [W]here two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant; unless, at least, it appear that the second adopter has selected the mark *with some design inimical to the interests of the [senior] user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like*.

240 U.S. at 415 (emphasis added). But this brief reference to "design inimical" does not override the central focus on knowledge; it is not without significance that "design inimical" does not appear anywhere else in the opinion. The Court in *Rectanus* repeats the "design inimical" language as a direct quote of the language from the *Tea Rose* case and mentions offhand that the junior user did not have a "sinister purpose." 248 U.S. at 101. More salient are the various points in the leading opinions that draw a close connection between "good faith" and "knowledge" or "notice." *See, e.g.*, *id.* at 96 ("in perfect good faith; neither side having any knowledge or notice of what was being done by the other"); *id.* at 103 ("in good faith, and without notice of any prior use by others, selected and used the 'Rex' mark"); *Tea Rose*, 240 U.S. at 410 ("trademark was adopted and used [by the junior user] in good faith without knowledge or notice that the name 'Tea Rose' had been adopted or

used by the [senior user]”); *id.* at 419 (“in good faith and without notice of the [senior user’s] mark”).

[11] Tying good faith to knowledge makes sense in light of the policy underlying the doctrinal framework. As the Supreme Court explained, the *Tea Rose–Rectanus* doctrine operates to protect a junior user who unwittingly adopted the same mark and invested time and resources into building a business with that mark. *Rectanus*, 248 U.S. at 103; *Tea Rose*, 240 U.S. at 419. A junior user like Omnia who has affirmative knowledge of the senior user’s mark has not serendipitously chosen the same mark and independently built up its own brand. Instead, a user like Omnia knows that its actions come directly at the expense of the senior user, potentially blocking the senior user from entering into the new market. Viewed in this light, the junior user has acted in bad faith, which “serve[s] as evidence that the [senior] user’s mark, at least in reputation, has extended to the new area.” *Developments in the Law Trade-Marks and Unfair Competition*, 68 Harv. L. Rev. 814, 859 (1955); 5 McCarthy, *supra*, § 26:12.

[12] The knowledge standard also better comports with the Lanham Act. The statutory section preserving the *Tea Rose–Rectanus* defense for junior users acting pre-registration requires that the junior user’s mark “was adopted *without knowledge* of the registrant’s prior use.” 15 U.S.C. § 1115(b)(5) (emphasis added). More broadly, one major change effected by the Lanham Act is that securing federal registration affords nationwide rights regardless of where the registrant has used the mark, a result accomplished by a provision that puts would-be users on constructive notice. *See id.* §§ 1057(b), 1072; 5 McCarthy, *supra*, § 26:32. In other words, the Lanham Act displaces the *Tea Rose–Rectanus* defense by charging later users with knowledge of a mark listed on the federal register. If constructive notice is sufficient to defeat good faith, it follows that actual notice should be enough too.

[13] Once knowledge is accepted as a determinative factor in deciding good faith, the *Tea Rose–Rectanus* doctrine has no applicability here. The district court found that “[Omnia] was a non-innocent remote user” who “acquired no common law trademark rights in the [Midwest].” That conclusion flows from the parties’ agreement that Omnia adopted Stone Creek’s mark with knowledge of Stone Creek’s previous use. The *Tea Rose–Rectanus* doctrine provides no shelter to Omnia for infringement of Stone Creek’s mark.

[The Ninth Circuit then held, among other things, that Stone Creek must show intentional or willful infringement before disgorgement of Omnia’s profits could be awarded. The Ninth Circuit remanded the case back to the district court to determine whether Omnia willfully infringed.]

Comments and Questions

1. *Is* Stone Creek *bad policy?* Consider the following oft-quoted language from the Supreme Court’s *Rectanus* opinion:

> There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed. The law of trade-marks is but a part of the broader law of unfair competition; the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an existing business. *Hanover Milling Co. v. Metcalf*, 240 U. S. 403, 412-414.
>
> The owner of a trade-mark may not, like the proprietor of a patented invention, make a negative and merely prohibitive use of it as a monopoly. *See United States v. Bell Telephone Co*., 167 U. S. 224, 250; *Bement v. National Harrow Co.*, 186 U. S. 70, 90; *Paper Bag Patent Case*, 210 U. S. 405, 424.
>
> [...]
>
> It results that the adoption of a trade-mark does not, at least in the absence of some valid legislation enacted for the purpose, project the right of protection in advance of the extension of the trade, or operate as a claim of territorial rights over areas into which it thereafter may be deemed desirable to extend the trade. And the expression, sometimes met with, that a trade-mark right is not limited in its enjoyment by territorial bounds, is true only in the sense that wherever the trade goes, attended by the use of the mark, the right of the trader to be protected against the sale by others of their wares in the place of his wares will be sustained.

United Drug Co. v. Theodore Rectanus, 248 U.S. 90, 97-98 (1918). In effect, under *Stone Creek*, the senior user of an unregistered mark enjoys exclusive rights in the mark against any other person in the nation who is aware of the senior user's use, even if the senior user has not yet used the mark in that person's particular remote location. Is this outcome consistent with the principles articulated in *Rectanus*? Imagine you wish to open a cafe in New York City under the service mark ARCTIC COFFEE. You google the term and discover that a cafe in Anchorage, Alaska is already using the mark. You then search the mark on the PTO's Trademark Electronic Search System and learn that the Anchorage cafe has not applied to register the mark. Under *Stone Creek*, you cannot adopt the mark in good faith, and if the Anchorage cafe eventually expands into New York City, it may assert priority over your use. Is this sound policy?

2. *How remote is a remote location?* Remoteness is defined not by geographical distance but by whether, at the moment when the junior user first adopts the mark, consumers in the junior user's area of use would likely have knowledge of the senior user's use such that confusion would result. *See* MCCARTHY § 26.4. Courts typically apply a "market penetration" test to determine if the senior

user has expanded into the junior user's area by the time the junior user adopts the mark. *See, e.g.*, *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383 (3d Cir. 1985) ("[T]he following four factors should be considered to determine whether the market penetration of a trademark in an area is sufficient to warrant protection: (1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area.").

3. *The geographic scope of rights in unregistered non-inherently distinctive marks*. If the senior user's unregistered mark is a non-inherently distinctive mark, then the geographic scope of the senior's rights are limited to the area in which the mark possesses secondary meaning. A junior user will be enjoined from using the mark only in areas in which the senior user has already established secondary meaning at the time the junior user first adopts the mark in those areas. *See, e.g.*, *Katz Drug Co. v. Katz*, 188 F.2d 696 (8th Cir. 1951). More generally, competitors using unregistered confusingly-similar descriptive marks may end up in a "race to secondary meaning," MCCARTHY § 26:25, in which each competitor seeks to be the first to establish secondary meaning—and thus exclusive rights—in the descriptive term in any particular area where the competitors are competing.

3. National Borders and Trademark Rights

We have focused so far on trademark uses *within* the territorial borders of the U.S. and the geographical extent of rights established by such uses. We turn now to trademark uses *outside* the territorial borders of the U.S. and to the question of whether such uses can form the basis for exclusive rights within the U.S.

As set forth below in Part I.E.3.a and as exemplified in *Person's Co., Ltd. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990), the traditional view has long been that trademark rights are generally limited to national borders and that foreign uses of trademarks generally do not confer exclusive rights within the U.S. However, as discussed in Part I.E.3.b, the "well-known marks doctrine" holds that foreign uses of trademarks that become very well-known in the U.S. may form the basis for rights within the U.S. even when the foreign user is not making any actual use of the mark within the U.S. Finally, as presented in Part I.E.3.c, a recent opinion from the Fourth Circuit, *Belmora LLC v. Bayer Consumer Care AG*, 819 F.3d 697 (4th Cir. 2016), *cert. denied*, __ S. Ct. __, 2017 WL 737826 (U.S. Feb. 27, 2017) (No. 16-548), has the potential profoundly to change our traditional understanding of the national limits of trademark rights (and of the relation between Lanham Act §§ 32 and 43(a)). *Belmora* has recently been denied certiorari review. If its reasoning is adopted by other circuits, it may significantly lessen the importance of much of the doctrine discussed in Parts I.E.3.a & .b.

a. National-Border Limits on Trademark Rights

The opinion below, *Person's Co., Ltd. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990), is frequently cited as standing for the proposition that foreign uses do not establish exclusive rights within the U.S. In reading through the opinion, consider the following questions:

- Does the outcome in *Person's* strike you as fair?
- Alternatively, has the Federal Circuit chosen the economically efficient outcome? If not, what would that outcome be?
- What should a foreign trademark user have to show in order to trigger a finding that the domestic user sought to block the foreign user's entrance into the U.S. market?
- Is the *Person's* holding still viable in a globalized, internet-based economy?

Person's Co., Ltd. v. Christman
900 F.2d 1565 (Fed. Cir. 1990)

EDWARD S. SMITH, Senior Circuit Judge.

[1] Person's Co., Ltd. appeals from the decision of the Patent and Trademark Office Trademark Trial and Appeal Board (Board) which granted summary judgment in favor of Larry Christman and ordered the cancellation of appellant's registration[1] for the mark "PERSON'S" for various apparel items. Appellant Person's Co. seeks cancellation of Christman's registration[2] for the mark "PERSON'S" for wearing apparel on the following grounds: likelihood of confusion based on its prior foreign use, abandonment, and unfair competition within the meaning of the Paris Convention. We affirm the Board's decision.

Background

[2] The facts pertinent to this appeal are as follows: In 1977, Takaya Iwasaki first applied a stylized logo bearing the name "PERSON'S" to clothing in his native Japan. Two years later Iwasaki formed Person's Co., Ltd., a Japanese corporation, to market and distribute the clothing items in retail stores located in Japan.

[3] In 1981, Larry Christman, a U.S. citizen and employee of a sportswear wholesaler, visited a Person's Co. retail store while on a business trip to Japan. Christman purchased several clothing items bearing the "PERSON'S" logo and returned with them to the United States. After consulting with legal counsel and being advised that no one had yet established a claim to the logo in the United States, Christman developed designs for his own "PERSON'S" brand sportswear line based on appellant's products he had purchased in Japan. In February 1982,

[1] Registration No. 1,354,062, issued August 13, 1985.

[2] Registration No. 1,297,698, issued September 25, 1984.

Christman contracted with a clothing manufacturer to produce clothing articles with the "PERSON'S" logo attached. These clothing items were sold, beginning in April 1982, to sportswear retailers in the northwestern United States. Christman formed Team Concepts, Ltd., a Washington corporation, in May 1983 to continue merchandising his sportswear line, which had expanded to include additional articles such as shoulder bags. All the sportswear marketed by Team Concepts bore either the mark "PERSON'S" or a copy of appellant's globe logo; many of the clothing styles were apparently copied directly from appellant's designs.

[4] In April 1983, Christman filed an application for U.S. trademark registration in an effort to protect the "PERSON'S" mark. Christman believed himself to be the exclusive owner of the right to use and register the mark in the United States and apparently had no knowledge that appellant soon intended to introduce its similar sportswear line under the identical mark in the U.S. market. Christman's registration issued in September 1984 for use on wearing apparel.

[5] In the interim between Christman's first sale and the issuance of his registration, Person's Co., Ltd. became a well known and highly respected force in the Japanese fashion industry. The company, which had previously sold garments under the "PERSON'S" mark only in Japan, began implementing its plan to sell goods under this mark in the United States. According to Mr. Iwasaki, purchases by buyers for resale in the United States occurred as early as November 1982. This was some seven months subsequent to Christman's first sales in the United States. Person's Co. filed an application for U.S. trademark registration in the following year, and, in 1985, engaged an export trading company to introduce its goods into the U.S. market. The registration for the mark "PERSON'S" issued in August 1985 for use on luggage, clothing and accessories. After recording U.S. sales near 4 million dollars in 1985, Person's Co. granted California distributor Zip Zone International a license to manufacture and sell goods under the "PERSON'S" mark in the United States.

[6] In early 1986, appellant's advertising in the U.S. became known to Christman and both parties became aware of confusion in the marketplace. Person's Co. initiated an action to cancel Christman's registration on the following grounds: (1) likelihood of confusion; (2) abandonment; and (3) unfair competition within the meaning of the Paris Convention. Christman counterclaimed and asserted prior use and likelihood of confusion as grounds for cancellation of the Person's Co. registration.

[7] After some discovery, Christman filed a motion with the Board for summary judgment on all counts. In a well reasoned decision, the Board held for Christman on the grounds that Person's use of the mark in Japan could not be used to establish priority against a "good faith" senior user in U.S. commerce. The Board found no evidence to suggest that the "PERSON'S" mark had acquired any notoriety in this country at the time of its adoption by Christman. Therefore, appellant had no reputation or goodwill upon which Christman could have intended to trade, rendering the unfair competition provisions of the Paris Convention inapplicable.

The Board also found that Christman had not abandoned the mark, although sales of articles bearing the mark were often intermittent. The Board granted summary judgment to Christman and ordered appellant's registration cancelled.

[8] The Board held in its opinion on reconsideration that Christman had not adopted the mark in bad faith despite his appropriation of a mark in use by appellant in a foreign country. The Board adopted the view that copying a mark in use in a foreign country is not in bad faith unless the foreign mark is famous in the United States or the copying is undertaken for the purpose of interfering with the prior user's planned expansion into the United States. Person's Co. appeals and requests that this court direct the Board to enter summary judgment in its favor.

Issues

[9] 1. Does knowledge of a mark's use outside U.S. commerce preclude good faith adoption and use of the identical mark in the United States prior to the entry of the foreign user into the domestic market?

[10] 2. Did the Board properly grant summary judgment in favor of Christman on the issue of abandonment?

Cancellation

[11] The Board may properly cancel a trademark registration within five years of issue when, e.g. (1) there is a valid ground why the trademark should not continue to be registered and (2) the party petitioning for cancellation has standing. Such cancellation of the marks' registrations may be based upon any ground which could have prevented registration initially. The legal issue in a cancellation proceeding is the right to register a mark, which may be based on either (1) ownership of a foreign registration of the mark in question or (2) use of the mark in United States commerce.

Priority

[12] The first ground asserted for cancellation in the present action is § 2(d) of the Lanham Act; each party claims prior use of registered marks which unquestionably are confusingly similar and affixed to similar goods.

[13] Section 1 of the Lanham Act[3] states that "[t]he owner of a trademark *used in commerce* may register his trademark...." The term "commerce" is defined in Section 45 of the Act as ".... all commerce which may be lawfully regulated by Congress." No specific Constitutional language gives Congress power to regulate trademarks, so the power of the federal government to provide for trademark

[3] The case at bar is decided under the provisions of the Act in force prior to the enactment of the Trademark Law Revision Act of 1988.

registration comes only under its commerce power. The term "used in commerce" in the Lanham Act refers to a sale or transportation of goods bearing the mark in or having an effect on: (1) United States interstate commerce; (2) United States commerce with foreign nations; or (3) United States commerce with the Indian Tribes.

[14] In the present case, appellant Person's Co. relies on its use of the mark in Japan in an attempt to support its claim for priority in the United States. Such foreign use has no effect on U.S. commerce and cannot form the basis for a holding that appellant has priority here. The concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country's statutory scheme. Christman was the first to use the mark in United States commerce and the first to obtain a federal registration thereon. Appellant has no basis upon which to claim priority and is the junior user under these facts.[4]

Bad Faith

[15] Appellant vigorously asserts that Christman's adoption and use of the mark in the United States subsequent to Person's Co.'s adoption in Japan is tainted with "bad faith" and that the priority in the United States obtained thereby is insufficient to establish rights superior to those arising from Person's Co.'s prior adoption in a foreign country. Relying on *Woman's World Shops, Inc. v. Lane Bryant, Inc.,* 5 USPQ2d 1985 (TTAB 1988), Person's Co. argues that a "remote junior user" of a mark obtains no right superior to the "senior user" if the "junior user" has adopted the mark with knowledge of the "senior user's" prior use.[5] In *Woman's World,* the senior user utilized the mark within a limited geographical area. A junior user from a different geographical area of the United States sought unrestricted federal registration for a nearly identical mark, with the exception to its virtually exclusive

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[4] Section 44 of the Lanham Act, 15 U.S.C. § 1126 (1982), permits qualified foreign applicants who own a registered mark in their country of origin to obtain a U.S. trademark registration without alleging actual use in U.S. commerce. If a U.S. application is filed within six months of the filing of the foreign application, such U.S. registration will be accorded the same force and effect as if filed in the United States on the same date on which the application was first filed in the foreign country. The statutory scheme set forth in § 44 is in place to lower barriers to entry and assist foreign applicants in establishing business goodwill in the United States. Person's Co. does not assert rights under § 44, which if properly applied, might have been used to secure priority over Christman.

[5] Appellant repeatedly makes reference to a "world economy" and considers Christman to be the remote junior user of the mark. Although Person's did adopt the mark in Japan prior to Christman's use in United States commerce, the use in Japan cannot be relied upon to acquire U.S. trademark rights. Christman is the senior user as that term is defined under U.S. trademark law.

rights being those of the known senior user. The Board held that such an appropriation with knowledge failed to satisfy the good faith requirements of the Lanham Act and denied the concurrent use rights sought by the junior user. 5 USPQ2d at 1988. Person's Co. cites *Woman's World* for the proposition that a junior user's adoption and use of a mark with knowledge of another's prior use constitutes bad faith. It is urged that this principle is equitable in nature and should not be limited to knowledge of use within the territory of the United States.

[16] While the facts of the present case are analogous to those in *Woman's World,* the case is distinguishable in one significant respect. In *Woman's World,* the first use of the mark by both the junior and senior users was in United States commerce. In the case at bar, appellant Person's Co., while first to adopt the mark, was not the first user in the United States. Christman is the senior user, and we are aware of no case where a senior user has been charged with bad faith. The concept of bad faith adoption applies to remote junior users seeking concurrent use registrations; in such cases, the likelihood of customer confusion in the remote area may be presumed from proof of the junior user's knowledge.[6] In the present case, when Christman initiated use of the mark, Person's Co. had not yet entered U.S. commerce. The Person's Co. had no goodwill in the United States and the "PERSON'S" mark had no reputation here. Appellant's argument ignores the territorial nature of trademark rights.

[17] Appellant next asserts that Christman's knowledge of its prior use of the mark in Japan should preclude his acquisition of superior trademark rights in the United States. The Board found that, at the time of registration, Christman was not aware of appellant's intention to enter the U.S. clothing and accessories market in the future. Christman obtained a trademark search on the "PERSON'S" mark and an opinion of competent counsel that the mark was "available" in the United States. Since Appellant had taken no steps to secure registration of the mark in the United States, Christman was aware of no basis for Person's Co. to assert superior rights to use and registration here. Appellant would have us infer bad faith adoption because of Christman's awareness of its use of the mark in Japan, but an inference of bad faith requires something more than mere knowledge of prior use of a similar mark in a foreign country.

[18] As the Board noted below, Christman's prior use in U.S. commerce cannot be discounted solely because he was aware of appellant's use of the mark in Japan. While adoption of a mark with knowledge of a prior actual *user* in U.S. commerce may give rise to cognizable equities as between the parties, no such equities may be based upon knowledge of a similar mark's existence or on a problematical intent to use such a similar mark in the future. Knowledge of a foreign use does not preclude good faith adoption and use in the United States. While there is some case law

[6] *See* 2 J. McCarthy, *Trademarks and Unfair Competition* § 26:4 (2d ed. 1984); Restatement of Torts § 732 comment a (1938).

supporting a finding of bad faith where (1) the foreign mark is famous here[7] or (2) the use is a nominal one made solely to block the prior foreign user's planned expansion into the United States,[8] as the Board correctly found, neither of these circumstances is present in this case.

[19] We agree with the Board's conclusion that Christman's adoption and use of the mark were in good faith. Christman's adoption of the mark occurred at a time when appellant had not yet entered U.S. commerce; therefore, no prior user was in place to give Christman notice of appellant's potential U.S. rights. Christman's conduct in appropriating and using appellant's mark in a market where he believed the Japanese manufacturer did not compete can hardly be considered unscrupulous commercial conduct. Christman adopted the trademark being used by appellant in Japan, but appellant has not identified any aspect of U.S. trademark law violated by such action. Trademark rights under the Lanham Act arise solely out of use of the mark in U.S. commerce or from ownership of a foreign registration thereon; "[t]he law pertaining to registration of trademarks does not regulate all aspects of business morality." [citation omitted] When the law has been crafted with the clarity of crystal, it also has the qualities of a glass slipper: it cannot be shoe-horned onto facts it does not fit, no matter how appealing they might appear.

…

Conclusion

[20] In *United Drug Co. v. Rectanus Co.,* 248 U.S. 90 (1918), the Supreme Court of the United States determined that "[t]here is no such thing as property in a trademark except as a right appurtenant to an established business or trade in connection with which the mark is employed.... [I]ts function is simply to designate the goods as the product of a particular trader and to protect his goodwill against the sale of another's product as his; and it is not the subject of property except in connection with an existing business."[9] In the present case, appellant failed to secure protection for its mark through use in U.S. commerce; therefore, no established business or product line was in place from which trademark rights could arise. Christman was the first to use the mark in U.S. commerce. This first use was not tainted with bad faith by Christman's mere knowledge of appellant's prior foreign use, so the Board's conclusion on the issue of priority was correct…. Accordingly, the grant of summary judgment was entirely in order, and the Board's decision is affirmed.

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[7] See, e.g., Vaudable v. Montmartre, Inc., 20 Misc.2d 757, 193 N.Y.S.2d 332, 123 USPQ 357 (N.Y.Sup.Ct. 1959); Mother's Restaurants, Inc. v. Mother's Other Kitchen, Inc., 218 USPQ 1046 (TTAB 1983).

[8] See Davidoff Extension, S.A. v. Davidoff Int'l., 221 USPQ 465 (S.D.Fla. 1983).

[9] 248 U.S. at 97. It goes without saying that the underlying policy upon which this function is grounded is the protection of the public in its purchase of a service or product. *See, e.g. In re Canadian Pacific Ltd.,* 754 F.2d 992, 994 (Fed.Cir. 1985).

AFFIRMED.

b. The Well-Known Marks Doctrine

Though it is rarely invoked, the well-known marks doctrine constitutes an important exception to—or variation on—the territoriality principle in trademark law. It is also the source of a basic split between the Ninth and Second Circuits on whether U.S. federal trademark law incorporates well-known marks protection. As you read through the opinions below, consider the following questions:

- As a policy matter, for a foreign mark not used in the U.S., how well-known should such a mark be in the U.S. for it to qualify for protection in the U.S.? Should mere secondary meaning in a particular geographic location be sufficient? "Secondary meaning plus"? Nationwide fame?
- What is the particular statutory or common law basis for the Ninth Circuit's application of the well-known marks doctrine?
- Is the New York Court of Appeals approach to the issue persuasive?
- Is the well-known marks doctrine simply a transnational extension of the *Tea Rose-Rectanus* doctrine? Is there any way in which the well-known marks doctrine is different?

i. The Well-Known Marks Doctrine in the Ninth Circuit

Grupo Gigante SA De CV v. Dallo & Co., Inc.
391 F.3d 1088 (9th Cir. 2004)

KLEINFELD, Circuit Judge.

[1] This is a trademark case. The contest is between a large Mexican grocery chain that has long used the mark, but not in the United States, and a small American chain that was the first to use the mark in the United States, but did so, long after the Mexican chain began using it, in a locality where shoppers were familiar with the Mexican mark.

Facts

[2] Grupo Gigante S.A. de C.V. ("Grupo Gigante") operates a large chain of grocery stores in Mexico, called "Gigante," meaning "Giant" in Spanish. Grupo Gigante first called a store "Gigante" in Mexico City in 1962. In 1963, Grupo Gigante registered the "Gigante" mark as a trade name in Mexico, and has kept its registration current ever since. The chain was quite successful, and it had expanded into Baja California, Mexico by 1987. By 1991, Grupo Gigante had almost 100 stores in Mexico, including six in Baja, all using the mark "Gigante." Two of the Baja stores were in Tijuana, a city on the U.S.-Mexican border, just south of San Diego.

[3] As of August 1991, Grupo Gigante had not opened any stores in the United States. That month, Michael Dallo began operating a grocery store in San Diego, using the name "Gigante Market." In October 1996, Dallo and one of his brothers, Chris Dallo, opened a second store in San Diego, also under the name Gigante Market. The Dallo brothers—who include Michael, Chris, and their two other brothers, Douray and Rafid—have since controlled the two stores through various limited liability corporations.

[4] In 1995, which was after the opening of the Dallos' first store and before the opening of their second, Grupo Gigante began exploring the possibility of expanding into Southern California. It learned of the Dallos' Gigante Market in San Diego. Grupo Gigante decided against entering the California market at that time. It did nothing about the Dallos' store despite Grupo Gigante's knowledge that the Dallos were using "Gigante" in the store's name.

[5] In 1998, Grupo Gigante decided that the time had come to enter the Southern California market. It arranged a meeting with Michael Dallo in June 1998 to discuss the Dallos' use of the name "Gigante." Grupo Gigante was unsuccessful at this meeting in its attempt to convince Dallo to stop using the "Gigante" mark. Also in June 1998, Grupo Gigante registered the "Gigante" mark with the state of California. The Dallos did likewise in July 1998. Neither has registered the mark federally.

[6] About one year later, in May 1999, Grupo Gigante opened its first U.S. store. That store was followed by a second later that year, and then by a third in 2000. All three stores were in the Los Angeles area. All were called "Gigante," like Grupo Gigante's Mexican stores.

[7] In July 1999, after learning of the opening of Grupo Gigante's first U.S. store, the Dallos sent Grupo Gigante a cease-and-desist letter, making the same demand of Grupo Gigante that Grupo Gigante had made of them earlier: stop using the name Gigante. Grupo Gigante responded several days later by filing this lawsuit. Its claim was based on numerous federal and state theories, including trademark infringement under the Lanham Act.[1] It sought compensatory and punitive damages, a declaratory judgment that it had the superior right to the Gigante mark, and an injunction against the Dallos' use of the mark. The Dallos counterclaimed, on similar

[1] Specifically, Grupo Gigante asserted the following causes of action: (1) improper use of a well-known mark, under Article 6 *bis* of the Paris Convention; (2) unfair competition, under Article 10 *bis* of the Paris Convention; (3) trademark infringement, under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); (4) false designation of origin, misrepresentation, and unfair competition, under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); (5) violation of the Federal Trademark Dilution Act of 1996, 15 U.S.C. § 1125(c); (6) common law unfair competition; (7) unfair competition under California law; (8) dilution under California law; and (9) common law misappropriation.

theories, asserting it had the superior right to the mark in Southern California.[2] The Dallos sought a declaratory judgment, injunctive relief, damages, and cancellation of Grupo Gigante's California registration of the mark.

[8] The district court disposed of the case in a published decision on cross motions for summary judgment.[3] The court recognized that under the "territoriality principle," use of a mark in another country generally does not serve to give the user trademark rights in the United States. Thus, the territoriality principle suggests that the Dallos' use of the mark, which was the first in the United States, would entitle them to claim the mark. But it held that because Grupo Gigante had already made Gigante a well-known mark in Southern California by the time the Dallos began using it, an exception to the territoriality principle applied. As the district court interpreted what is known as the "famous-mark" or "well-known mark" exception to the territoriality principle, Grupo Gigante's earlier use in Mexico was sufficient to give it the superior claim to the mark in Southern California. The court held, therefore, that Grupo Gigante was entitled to a declaratory judgment that it had a valid, protectable interest in the Gigante name. Nevertheless, the court held that laches barred Grupo Gigante from enjoining the Dallos from using the mark at their two existing stores. The Dallos appeal the holding that Grupo Gigante has a protectable right to use the mark in Southern California. Grupo Gigante appeals the laches holding. We agree in large part with the district court's excellent opinion, but some necessary qualifications to it require a remand.

Analysis

The exception for famous and well-known foreign marks

[9] We review the summary judgment decision de novo.

[10] A fundamental principle of trademark law is first in time equals first in right. But things get more complicated when to time we add considerations of place, as when one user is first in time in one place while another is first in time in a different place. The complexity swells when the two places are two different countries, as in the case at bar.

[11] Under the principle of first in time equals first in right, priority ordinarily comes with earlier *use* of a mark in commerce. It is "not enough to have invented the mark first or even to have registered it first." If the first-in-time principle were all

[2] The Dallos asserted the following causes of action: (1) trademark infringement, under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); (2) false designation of origin, misrepresentation, and unfair competition, under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); (3) common law unfair competition; (4) trademark infringement and unfair competition under California law; (5) dilution under California law; and (6) common law misappropriation.

[3] Grupo Gigante S.A. de C.V. v. Dallo & Co., Inc., 119 F.Supp.2d 1083 (C.D.Cal.2000).

that mattered, this case would end there. It is undisputed that Grupo Gigante used the mark in commerce for decades before the Dallos did. But the facts of this case implicate another well-established principle of trademark law, the "territoriality principle." The territoriality principle, as stated in a treatise, says that "[p]riority of trademark rights in the United States depends solely upon priority of use in the United States, not on priority of use anywhere in the world."[4] Earlier use in another country usually just does not count.[5] Although we have not had occasion to address this principle, it has been described by our sister circuits as "basic to trademark law," in large part because "trademark rights exist in each country solely according to that country's statutory scheme."[6] While Grupo Gigante used the mark for decades before the Dallos used it, Grupo Gigante's use was in Mexico, not in the United States. Within the San Diego area, on the northern side of the border, the Dallos were the first users of the "Gigante" mark. Thus, according to the territoriality principle, the Dallos' rights to use the mark would trump Grupo Gigante's.

[12] Grupo Gigante does not contest the existence of the territoriality principle. But like the first-in-time, first-in-right principle, it is not absolute. The exception, as Grupo Gigante presents it, is that when foreign use of a mark achieves a certain level of fame for that mark within the United States, the territoriality principle no longer serves to deny priority to the earlier foreign user. The Dallos concede that there is such an exception, but dispute what it takes for a mark to qualify for it. Grupo Gigante would interpret the exception broadly, while the Dallos would interpret it narrowly.

[13] Grupo Gigante does not argue to this court that it used the mark *in the United States* in a way that qualifies for protection regardless of the territoriality principle and any exception to it. While the district court opinion suggests that Grupo Gigante made an alternative argument of this sort below, its argument on appeal is limited to whether the mark has become well-known enough to overcome the territoriality principle. For example, while the statement of facts in Grupo Gigante's brief claims that Grupo Gigante engaged in advertising in Mexico that reached United States consumers, Grupo Gigante does not assert that this advertising, combined with other activities, constitutes domestic use of the mark.[7] Thus, while Grupo Gigante does not appear to concede explicitly that application of the famous-mark exception is necessary to its success on appeal, the structure of its

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[4] J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition,* § 29:2, at 29–6 (4th ed. 2002) (internal footnote omitted).

[5] See Person's Co., Ltd. v. Christman, 900 F.2d 1565, 1569–70 (Fed.Cir. 1990); Buti v. Perosa, S.R.L., 139 F.3d 98, 103–05 (2d Cir.1998); Fuji Photo Film Co., Inc. v. Shinohara Shoji Kabushiki Kaisha, 754 F.2d 591, 599 (5th Cir. 1985).

[6] *Fuji Photo,* 754 F.2d at 599; *see also Person's,* 900 F.2d at 1569.

[7] See, e.g., Int'l Bancorp, LLC v. Societe des Bains de Mer, 329 F.3d 359, 370 (4th Cir. 2003).

argument suggests as much. Since the district court based its holding on an interpretation of the exception, and since Grupo Gigante does not urge us to consider alternative ways it might be eligible for protection, we have no occasion to decide, and do not decide, whether Grupo Gigante could establish protection for its mark apart from application of the famous-mark exception to the territoriality principle.

[14] There is no circuit-court authority—from this or any other circuit—applying a famous-mark exception to the territoriality principle. At least one circuit judge has, in a dissent, called into question whether there actually is any meaningful famous-mark exception.[8] We hold, however, that there is a famous mark exception to the territoriality principle. While the territoriality principle is a long-standing and important doctrine within trademark law, it cannot be absolute. An absolute territoriality rule without a famous-mark exception would promote consumer confusion and fraud. Commerce crosses borders. In this nation of immigrants, so do people. Trademark is, at its core, about protecting against consumer confusion and "palming off."[9] There can be no justification for using trademark law to fool immigrants into thinking that they are buying from the store they liked back home.

[15] It might not matter if someone visiting Fairbanks, Alaska from Wellington, New Zealand saw a cute hair-salon name—"Hair Today, Gone Tomorrow," "Mane Place," "Hair on Earth," "Mary's Hair'em," or "Shear Heaven"—and decided to use the name on her own salon back home in New Zealand. The ladies in New Zealand would not likely think they were going to a branch of a Fairbanks hair salon. But if someone opened a high-end salon with a red door in Wellington and called it Elizabeth Arden's, women might very well go there because they thought they were going to an affiliate of the Elizabeth Arden chain, even if there had not been any other Elizabeth Ardens in New Zealand prior to the salon's opening. If it was not an affiliate, just a local store with no connection, customers would be fooled. The real Elizabeth Arden chain might lose business if word spread that the Wellington salon was nothing special.

[16] The most cited case for the famous-mark exception is *Vaudable v. Montmartre, Inc.,* a 1959 trial court decision from New York.[10] A New York restaurant had opened under the name "Maxim's," the same name as the well-known Parisian restaurant in operation since 1893, and still in operation today. The New York Maxim's used similar typography for its sign, as well as other features

[8] *Int'l Bancorp,* 329 F.3d at 389 n. 9 (Motz, J., dissenting) ("Nor does the 'famous marks' doctrine provide SBM any refuge. That doctrine has been applied so seldom (never by a federal appellate court and only by a handful of district courts) that its viability is uncertain.").

[9] See Thane Int'l, Inc. v. Trek Bicycle Corp., 305 F.3d 894, 901 (9th Cir. 2002).

[10] *Vaudable v. Montmartre, Inc.,* 20 Misc.2d 757, 193 N.Y.S.2d 332 (N.Y.Sup.Ct.1959).

likely to evoke the Paris Maxim's—particularly among what the court called "the class of people residing in the cosmopolitan city of New York who dine out"[11] (by which it apparently meant the sort of people who spend for dinner what some people spend for a month's rent). The court enjoined the New York use, even though the Paris restaurant did not operate in New York, or in the United States, because the Maxim's mark was "famous."[12]

[17] While *Vaudable* stands for the principle that even those who use marks in other countries can sometimes—when their marks are famous enough—gain exclusive rights to the marks in this country, the case itself tells us little about just how famous or well-known the foreign mark must be. The opinion states in rather conclusory terms that the Paris Maxim's "is, of course, well known in this country," and that "[t]here is *no doubt* as to its unique and eminent position as a restaurant of international fame and prestige."[13] This language suggests that Maxim's had achieved quite a high degree of fame here, and certainly enough to qualify for the exception to the territoriality principle, but it suggests nothing about just how much fame was necessary. It does not suggest where the line is between "Shear Heaven" and Maxim's.

[18] The Patent and Trademark Office's Trademark Trial and Appeal Board, whose expertise we respect and whose decisions create expectations, has recognized the validity of the famous-mark exception.[14] But as with *Vaudable,* none of these cases helps us to establish a clear threshold for just how famous a mark must be to qualify for the exception.

[19] Grupo Gigante urges us to adopt the approach the district court took. The district court held that the correct inquiry was to determine whether the mark had attained secondary meaning in the San Diego area. Secondary meaning refers to a mark's actual ability to trigger in consumers' minds a link between a product or service and the source of that product or service. That is, a mark has secondary meaning "when, in the minds of the public, the primary significance of a mark is to identify the source of the product rather than the product itself."[15] Determining

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[11] *Id.* at 334.

[12] *Id.* at 335.

[13] *Id.* at 334 (emphasis added).

[14] See, e.g., The All England Lawn Tennis Club (Wimbledon) Ltd. v. Creations Aromatiques, Inc., 220 U.S.P.Q. 1069, 1072, 1983 WL 51903 (TTAB 1983); Mother's Rests. Inc. v. Mother's Other Kitchen, Inc., 218 U.S.P.Q. 1046, 1048, 1983 WL 51992 (TTAB 1983).

[15] *Wal–Mart Stores, Inc. v. Samara Bros., Inc.,* 529 U.S. 205, 211 (2000) (internal quotation and editing omitted).

whether a mark has secondary meaning requires taking into account at least seven considerations, which the district court did in this case.[16]

[20] Applying its interpretation of the famous-mark exception, the district court concluded that Grupo Gigante's use of the mark had achieved secondary meaning in the San Diego area by the time the Dallos opened their first store, and thus the court held that Grupo Gigante's use was eligible for the exception to the territoriality principle. Grupo Gigante asserts that we, too, should adopt secondary meaning as the definition of the exception. We decline to go quite this far, however, because following the district court's lead would effectively cause the exception to eclipse the territoriality rule entirely.

[21] Secondary meaning has two functions. First, it serves to determine whether certain marks are distinctive enough to warrant protection. Some marks—those that are arbitrary, fanciful, or suggestive—are deemed inherently distinctive. Others—including those that are descriptive of some feature of the products or services to which they are attached—require some indication of distinctiveness before trademark protection is available. That required indication is that the mark have acquired secondary meaning. Thus, before Grupo Gigante (or for that matter the Dallos) could have a protectable interest in "Gigante" at all, Grupo Gigante would have to show that the mark has acquired secondary meaning by demonstrating that it has come to identify to consumers Grupo Gigante's particular brand of store, not merely a characteristic of Grupo Gigante's stores and others like them.

[22] Second, and most relevant to this case, secondary meaning defines the geographic area in which a user has priority, regardless of who uses the mark first. Under what has become known as the *Tea Rose–Rectanus* doctrine, priority of use in one geographic area within the United States does not necessarily suffice to establish priority in another area. Thus, the first user of a mark will not necessarily be able to stop a subsequent user, where the subsequent user is in an area of the country "remote" from the first user's area.[17] The practical effect is that one user may have priority in one area, while another user has priority over the very same mark in a different area. The point of this doctrine is that in the remote area, where no one is likely to know of the earlier user, it is unlikely that consumers would be confused by the second user's use of the mark. Secondary meaning comes into play

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[16] See Filipino Yellow Pages, Inc. v. Asian Journal Publ'ns, Inc., 198 F.3d 1143 (9th Cir. 1999).

[17] Good faith may also be an issue in such cases. *See Hanover Star,* 240 U.S. at 415, 36 S.Ct. 357 (excepting from the general *Tea Rose–Rectanus* principle cases in which "the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like."). Good faith is not raised in this appeal (perhaps because the appeal comes up on summary judgment) and is irrelevant to our analysis.

in determining just how far each user's priority extends. Courts ask whether the first, geographically limited use of the mark is well-known enough that it has gained secondary meaning not just within the area where it has been used, but also within the remote area, which is usually the area where a subsequent user is claiming the right to use the mark.

[23] Assume, for example, that Grupo Gigante had been using the mark in Arizona as well as in various parts of Mexico, and that it had met all the other requirements of having a protectable interest in the mark, including having established secondary meaning throughout Arizona. If the Dallos later began using the same mark in San Diego without knowledge of Grupo Gigante's earlier "remote" use in Arizona, whether Grupo Gigante could stop them would depend on what the mark meant to consumers in San Diego. Under the *Tea Rose–Rectanus* doctrine, Grupo Gigante would have priority in San Diego, and thus be able to stop the Dallos' use of the mark, only if the secondary meaning from Grupo Gigante's use of the mark in Arizona extended to San Diego as well. If, on the other hand, the secondary meaning from Grupo Gigante's use were limited to Arizona, then the Dallos might be free to continue using the mark in San Diego.

[24] Thus, if the dispute before us were between a Mexican and Arizonan Grupo Gigante on the one hand, and the Dallos on the other, we would analyze, under the *Tea Rose–Rectanus* doctrine, whether Grupo Gigante's use of the mark had achieved secondary meaning in San Diego. This is how the district court analyzed the actual dispute, as a result of having defined the exception to the territoriality principle in terms of secondary meaning. In other words, the district court treated Grupo Gigante's use of the mark exactly as it would have had Grupo Gigante used the mark not only in Mexico, but also in another part of the United States. Under the district court's interpretation of the exception to the territoriality principle, the fact that Grupo Gigante's earlier use of the mark was entirely outside of the United States becomes irrelevant.

[25] The problem with this is that treating international use differently is what the territoriality principle does. This interpretation of the exception would effectively eliminate the territoriality principle by eliminating any effect of international borders on protectability. We would end up treating foreign uses of the mark just as we treat domestic uses under the *Tea Rose–Rectanus* doctrine, asking in both cases whether the use elsewhere resulted in secondary meaning in the local market.

[26] We would go too far if we did away with the territoriality principle altogether by expanding the famous-mark exception this much. The territoriality principle has a long history in the common law,[18] and at least two circuits have

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[18] As McCarthy has noted, traces of the territoriality principle appear in Justice Holmes's opinion for the U.S. Supreme Court in *A. Bourjois & Co. v. Katzel,* 260 U.S. 689, 692, 43 S.Ct. 244, 67 L.Ed. 464 (1923). McCarthy, *supra,* at § 29:1, p. 29–4; *see*

described it as "basic to trademark law."[19] That status reflects the lack of a uniform trademark regime across international borders. What one must do to acquire trademark rights in one country will not always be the same as what one must do in another. And once acquired, trademark rights gained in other countries are governed by each country's own set of laws.[20] Furthermore, we are arguably required by the Paris Convention, of which the United States is a signatory, to preserve the territoriality principle in some form.[21] Thus, we reject Grupo Gigante's argument that we should define the well-known mark exception as merely an inquiry into whether the mark has achieved secondary meaning in the area where the foreign user wishes to assert protection.

[27] To determine whether the famous-mark exception to the territoriality rule applies, the district court must determine whether the mark satisfies the secondary meaning test. The district court determined that it did in this case, and we agree with its persuasive analysis. But secondary meaning is not enough.

[28] In addition, where the mark has not before been used in the American market, the court must be satisfied, by a preponderance of the evidence, that a *substantial* percentage of consumers in the relevant American market is familiar with the foreign mark. The relevant American market is the geographic area where the defendant uses the alleged infringing mark. In making this determination, the court should consider such factors as the intentional copying of the mark by the defendant, and whether customers of the American firm are likely to think they are patronizing the same firm that uses the mark in another country. While these factors are not necessarily determinative, they are particularly relevant because they bear heavily on the risks of consumer confusion and fraud, which are the reasons for having a famous-mark exception.

[29] Because the district court did not have the benefit of this additional test, we vacate and remand so that it may be applied. We intimate no judgment on

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also Philip Morris Inc. v. Allen Distribs., Inc., 48 F.Supp.2d 844, 850 (S.D.Ind. 1999) (identifying *Bourjois* as marking the shift from "the 'universality' principle [to] a 'territoriality principle' that recognizes a separate legal existence for a trademark in each country whose laws afford protection to the mark").

[19] *Fuji Photo,* 754 F.2d at 599; *Person's,* 900 F.2d at 1569.

[20] *See Ingenohl v. Walter E. Olsen & Co., Inc.,* 273 U.S. 541, 544, (1927) ("A trademark started elsewhere would depend for its protection in Hongkong upon the law prevailing in Hongkong and would confer no rights except by the consent of that law."); *Fuji Photo,* 754 F.2d at 599 ("[T]rademark rights exist in each country solely according to that country's statutory scheme.").

[21] *Paris Convention for the Protection of Industrial Property,* Mar. 20, 1883, as revised at Stockholm, July 14, 1967, art. 6(3), 21 U.S.T. 1583, § 6(3) ("A mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin.").

whether further motion practice and some additions to what the district court has already written in its published opinion will suffice, or whether trial will be needed to apply this new test. Nor do we intimate what the result should be. The concurring opinion is incorrect in its suggestion that the case necessarily must go to trial because distinctiveness of a mark is a question of fact and defendants have contested the reliability of plaintiffs' survey evidence. That conclusion flies in the face of the 1986 triumvirate of summary judgment cases.[22] Regardless of whether questions are factual, there is nothing to try unless there is a genuine issue of material fact. One survey that is impeachable, but still good enough to get to a jury, weighed against no survey evidence at all on the other side, along with all the other evidence in the record, does not necessarily add up to a genuine issue of fact.

…

VACATED AND REMANDED.

GRABER, Circuit Judge, concurring:

[30] I concur in the majority's opinion because I agree that a foreign owner of a supposedly famous or well-known foreign trademark must show a higher level of "fame" or recognition than that required to establish secondary meaning. Ultimately, the standard for famous or well-known marks is an intermediate one. To enjoy extraterritorial trademark protection, the owner of a foreign trademark need not show the level of recognition necessary to receive nation-wide protection against trademark dilution. On the other hand, the foreign trademark owner who does not use a mark in the United States must show more than the level of recognition that is necessary in a domestic trademark infringement case.

[31] Nonetheless, I write separately to express my view that the evidence that Plaintiffs have presented thus far is insufficient as a matter of law to establish that their mark is famous or well-known. The survey population and the survey's results establish little more than the fact that Plaintiffs' customers are familiar with Plaintiffs' stores. In an abundance of caution, the majority does not intimate whether that evidence is sufficient to warrant a grant of summary judgment in Plaintiffs' favor on the issue of the famous mark exception. I would go beyond intimation and hold directly that Plaintiffs' evidence is insufficient to support a grant of summary judgment in its favor. I would further hold that, unless the district court entertains a renewed motion for summary judgment on a considerably expanded record, this case should proceed to trial.

[32] The district court, relying entirely on survey evidence, concluded that Plaintiffs' trademark had acquired secondary meaning and was thus entitled to

[22] See Celotex Corp. v. Catrett, 477 U.S. 317 (1986); Anderson v. Liberty Lobby, Inc., 477 U.S. 242 (1986); Matsushita Elec. Indus. Co. v. Zenith Radio, 475 U.S. 574 (1986).

protection from domestic users.[23] The survey population consisted of only 78 people in San Diego County who were "Spanish-speaking, and had recently purchased Mexican-style food at a supermarket or other food store." *Grupo Gigante S.A. de C.V. v. Dallo & Co., Inc.,* 119 F.Supp.2d 1083, 1093 (C.D.Cal. 2000). Twenty-four respondents from that population "(1) had recently shopped at a Gigante store in Mexico; (2) believed that the Gigante name was affiliated with an entity that had at least one store located in Mexico; or (3) were aware of a Gigante supermarket located in Mexico." *Id.* However, the survey was conducted in 2000, nine years *after* Defendants first began using the Gigante name in the United States. When testing for awareness of the Gigante mark *before* Defendants' entry into the San Diego market in 1991, the awareness level dropped to 20 to 22 percent of the respondents. *Id.* That is, the district court based its conclusion that Plaintiffs' mark was well known on a survey that turned up just *seventeen people* who had heard of Gigante before 1991.

[33] That evidence is insufficient in two important respects. First, the survey result is highly questionable in view of its narrowly defined survey population. Plaintiffs' own description of their stores makes clear that the goods sold are little different from those available in any large retail grocery store: "Product offerings in the Gigante stores generally include a complete selection of perishable and non-perishable foods and a wide selection of general merchandise, as well as clothing and fashion items." Further, Plaintiffs admit in their briefs that the clientele of their Mexican stores includes "both Hispanic and non-Hispanic" customers. Consequently, nothing about *either* the nature of the goods sold by Plaintiffs *or* its customer base warrants limiting the relevant public to Mexican–Americans.

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[34] Because Plaintiffs sell widely-available, non-specialized goods to the general public, it is uninformative to focus exclusively on Mexican–Americans living in San Diego County. The district court's reliance on Plaintiffs' survey is especially problematic because its population was limited to Mexican–Americans who had recently purchased Mexican-style food at a supermarket or grocery store. That survey is only very slightly more informative than the study whose probative value we dismissed entirely in *Avery Dennison Corp. v. Sumpton,* 189 F.3d 868 (9th Cir. 1999), because it focused exclusively on the plaintiff's existing customers: "Avery Dennison's marketing reports are comparable to a survey we discussed in *Anti–Monopoly, Inc. v. General Mills Fun Group, Inc.,* 684 F.2d 1316 (9th Cir. 1982), proving

[23] Expert surveys can provide the most persuasive evidence of secondary meaning. *Comm. for Idaho's High Desert, Inc. v. Yost,* 92 F.3d 814, 822 (9th Cir.1996). "However, survey data is not a requirement and secondary meaning can be, and often is, proven by circumstantial evidence." 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition,* § 32:190, at 32–319 to 32–320 (4th ed.2002).

only the near tautology that consumers already acquainted with Avery and Avery Dennison products are familiar with Avery Dennison." 189 F.3d at 879.

[35] Because a conclusion that Plaintiffs have a protectable interest would prohibit Defendants from selling groceries under that mark to *any* residents of San Diego County—not just to Mexican–Americans—it makes little sense to define the relevant public so narrowly. Comprised of all grocery shoppers, the "relevant sector of the public" in this case is the very antithesis of a specialized market; because everyone eats, the relevant sector of the public consists of all residents of San Diego County, without qualification.

[36] Second, in view of the standard we announce today, I do not believe that a showing that 20 to 22 percent of the relevant market is familiar with the foreign mark establishes that a "significant" or "substantial" percentage of that market is familiar with the foreign mark. On that ground alone, I would conclude that Plaintiffs have failed, so far, to show that their mark is famous or well-known.

[37] In terms of the level of fame, trademark dilution cases often speak of a "significant percentage of the defendant's market." *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.,* 875 F.2d 1026, 1031 (2d Cir. 1989). Discussing the level of recognition required to establish "niche fame," McCarthy argues that "a mark should not be categorized as 'famous' unless it is known to more than 50 percent of the defendant's potential customers." 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition,* § 24:112, at 24–271 (4th ed. 2002).

[38] I would adopt a similar standard for the exception for famous or well-known foreign marks. When a foreign mark has not been used in the United States, I would require the owner of the foreign mark to show, through surveys and other evidence, that a majority of the defendant's customers and potential customers, on aggregate, were familiar with the foreign mark when the defendant began its allegedly infringing use. Admittedly, that is a high standard. However, I believe that a stringent standard is required when conferring trademark protection to a mark that has never been, and perhaps never may be, used in this country. A conclusion that Plaintiffs' mark is well-known in the relevant sector brings with it the right to oust Defendants from their own market, notwithstanding the fact that they have established priority of use. A bare showing of acquired distinctiveness should not suffice to invert the ordinary allocation of trademark rights.

[39] Of course, I recognize that the doctrine of "niche fame" has received heavy, and in the context of *domestic* trademark law, deserved criticism. However, the niche fame cases may provide the district court with an instructive benchmark against which to measure an intermediate standard of fame.[24]

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[24] There are no other cases that directly guide us here. Although international trademark law has recognized both the territoriality principle and the exception for famous and well-known marks since 1925, remarkably, no case addressed meaningfully the exception before the district court's decision below. Since that

[40] In summary, I agree with the majority's conclusion that this case must be remanded and the evidence reevaluated under a heightened standard for the famous or well-known marks exception. However, I would hold directly that the evidence presented thus far does not meet that standard and thus does not suffice to warrant protection for Plaintiff's mark. Finally, in determining whether a foreign mark has met the standard for famous or well-known foreign trademarks, I would look to precedent from this court and others addressing whether a mark has become famous in its market niche.

ii. The Well-Known Marks Doctrine in the Second Circuit

ITC Ltd. v. Punchgini, Inc.
482 F.3d 135 (2d Cir. 2007)

RAGGI, Circuit Judge.

[1] This case requires us to decide, among other things, the applicability of the "famous marks" doctrine to a claim for unfair competition under federal and state law. Plaintiffs ITC Limited and ITC Hotels Limited (collectively "ITC") held a registered United States trademark for restaurant services: "Bukhara." They sued defendants, Punchgini, Inc., Bukhara Grill II, Inc., and certain named individuals associated with these businesses, in the United States District Court for the Southern District of New York (Gerard E. Lynch, *Judge*) claiming that defendants' use of a similar mark and related trade dress constituted trademark infringement, unfair competition, and false advertising in violation of federal and state law. ITC now appeals from the district court's award of summary judgment in favor of defendants on all claims. *See ITC Ltd. v. Punchgini, Inc.,* 373 F.Supp.2d 275 (S.D.N.Y. 2005).

[2] Having reviewed the record *de novo,* we affirm the award of summary judgment on ITC's infringement claim, concluding, as did the district court, that ITC abandoned its Bukhara mark for restaurant services in the United States. To the extent ITC insists that the "famous marks" doctrine nevertheless permits it to sue defendants for unfair competition because its continued international use of the mark led to a federally protected right, we conclude that Congress has not yet incorporated that doctrine into federal trademark law.[25] Therefore, we affirm the

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decision, only one case has confronted the issue. *Empresa Cubana del Tabaca v. Culbro Corp.,* 70 U.S.P.Q.2d 1650, 2004 WL 602295 (S.D.N.Y.2004). *Empresa Cubana* adhered closely to the reasoning and conclusion of the district court in this case. *Id.* at 1676–77.

[25] Although the term "famous marks" is often used to describe marks that qualify for protection under the federal anti-dilution statute, *see* 15 U.S.C. § 1125(c), the "famous marks" doctrine is, in fact, a different and distinct "legal concept under which a trademark or service mark is protected within a nation if it is well known in that nation even though the mark is not actually used or registered in that nation," 4

award of summary judgment on ITC's federal unfair competition claim. Whether the famous marks doctrine applies to a New York common law claim for unfair competition and, if so, how famous a mark must be to trigger that application, are issues not easily resolved by reference to existing state law. Accordingly, we certify questions relating to these issues to the New York Court of Appeals, reserving our decision on this part of ITC's appeal pending the state court's response.

I. Factual Background

A. The Bukhara Restaurant in New Delhi

[3] ITC Limited is a corporation organized under the laws of India. Through its subsidiary, ITC Hotels Limited, it owns and operates the Maurya Sheraton & Towers, a five-star hotel in New Delhi, India. One of the restaurants in the Maurya Sheraton complex is "Bukhara." Named after a city in Uzbekistan on the legendary Silk Road between China and the West, Bukhara offers a cuisine and decor inspired by the northwest frontier region of India. Since its opening in 1977, the New Delhi Bukhara has remained in continuous operation, acquiring a measure of international renown.[26]

[4] Over the past three decades, ITC has sought to extend the international reach of the Bukhara brand. At various times, it has opened or, through franchise agreements, authorized Bukhara restaurants in Hong Kong, Bangkok, Bahrain, Montreal, Bangladesh, Singapore, Kathmandu, Ajman, New York, and Chicago. As of May 2004, however, ITC-owned or -authorized Bukhara restaurants were in operation only in New Delhi, Singapore, Kathmandu, and Ajman.

B. ITC's Use of the Bukhara Mark in the United States

1. ITC's Use and Registration of the Mark for Restaurants

[5] In 1986, an ITC-owned and -operated Bukhara restaurant opened in Manhattan. In 1987, ITC entered into a franchise agreement for a Bukhara restaurant in Chicago. Shortly after opening its New York restaurant, ITC sought to register the Bukhara mark with the United States Patent and Trademark Office ("Patent and Trademark Office"). On October 13, 1987, ITC obtained United States trademark registration for the Bukhara mark in connection with "restaurant services." *See* United States Trademark Registration No. 1,461,445 (Oct. 13, 1987). The Manhattan restaurant remained in operation for only five years, closing on December 17, 1991. On August 28, 1997, after a decade in business, ITC cancelled its

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J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition,* § 29.2, at 29–164 (4th ed.2002). Thus, the famous marks doctrine might more aptly be described as the famous foreign marks doctrine. It is in this latter sense that we reference the famous marks doctrine on this appeal.

[26] The record indicates that in 2002 and 2003, the New Delhi Bukhara was named one of the world's fifty best restaurants by London-based "Restaurant" magazine.

Chicago franchise. Notwithstanding its registration, ITC concedes that it has not owned, operated, or licensed any restaurant in the United States using the Bukhara mark since terminating the Chicago restaurant franchise.

2. Use of the Mark for Packaged Foods

[6] Over three years later, in 2001, ITC commissioned a marketing study to determine the viability of selling packaged food products in the United States under the Bukhara label, including "Dal Bukhara."[27] In that same year, ITC filed an application with the Patent and Trademark Office to register a "Dal Bukhara" mark in connection with packaged, ready-to-serve foods. In May 2003, ITC sold packaged Dal Bukhara food products to two distributors, one in California and the other in New Jersey. One month later, in June 2003, ITC exhibited Dal Bukhara products at the International Fancy Foods Show in New York City.

C. The Opening of "Bukhara Grill"

[7] Meanwhile, in 1999, named defendants Raja Jhanjee, Vicky Vij, Dhandu Ram, and Paragnesh Desai, together with Vijay Roa, incorporated "Punchgini, Inc." for the purpose of opening an Indian restaurant in New York City. Jhanjee, Vij, and Ram had all previously worked at the New Delhi Bukhara, and Vij had also previously worked at ITC's New York Bukhara. In selecting a name for their restaurant, the Punchgini shareholders purportedly considered "Far Pavilions" and "Passage to India" before settling on "Bukhara Grill." As Vij candidly acknowledged at his deposition, there was then "no restaurant Bukhara in New York, and we just thought we will take the name." Vij Dep. 25:7–11, May 5, 2004. After some initial success with "Bukhara Grill," several Punchgini shareholders, with the support of two additional partners, defendants Mahendra Singh and Bachan Rawat, organized a second corporation, "Bukhara Grill II, Inc.," in order to open a second New York restaurant, "Bukhara Grill II."

[8] When the record is viewed in the light most favorable to ITC, numerous similarities suggestive of deliberate copying can readily be identified between the defendants' Bukhara Grill restaurants and the Bukhara restaurants owned or licensed by ITC. Quite apart from the obvious similarity in name, defendants' restaurants mimic the ITC Bukharas' logos, decor, staff uniforms, wood-slab menus, and red-checkered customer bibs. Indeed, the similarities were sufficiently obvious to be noted in a press report, wherein defendant Jhanjee is quoted acknowledging that the New York Bukhara Grill restaurant "is quite like Delhi's Bukhara."

D. Plaintiffs' Cease and Desist Letter

[9] By letter dated March 22, 2000, ITC, through counsel, demanded that defendants refrain from further use of the Bukhara mark. The letter accused defendants of unlawfully appropriating the reputation and goodwill of ITC's

[27] This product takes its name from a lentil dish served at the New Delhi Bukhara restaurant.

Bukhara restaurants in India and the United States by adopting a virtually identical name for their New York Bukhara Grill restaurants. It further demanded, under threat of legal action, that defendants acknowledge ITC's exclusive rights to the Bukhara mark, disclose the period for which defendants had used the mark, and remit to ITC any profits derived therefrom.

[10] In a response dated March 30, 2000, defendants' counsel expressed an interest in avoiding litigation. Nevertheless, counsel observed that ITC appeared to have abandoned the Bukhara mark by not using it in the United States for several years. Receiving no reply, defendants' counsel sent a second letter to ITC dated June 22, 2000, stating that, if no response was forthcoming "by June 28, 2000, we will assume that ITC Limited has abandoned rights it may have had in the alleged mark and any alleged claim against our client." Marsh Letter to Horwitz, June 22, 2000. The record indicates no timely reply.

[11] Instead, almost two years later, on April 15, 2002, ITC's counsel wrote to defendants reiterating the demands made in March 2000 and complaining of defendants' failure formally to respond to that initial letter. Defendants' counsel promptly challenged the latter assertion; faulted ITC for failing to reply to his March 22, 2000 letter; and reasserted his abandonment contention, a position that he claimed was now bolstered by the passage of additional time. There was apparently no further communication among the parties until this lawsuit.

E. The Instant Lawsuit

[12] On February 26, 2003, ITC filed the instant lawsuit. In the amended complaint that is the controlling pleading for purposes of our review, ITC charged defendants with trademark infringement under section 32(1)(a) of the Lanham Act, *see* 15 U.S.C. § 1114(1)(a), as well as unfair competition and false advertising under sections 43(a) and 44(h) of the Lanham Act, *see* 15 U.S.C. §§ 1125(a), 1126(h). ITC also pursued parallel actions under New York common law.[28] As an affirmative defense, defendants charged ITC with abandonment of its United States rights to the Bukhara mark and, on that ground, they filed a counterclaim seeking cancellation of the ITC registration.

[13] Following discovery, defendants successfully moved for summary judgment. In a detailed published decision, the district court ruled that ITC could not pursue an infringement claim because the record conclusively demonstrated its abandonment of the Bukhara mark as applied to restaurants in the United States. *See ITC Ltd. v. Punchgini, Inc.,* 373 F.Supp.2d at 285. To the extent ITC asserted that its continued operation of Bukhara restaurants outside the United States allowed it

[28] ITC's amended complaint also charged defendants with false designation of origin in violation of the Lanham Act, 15 U.S.C. § 1125(a), and deceptive acts and practices in violation of New York General Business Law § 349, but it appears to have abandoned those claims in otherwise opposing defendants' motion for summary judgment. *See ITC Ltd. v. Punchgini, Inc.,* 373 F.Supp.2d at 278.

to sue defendants for unfair competition under the famous marks doctrine, the district court was not convinced. It observed that, even if it were to assume the applicability of the famous marks doctrine, ITC had failed to adduce sufficient evidence to permit a reasonable jury to conclude that the name or trade dress of its foreign restaurants had attained the requisite level of United States recognition to trigger the doctrine. *See id.* at 291. Finally, the district court found that ITC lacked standing to pursue its false advertising claim. *See id.* at 291–92. This appeal followed.

[14] Before this court, ITC advances essentially three arguments. It submits that (1) the record does not conclusively establish its abandonment of United States rights in the Bukhara mark, (2) the district court misapplied applicable federal and state law regarding the famous marks doctrine, and (3) it has standing to sue defendants for false advertising.

II. Discussion

…

[The court determined that ITC had abandoned its registered Bukhara mark. We will address abandonment in Part III below].

C. Unfair Competition

1. Federal Claim Under Section 43(a)(1)(A) of the Lanham Act

[15] ITC claims that defendants violated section 43(a)(1)(A) of the Lanham Act by engaging in unfair competition in the use of its Bukhara mark and its related trade dress. Section 43(a)(1)(A) allows the producer of a product or service to initiate a cause of action against a person who uses "any word, term name, symbol, or device, or any combination thereof ... which ... is likely to cause confusion ... as to the origin, sponsorship, or approval of [the producer's] ... services." 15 U.S.C. § 1125(a)(1)(A). This protection is broader than that afforded by section 32(1)(a), which prohibits only infringement of marks actually registered with the Patent and Trademark Office. *See Two Pesos v. Taco Cabana,* 505 U.S. 763, 768 (1992) ("Section 43(a) prohibits a broader range of practices than does § 32, which applies to registered marks, but it is common ground that § 43(a) protects qualifying unregistered trademarks" (internal citations and quotation marks omitted)); *accord Chambers v. Time Warner, Inc.,* 282 F.3d 147, 155 (2d Cir.2002).

[16] To succeed on a section 43(a)(1)(A) claim, a plaintiff must prove (1) that the mark or dress is distinctive as to the source of the good or service at issue, and (2) that there is the likelihood of confusion between the plaintiff's good or service and that of the defendant. *See Yurman Design, Inc. v. PAJ, Inc.,* 262 F.3d 101, 115 (2d Cir.2001) (citing *Wal–Mart Stores, Inc. v. Samara Bros.,* 529 U.S. 205, 210 (2000)); *see also Two Pesos v. Taco Cabana,* 505 U.S. at 768; *Louis Vuitton Malletier v. Dooney & Bourke, Inc.,* 454 F.3d 108, 115 (2d Cir.2006). Preliminary to making this showing, however, a plaintiff must demonstrate its own right to use the mark or dress in question.…

[17] In light of our conclusion that, as a matter of law, ITC abandoned its registered Bukhara mark as of August 28, 2000, ITC confronts a high hurdle in demonstrating that, at the time of defendants' challenged actions, it possessed a priority right to the use of the Bukhara mark and related trade dress for restaurants in the United States. *See Vais Arms, Inc. v. Vais,* 383 F.3d at 292 n. 8 (noting that "abandonment results in a break in the chain of priority") (quoting 2 McCarthy, supra, § 17:4); *Emergency One, Inc. v. American Fire Eagle Engine Co.,* 332 F.3d 264, 268 (4th Cir.2003) ("The priority to use a mark ... can be lost through abandonment."); *see also Exxon Corp. v. Humble Exploration Co.,* 695 F.2d at 103–04 (observing that it would be "incongruous" to allow plaintiff who had abandoned mark to successfully sue defendant for false designation or representation of origin). To clear this hurdle, ITC invokes the famous marks doctrine. It submits that, because (1) since 1977, it has continuously used its Bukhara mark and trade dress outside the United States; and (2) that mark was renowned in the United States before defendants opened their first Bukhara Grill restaurant in New York in 1999, it has a priority right to the mark sufficient to claim section 43(a)(1)(A) protection in this country.

[18] To explain why we disagree, we begin by discussing the principle of trademark territoriality. We then discuss the famous marks exception to this principle and the international treaties, implementing legislation, and policy concerns relied on by ITC in urging the application of this exception to this case.

a. The Territoriality Principle

[19] The principle of territoriality is basic to American trademark law. *See American Circuit Breaker Corp. v. Or. Breakers, Inc.,* 406 F.3d 577, 581 (9th Cir. 2005); *Kos Pharms., Inc. v. Andrx Corp.,* 369 F.3d 700, 714 (3d Cir. 2004); *Buti v. Impressa Perosa, S.R.L.,* 139 F.3d 98, 103 (2d Cir. 1998); *Person's Co. v. Christman,* 900 F.2d 1565, 1568–69 (Fed.Cir. 1990). As our colleague, Judge Leval, has explained, this principle recognizes that

> a trademark has a separate legal existence under each country's laws, and that its proper lawful function is not necessarily to specify the origin or manufacture of a good (although it may incidentally do that), but rather to symbolize the domestic goodwill of the domestic markholder so that the consuming public may rely with an expectation of consistency on the domestic reputation earned for the mark by its owner, and the owner of the mark may be confident that his goodwill and reputation (the value of the mark) will not be injured through use of the mark by others in domestic commerce.

Osawa & Co. v. B & H Photo, 589 F.Supp. 1163, 1171–72 (S.D.N.Y. 1984).[29]

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[29] The "territoriality principle" stands in contrast to the so-called "universality principle," which posits that "if a trademark [is] lawfully affixed to merchandise in one country, the merchandise would carry that mark lawfully wherever it went and

[20] Precisely because a trademark has a separate legal existence under each country's laws, ownership of a mark in one country does not automatically confer upon the owner the exclusive right to use that mark in another country. Rather, a mark owner must take the proper steps to ensure that its rights to that mark are recognized in any country in which it seeks to assert them. Cf. *Barcelona.com, Inc. v. Excelentisimo Ayuntamiento De Barcelona,* 330 F.3d 617, 628 (4th Cir. 2003) ("United States courts do not entertain actions seeking to enforce trademark rights that exist only under foreign law."); *E. Remy Martin & Co., S.A. v. Shaw–Ross Int'l Imports, Inc.,* 756 F.2d 1525, 1531 (11th Cir. 1985) ("Our concern must be the business and goodwill attached to United States trademarks, not French trademark rights under French law." (internal quotation marks omitted)).

[21] As we have already noted, United States trademark rights are acquired by, and dependent upon, priority of use. *See supra* at 146–47. The territoriality principle requires the use to be in the United States for the owner to assert priority rights to the mark under the Lanham Act. *See Buti v. Impressa Perosa, S.R.L.,* 139 F.3d at 103 (noting that "Impressa's registration and use of the Fashion Café name in Italy has not, given the territorial nature of trademark rights, secured it any rights in the name under the Lanham Act"); *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.,* 495 F.2d at 1271 n. 4 ("It is well-settled that foreign use is ineffectual to create trademark rights in the United States."); *see also Le Blume Import Co. v. Coty,* 293 F. 344, 350 (2d Cir. 1923) (observing that "the protection of a trade-mark in the United States is not to be defeated by showing a prior use of a like trademark in France, or in some other foreign country" so long as "the one claiming protection is able to show that he was first to use it in this country"); cf. *Grupo Gigante S.A. De C.V. v. Dallo & Co.,* 391 F.3d 1088, 1093 (9th Cir. 2004) (stating general proposition that "priority of trademark rights in the United States depends solely upon priority of use in the United States, not on priority of use anywhere in the world," although recognizing famous marks doctrine as an exception to territoriality principle (quoting 4 McCarthy, *supra,* § 29:2, at 29–6)). *But see International Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco,* 329 F.3d 359, 381 (4th Cir. 2003) (concluding that United States trademark rights can be acquired merely through advertising in the United States combined with rendering of services abroad to American customers). Thus, absent some use of its mark in the United States, a foreign mark holder generally may not assert priority rights under federal law, even if a United States competitor has knowingly appropriated that mark for his own use. *See Person's Co. v. Christman,* 900 F.2d at 1569–70 (holding that foreign

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could not be deemed an infringer although transported to another country where the exclusive right to the mark was held by someone other than the owner of the merchandise." *Osawa & Co. v. B & H Photo,* 589 F.Supp. at 1171. The universality principle has been rejected in American trademark law. *See American Circuit Breaker Corp. v. Or. Breakers, Inc.,* 406 F.3d at 581 (citing *A. Bourjois & Co. v. Katzel,* 260 U.S. 689, 43 S.Ct. 244, 67 L.Ed. 464 (1923)).

use is not sufficient to establish priority rights even over a United States competitor who took mark in bad faith).

b. The Famous Marks Doctrine as an Exception to the Territoriality Principle

[22] ITC urges us to recognize an exception to the territoriality principle for those foreign marks that, even if not used in the United States by their owners, have achieved a certain measure of fame within this country.

(1) Origin of the Famous Marks Doctrine

[23] The famous marks doctrine is no new concept. It originated in the 1925 addition of Article *6bis* to the Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, as rev. at Stockholm, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 ("Paris Convention"). Article *6bis,* which by its terms applies only to trademarks, requires member states

> ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

Paris Convention, art. *6bis.*[30] One commentator has observed that the "purpose" of Article *6bis* "is to avoid the registration and use of a trademark, liable to create confusion with another mark already well known in the country of such registration or use, although the latter well-known mark is not, or not yet, protected in that country by a registration which would normally prevent the registration or use of the conflicting mark." G.H.C. Bodenhausen, *Guide to the Application of the Paris Convention for the Protection of Industrial Property* 90 (1968).

(2) The Famous Marks Doctrine in the United States

(a) State Common Law

[24] The famous marks doctrine appears first to have been recognized in the United States by a New York trial court in a common law action for unfair competition in the use of a trademark. *See Maison Prunier v. Prunier's Rest. & Café,*

[30] The reach of Article *6bis* was extended to service marks by Article 16(2) of the Agreement on Trade–Related Aspects of Intellectual Property Rights ("TRIPs"), *see generally* Uruguay Round Agreements Act, Pub.L. No. 103–465, 108 Stat. 4809 (1994) (codified as amended at scattered sections of the United States Code), which states that "Article *6bis* of the Paris Convention shall apply, *mutatis mutandis,* to services."

159 Misc. 551, 557–58, 288 N.Y.S. 529, 535–36 (N.Y.Sup.Ct. 1936). The owner of "Maison Prunier," a Paris restaurant with a branch in London, sought to enjoin defendants' operation of a New York City restaurant named "Prunier's Restaurant and Café." The New York restaurant had apparently adopted both the Paris restaurant's name and slogan ("*Tout ce qui vient de la mer*"[31]) and boldly advertised itself as "The Famous French Sea Food Restaurant." While the French plaintiff conceded that it had never operated a restaurant in the United States, it nevertheless sought relief for the unauthorized use of its name and mark under the common law of unfair competition.

[25] In ruling in favor of the plaintiff, the trial court first observed that "the right of a French corporation to sue here for protection against unfair competition was expressly granted in [Article *10bis* of] the [Paris] convention between the United States and various other powers for the protection of industrial property." *Id.* at 554, 288 N.Y.S. at 532.[32] It then ruled that "actual competition in a product is not essential to relief under the doctrine of unfair competition." *Id.* at 555, 288 N.Y.S. at 533. The plaintiff was entitled to protection from "'any injury which might result to it from the deception of the public through the unauthorized use of its trade name, or a trade name which would lead the public to believe that it was in some way connected with the plaintiff.'" *Id.* at 556, 288 N.Y.S. at 534 (quoting *Long's Hat Stores Corp. v. Long's Clothes, Inc.,* 224 A.D. 497, 498, 231 N.Y.S. 107, 107 (1st Dep't 1928)). Although the court acknowledged the general rule of territoriality, *see id.* at 557, 288 N.Y.S. 529, 288 N.Y.S. at 535 (noting no "right to protection against the use of a trade-mark or trade name beyond the territory in which it operates"), it recognized an exception to the rule where the second user was guilty of bad faith, *see id.* at 557–58, 288 N.Y.S. at 536–37. The court identified the fame of the mark as a factor relevant to deciding whether the second user had, in good faith, made use of a mark without knowing of its prior use by another party. *See id.* at 559, 288 N.Y.S. at 537. The *Prunier* court concluded that the French plaintiff was entitled to protection against unfair competition because its trademark enjoyed "wide repute" and the facts of the case indicated a total lack of good faith on the part of the defendants. *Id.* at 559, 288 N.Y.S. at 537. The basis of this holding, it should be noted, was not Article *6bis* of the Paris Convention. Instead, the holding was based entirely on New York common law principles of unfair competition.

[26] More than twenty years later, in *Vaudable v. Montmartre, Inc.,* 20 Misc.2d 757, 193 N.Y.S.2d 332 (N.Y.Sup.Ct. 1959), another New York trial court granted a different Paris restaurant, "Maxim's," injunctive relief against a New York City restaurant that had appropriated its name, decor, and distinctive script style, all

[31] "Everything that comes from the sea."

[32] Article *10bis* of the Paris Convention requires member states to "assure to nationals [of other member states] effective protection against unfair competition." Paris Convention, art. *10bis.*

without permission. The court concluded that the lack of direct competition between the two restaurants was “immaterial” to a common law claim for unfair competition. *Id.* at 759, 193 N.Y.S.2d at 335. The only relevant question was whether “there had been a misappropriation, for the advantage of one person, of a property right belonging to another.” *Id.* at 759, 193 N.Y.S.2d at 335. Noting that the Paris Maxim's had been in continuous operation since 1946, when it reopened after World War II, the court concluded that its owners had priority rights as against the junior American user by virtue of (1) their uninterrupted use of the mark abroad, and (2) the fame of the “Maxim's” mark among “the class of people residing in the cosmopolitan city of New York who dine out.” *Id.* at 758, 193 N.Y.S.2d at 334.

(b) Federal Actions

(i) Trademark Board Rulings

[27] A quarter century later, the federal Trademark Trial and Appeal Board (“Trademark Board”) invoked *Vaudable's* recognition of the famous marks doctrine in several *inter partes* proceedings.[33] In *Mother's Rests., Inc. v. Mother's Other Kitchen, Inc.,* the Trademark Board stated in *dictum* that:

> [I]t is our view that prior use and advertising of a mark in connection with goods or services marketed in a foreign country (whether said advertising occurs inside or outside the United States) creates no priority rights in said mark in the United States as against one who, in good faith, has adopted the same or similar mark for the same or similar goods or services in the United States prior to the foreigner's first use of the mark on goods or services sold and/or offered in the United States at least unless it can be shown that the foreign party's mark was, at the time of the adoption and first use of a similar mark by the first user in the United States, a “famous” mark within the meaning of *Vaudable v. Montmartre, Inc.*

218 U.S.P.Q 1046, * 8 (TTAB 1983) (concluding that customers would be likely to confuse the “Mother's Pizza Parlour” trademark with the “Mother's Other Kitchen” trademark) (internal citation omitted).

[28] That same year, the Trademark Board applied the same reasoning in *All England Lawn Tennis Club, Ltd. v. Creations Aromatiques,* 220 U.S.P.Q. 1069 (1983), granting plaintiff's request to block registration of a trademark for “Wimbledon Cologne” even though plaintiff was not itself using the Wimbledon mark on any product sold in the United States. The Trademark Board observed that the Wimbledon mark had “acquired fame and notoriety as used in association with the annual championships within the meaning of Vaudable” and that “purchasers of

[33] The Trademark Board's primary function is to determine whether trademarks are registerable and to conduct opposition and cancellation proceedings by which interested parties can dispute the claims of applicants and registrants. *See* 15 U.S.C. §§ 1051, 1063–64.

applicant's cologne would incorrectly believe that said product was approved by or otherwise associated with the Wimbledon tennis championships and that allowance of the application would damage opposer's rights to the mark." *Id.* at * 10.

[29] Recently, the Trademark Board has reiterated in dicta that owners of well known foreign marks need not use those marks in the United States to challenge the registration of marks likely to promote confusion on the part of consumers. *See, e.g., First Niagara Ins. Brokers, Inc. v. First Niagara Fin. Group, Inc.,* 77 U.S.P.Q.2d 1334, *30–31 (2005), overruled on other grounds by *First Niagara Ins. Brokers, Inc. v. First Niagara Fin. Group, Inc.*, 476 F.3d 867 (Fed.Cir. Jan. 9, 2007), 2007 U.S.App. LEXIS 367.

[30] As this court has frequently observed, Trademark Board decisions, "while not binding on courts within this Circuit, are nevertheless 'to be accorded great weight'" under general principles of administrative law requiring deference to an agency's interpretation of the statutes it is charged with administering. *Buti v. Impressa Perosa S.R.L.,* 139 F.3d at 105 (quoting *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.,* 874 F.2d 95, 101 (2d Cir. 1989)); *see also In re Dr Pepper Co.,* 836 F.2d 508, 510 (Fed.Cir. 1987). In applying this principle to this case, however, we identify a significant concern: nowhere in the three cited rulings does the Trademark Board state that its recognition of the famous marks doctrine derives from any provision of the Lanham Act or other federal law. Indeed, the federal basis for the Trademark Board's recognition of the famous marks doctrine is never expressly stated. Its reliance on *Vaudable* suggests that recognition derives from state common law. At least one Trademark Board member, however, has questioned whether state common law can support recognition of the famous marks doctrine as a matter of federal law:

> [I]t seems to me that the *Vaudable* decision according protection to the famous Maxim's restaurant in the United States ... is inapplicable in this case since that decision was based on a theory of unfair competition, namely misappropriation, under the law of the State of New York. Under Federal law, it seems to me that application of the well-known marks doctrine depends on whether the applicable text of the Paris Convention ... and, in particular, Article *6bis* of that Convention, is self-executing [so as to become part of federal law].

Mother's Rests., Inc. v. Mother's Other Kitchen, Inc., 218 U.S.P.Q 1046, *21 (Allen, concurring in part, dissenting in part) (internal citations omitted). Because we conclude that the Trademark Board's reliance on state law to recognize the famous marks doctrine falls outside the sphere to which we owe deference, we consider *de novo* the question of that doctrine's existence within federal trademark law.

(ii) Federal Case Law

[31] To date, the Ninth Circuit Court of Appeals is the only federal appeals court to have recognized the famous marks doctrine as a matter of federal law. *See Grupo Gigante S.A. De C.V. v. Dallo & Co.,* 391 F.3d at 1088; cf. *International Bancorp, LLC v.*

Societe des Bains de Mer et du Cercle des Estrangers a Monaco, 329 F.3d at 389 n. 9 (Motz, J., dissenting) (noting that the famous marks doctrine has been applied so infrequently that its viability is uncertain). In *Grupo Gigante,* 391 F.3d at 1088, the Ninth Circuit considered whether the "Gigante" mark—registered and used by a large chain of grocery stores in Mexico since 1963—was sufficiently well known among Mexican–Americans in Southern California to afford it priority over a competing "Gigante" mark used by a separate chain of Los Angeles grocery stores. In resolving this question, the court ruled:

> [T]here is a famous mark exception to the territoriality principle. While the territoriality principle is a long-standing and important doctrine within trademark law, it cannot be absolute. An absolute territoriality rule without a famous-mark exception would promote consumer confusion and fraud. Commerce crosses borders. In this nation of immigrants, so do people. Trademark is, at its core, about protecting against consumer confusion and "palming off." There can be no justification for using trademark law to fool immigrants into thinking that they are buying from the store they liked back home.

Id. at 1094 (footnotes omitted).

[32] In *Grupo Gigante,* the Ninth Circuit did not reference either the language of the Lanham Act nor Article *6bis* of the Paris Convention to support recognition of the famous marks doctrine. Indeed, elsewhere in its opinion, the court specifically stated that the Paris Convention creates no "additional substantive rights" to those provided by the Lanham Act. *Id.* at 1100. The court also acknowledged that the famous marks doctrine is not recognized by California state law. *See id.* at 1101 (observing that cases cited by plaintiff "provide no support for the conclusion that use anywhere in the world suffices to establish priority in California"). Thus, it appears that the Ninth Circuit recognized the famous marks doctrine as a matter of sound policy: "An absolute territoriality rule without a famous marks exception would promote customer confusion and fraud." *Id.* at 1094.

[33] This court has twice referenced the famous marks doctrine, but on neither occasion were we required to decide whether it does, in fact, provide a legal basis for acquiring priority rights in the United States for a foreign mark not used in this country. *See Buti v. Impressa Perosa, S.R.L.,* 139 F.3d at 104 n. 2 (referencing Mother's Restaurant and Vaudable but, in the end, concluding that famous marks doctrine "has no application here given that Impressa has made no claim under that doctrine"); *see also Empresa Cubana del Tabaco v. Culbro Corp.,* 399 F.3d at 481 (declining to decide whether famous marks doctrine should be recognized because "even assuming that the famous marks doctrine is otherwise viable and applicable,

the [Cuban] embargo bars [plaintiff] from acquiring property rights in the ... mark through the doctrine").[34]

…

(c) Treaties Protecting Famous Marks and United States Implementing Legislation

[34] ITC insists that Article *6bis* of the Paris Convention, together with Article 16(2) of the Agreement on Trade–Related Aspects of Intellectual Property Rights ("TRIPs"), *see* Uruguay Round Agreements Act, Pub.L. No. 103–465, 108 Stat. 4809 (1994) (codified as amended at scattered sections of United States Code), provides legal support for its claim to famous marks protection.… Further, TRIPs Article 16(2) extends Article *6bis* to service marks, *see supra* at 156 n. 15.

[35] At the outset, we observe that ITC does not specifically contend that these two treaty articles are self-executing. While *Vanity Fair Mills v. T. Eaton Co.,* 234 F.2d 633 (2d Cir. 1956), might support such an argument with respect to Article *6bis* protection of trademarks, *see id.* at 640 (observing in *dictum* that, upon ratification by Congress, the Paris Convention required "no special legislation in the United States ... to make [it] effective here"), no similar conclusion can extend to Article 16(2) protection of service marks because TRIPs is plainly not a self-executing treaty. *See In re Rath,* 402 F.3d 1207, 1209 n. 2 (Fed.Cir. 2005); *see also* S.Rep. No. 103–412, at 13 (1994) (accompanying the Uruguay Round Agreements Act, Pub.L. No. 103–465, 108 Stat. 4809 (1994)) (stating that TRIPs and other GATT agreements "are not self-executing and thus their legal effect in the United States is governed by implementing legislation"). While Congress has amended numerous federal statutes to implement specific provisions of the TRIPs agreement, it appears to have enacted no legislation aimed directly at Article 16(2).[35]

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[34] In *Empresa Cubana,* however, we did observe, in *dictum,* that "[t]o the extent that a foreign entity attempts to utilize the famous marks doctrine as [a] basis for its right to a U.S. trademark and seeks to prevent another entity from using the mark in the United States, the claim should be brought under Section 43(a)." *Id.* at 480 n. 10.

[35] *See, e.g.,* Pub.L. No. 103–465, 514, 108 Stat. 4809, 4976 (amending 17 U.S.C. § 104A, governing copyrights in restored works, to comport with TRIPs); Pub.L. No. 103–465, 532, 108 Stat. 4809, 4983 (amending 35 U.S.C. § 154, governing United States patents, to comport with TRIPs). Significantly, Congress has enacted legislation to implement TRIPs Article 16(3), which contemplates the extension of anti-dilution protection to certain famous marks. *See* Federal Trademark Dilution Act of 1995, Pub.L. No. 104–98, 109 Stat. 985 (1995) (codified at 15 U.S.C. § 1125(c)); *see* H. Rep. 104–374, reprinted in 1995 U.S.C.C.A.N. 1029 (indicating that anti-dilution act was intended to make United States law consistent with terms of TRIPs and Paris Convention). No comparable legislation exists with respect to Article 16(2).

[36] ITC nevertheless submits that Lanham Act sections 44(b) and (h) effectively incorporate the protections afforded famous marks by the Paris Convention and TRIPs.[36]

[*In a lengthy analysis, the court concluded that §§ 44(b) & (h) do not provide a basis for famous marks protection*.]

(d) Policy Rationales Cannot, by Themselves, Support Judicial Recognition of the Famous Marks Doctrine Under Federal Law

[37] Even if the Lanham Act does not specifically incorporate Article *6bis* and Article 16(2) protections for famous foreign marks, ITC urges this court to follow the Ninth Circuit's lead and to recognize the famous marks doctrine as a matter of sound policy. *See Grupo Gigante S.A. De C.V. v. Dallo & Co.,* 391 F.3d at 1094 (recognizing famous marks doctrine because "[t]here can be no justification for using trademark law to fool immigrants into thinking that they are buying from the store they liked back home"). ITC argues that the United States cannot expect other nations to protect famous American trademarks if United States courts decline to afford reciprocal protection to famous foreign marks.

[38] We acknowledge that a persuasive policy argument can be advanced in support of the famous marks doctrine. *See, e.g., De Beers LV Trademark Ltd. v. DeBeers Diamond Syndicate, Inc.*, 2005 U.S. Dist. LEXIS 9307, at *25 (noting that "[r]ecognition of the famous marks doctrine is particularly desirable in a world where international travel is commonplace and where the Internet and other media facilitate the rapid creation of business goodwill that transcends borders"); Frederick W. Mostert, *Well–Known and Famous Marks: Is Harmony Possible in the*

[36] Section 44(b) states:

> Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this chapter.

15 U.S.C. § 1126(b).

Section 44(h) states:

> Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

Id. § 1126(h).

Global Village?, 86 Trademark Rep. 103, 106 (1996) (arguing that "protection of the global trading system through the prevention of piracy and unfair exploitation of well-known marks has become essential"). The fact that a doctrine may promote sound policy, however, is not a sufficient ground for its judicial recognition, particularly in an area regulated by statute. *See, e.g., Badaracco v. Comm'r,* 464 U.S. 386, 398 (1984) ("The relevant question is not whether, as an abstract matter, the rule advocated by petitioners accords with good policy. The question we must consider is whether the policy petitioners favor is that which Congress effectuated by its enactment of [the statute]."). In light of the comprehensive and frequently modified federal statutory scheme for trademark protection set forth in the Lanham Act, we conclude that any policy arguments in favor of the famous marks doctrine must be submitted to Congress for it to determine whether and under what circumstances to accord federal recognition to such an exception to the basic principle of territoriality. *See Almacenes Exito S.A. v. El Gallo Meat Mkt., Inc.,* 381 F.Supp.2d at 326–28. Absent such Congressional recognition, we must decline ITC's invitation to grant judicial recognition to the famous marks doctrine simply as a matter of sound policy.

[39] For all these reasons, we affirm the district court's award of summary judgment in favor of defendants on ITC's federal unfair competition claim.

2. State Common Law Claim for Unfair Competition

a. ITC's Reliance on the Famous Marks Doctrine to Sue for Unfair Competition Under New York Law

[40] ITC submits that, even if we affirm the district court's dismissal of its federal unfair competition claim, we must reverse the dismissal of its parallel state law claim. As it correctly observes, New York common law allows a plaintiff to sue for unfair competition where a "property right or a commercial advantage" has been "misappropriated." *Flexitized, Inc. v. National Flexitized Corp.,* 335 F.2d 774, 781–82 (2d Cir. 1964). Nevertheless, in light of ITC's abandonment of the Bukhara mark and dress for restaurants in the United States, its common law assertion of a "property right or a commercial advantage" in these designations based on their foreign use depends on whether New York recognizes the famous marks doctrine in the circumstances here at issue.

[41] As we have already noted, at least two New York cases indicate such recognition as a general matter: *Vaudable v. Montmartre, Inc.,* 20 Misc.2d 757, 193 N.Y.S.2d 332, and *Maison Prunier v. Prunier's Rest. & Café,* 159 Misc. 551, 288 N.Y.S. 529. Neither the New York Court of Appeals nor any intermediate New York appellate court, however, has ever specifically adopted the views expressed in *Prunier* and *Vaudable* to accord common law protection to the owners of famous marks. Moreover, no New York court has clearly delineated a standard for determining when a mark becomes sufficiently famous to warrant protection. "In the absence of authoritative law from the state's highest court, we must either (1)

predict how the New York Court of Appeals would resolve the state law question, or, if state law is so uncertain that we can make no reasonable prediction, (2) certify the question to the New York Court of Appeals for a definitive resolution." *DiBella v. Hopkins,* 403 F.3d 102, 111 (2d Cir. 2005). In this case, we opt for certification.

b. Certifying the Question of New York's Common Law Recognition of the Famous Marks Doctrine

(1) Standard for Certification

[42] New York law and Second Circuit Local Rule § 0.27 permit us to certify to the New York Court of Appeals "determinative questions of New York law [that] are involved in a case pending before [us] for which no controlling precedent of the Court of Appeals exists." N.Y. Comp.Codes R. & Regs. tit. 22, § 500.27(a). In deciding whether to certify a question, we consider, *inter alia,* "(1) the absence of authoritative state court interpretations of the [law in question]; (2) the importance of the issue to the state, and whether the question implicates issues of state public policy; and (3) the capacity of certification to resolve the litigation." *Morris v. Schroder Capital Mgmt. Int'l,* 445 F.3d 525, 531 (2d Cir.2006) (internal quotation marks omitted).

(2) Certified Question 1: Does New York Recognize the Famous Marks Doctrine?

[43] In this case, we conclude that these factors weigh in favor of certifying the question of New York's recognition of the famous marks doctrine. First, the only New York cases to address the question of whether state common law recognizes the famous marks doctrine, *Vaudable* and *Prunier*, are decades-old trial court decisions. While these decisions are routinely cited by non-New York courts as accurate statements of the state's common law of unfair competition,[37] and while commentators routinely identify the cases as foundational in the development of the famous marks doctrine,[38] the lack of authoritative adoption of the famous marks doctrine by New York's highest court weighs in favor of certification. Second, recognition of the famous marks doctrine as part of New York common law is plainly an important policy issue for a state that plays a pivotal role in international commerce. This factor strongly counsels in favor of our soliciting the views of the New York Court of Appeals. *See generally Board of Regents v. Roth,* 408 U.S. 564, 577, 92 S.Ct. 2701, 33 L.Ed.2d 548 (1972) (observing that property interests "are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law"). Finally, certification will conclusively

[37] See, e.g., Grupo Gigante S.A. De C.V. v. Dallo & Co., 391 F.3d at 1095; Buti v. Impressa Perosa, S.R.L., 139 F.3d at 104; Person's Co. v. Christman, 900 F.2d at 1570; Almacenes Exito S.A. v. El Gallo Meat Mkt., Inc., 381 F.Supp.2d at 328; De Beers LV Trademark Ltd. v. DeBeers Diamond Syndicate, Inc., 2005 U.S. Dist. LEXIS 9307 at *21–22.

[38] *See, e.g.,* 4 McCarthy, *supra,* § 29:4, at 29–12; Graeme B. Dinwoodie et al., *International Intellectual Property Law and Policy* 108 (2001).

resolve the question of whether ITC's state unfair competition claim was, in fact, properly dismissed.

[44] Accordingly, we certify the following question to the New York Court of Appeals: "Does New York common law permit the owner of a famous mark or trade dress to assert property rights therein by virtue of the owner's prior use of the mark or dress in a foreign country?"

(3) Certified Question 2: How Famous Must a Mark Be to Come Within the Famous Marks Doctrine?

[45] If the New York Court of Appeals were to answer the first certified question in the affirmative, we ask it to consider a second query: "How famous must a foreign mark or trade dress be to permit its owner to sue for unfair competition?"[39] Although we have had no prior occasion to address this question, we note the availability of a number of possible standards.

(a) Secondary Meaning

[46] If New York were inclined to recognize a broad famous marks doctrine, the Court of Appeals might conclude that a foreign mark's acquisition of "secondary meaning" in the state was sufficient to accord it common law protection. "Secondary meaning" is a term of art referencing a trademark's ability to "'identify the source of the product rather than the product itself.'" *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. at 766 n. 4 (quoting *Inwood Labs., Inc., v. Ives Labs., Inc.,* 456 U.S. 844, 851 n. 11 (1982)); *see Allied Maint. Corp. v. Allied Mech. Trades, Inc.,* 42 N.Y.2d 538, 545 (1977) (explicating "secondary meaning" under New York law); *see also Genesee Brewing Co. v. Stroh Brewing Co.,* 124 F.3d 137, 143 n. 4 (2d Cir. 1997) (identifying factors relevant to determining secondary meaning). Under this standard, a court deciding whether to accord famous marks protection would consider only whether the source of the foreign mark is well known in New York. *See generally Grupo Gigante S.A. De C.V. v. Dallo & Co.,* 391 F.3d at 1097.

[47] The Court of Appeals might note, however, that in *Grupo Gigante* the Ninth Circuit specifically rejected "secondary meaning" as the appropriate standard for application of the famous marks doctrine. That federal court explained that such an interpretation of the famous marks doctrine went "too far" because it effectively eliminated the territoriality principle that itself "has a long history in the common law." *Id.* at 1097–98.

(b) Secondary Meaning Plus

[48] Instead, the Court of Appeals might consider the Ninth Circuit's compromise standard, which can be described as "secondary meaning plus." *See id.*

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[39] In formulating both certified questions, we do not intend to limit the Court of Appeals' analysis or its response. That court may expand or modify the certified questions as it deems appropriate to indicate whether state common law recognizes the famous marks doctrine and the scope of that recognition.

at 1098 (holding that "secondary meaning is not enough"). Under this test, "where the mark has not before been used in the American market,[40] the court must be satisfied, by a preponderance of the evidence, that a *substantial* percentage of consumers in the relevant American market is familiar with the foreign mark." *Id.* (emphasis added); *see also* 4 McCarthy, *supra,* § 29:4, at 29–17 (suggesting that a "substantial" percentage of consumers in the relevant American market would be at least 50%).

[49] Judge Graber, concurring in *Grupo Gigante,* emphasized the intermediate character of this standard:

> I agree that a foreign owner of a supposedly famous or well-known foreign trademark must show a higher level of "fame" or recognition than that required to establish secondary meaning. Ultimately, the standard for famous or well-known marks is an intermediate one. To enjoy extraterritorial trademark protection, the owner of a foreign trademark need not show the level of recognition necessary to receive nation-wide protection against trademark dilution. On the other hand, the foreign trademark owner who does not use a mark in the United States must show more than the level of recognition that is necessary in a domestic trademark infringement case.

391 F.3d at 1106 (Graber, J., concurring).

(c) The Anti–Dilution Statute Standard

[50] Precisely because "secondary meaning plus" is an intermediate standard, the Court of Appeals might also consider the high standard of recognition established by section 43(c) of the Lanham Act, the federal anti-dilution statute. *See* 15 U.S.C. § 1125(c). Under that federal law, four non-exclusive factors are relevant when determining whether a mark is sufficiently famous for anti-dilution protection:

> (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties;
>
> (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark;
>
> (iii) The extent of actual recognition of the mark;
>
> (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

Id. § 1125(c)(2).

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[40] New York could, of course, conclude that a "secondary meaning plus" standard also applied to a foreign mark or dress that had previously been used in the United States where, as in this case, such domestic use had been abandoned.

[51] Under the federal anti-dilution statute, the holder of a mark deemed famous under this test may seek 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." *Id.* § 1125(c)(1). ITC does not sue for dilution in this case. Nevertheless, the Court of Appeals might consider whether the factors set out in the statute provide a useful guide for defining famous marks generally.

(d) Recommendation of the World Intellectual Property Organization

[52] Finally, should the Court of Appeals decide to articulate an entirely new and different standard of recognition for the application of the famous marks doctrine, among the factors it might consider are those identified as relevant in the non-binding "Joint Recommendation Concerning Provisions on the Protection of Well–Known Marks," adopted by the World Intellectual Property Organization in 1999:

> (1) the degree of knowledge or recognition of the mark in the relevant sector of the public;
>
> (2) the duration, extent and geographical area of any use of the mark;
>
> (3) the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, or the goods and/or services to which the mark applies;
>
> (4) the duration and geographical area of any registrations, and/or any application for registration, of the mark, to the extent that they reflect use or recognition of the mark;
>
> (5) the record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognized as well known by competent authorities; [and]
>
> (6) the value associated with the mark.

World Intellectual Property Organization, Joint Recommendation Concerning Provisions on the Protection of Well–Known Marks (Sept.1999), *available at* http:// www. wipo. int/ about- ip/ en/ development iplaw/ pub 833.htm.

[53] We express no view as to how New York should define its state common law. We simply reserve decision on ITC's challenge to the district court's dismissal of its state common law claim for unfair competition pending the New York Court of Appeals response to our certified questions.

ITC Ltd. v. Punchgini, Inc.
880 N.E.2d 852 (N.Y. 2007)

Read, J.

…

II.

Certified Question No. 1

[1] "Does New York common law permit the owner of a famous mark or trade dress to assert property rights therein by virtue of the owner's prior use of the mark or dress in a foreign country?"

[2] The Second Circuit's first certified question calls upon us to define property rights in the context of a common-law unfair competition claim grounded on a theory of misappropriation. Thus, we must consider whether a famous foreign mark constitutes property or a commercial advantage protected from unfair competition under New York law.

[3] We have long recognized two theories of common-law unfair competition: palming off and misappropriation (*see Electrolux Corp. v Val-Worth, Inc.*, 6 NY2d 556, 567-568 [1959] [discussing the acceptance of these theories of unfair competition in New York courts and collecting cases]). "Palming off"—that is, the sale of the goods of one manufacturer as those of another[41]—was the first theory of unfair competition endorsed by New York courts, and "has been extended . . . to situations where the parties are not even in competition" (*Electrolux*, 6 NY2d at 567, citing *Elgin Nat. Watch Co. v Illinois Watch Case Co.*, 179 US 665, 674 [1901];*Neva-Wet Corp. v Never Wet Processing Corp.*, 277 NY 163, 168 [1938]; *Cornell Univ. v Messing Bakeries*, 285 App Div 490 [3d Dept 1955], *affd without op* 309 NY 722 [1955] [three additional citations, all either Court of Appeals opinions or Appellate Division opinions affirmed without opinion by this Court, omitted]).

[4] After the United States Supreme Court sanctioned the misappropriation theory of unfair competition in *International News Service v Associated Press* (248 US 215 [1918]), "[t]he principle that one may not misappropriate the results of the skill, expenditures and labors of a competitor has . . . often been implemented in [New York] courts" (*Electrolux*, 6 NY2d at 567, citing *Germanow v Standard Unbreakable Watch Crystals, Inc.*, 283 NY 1, 18 [1940]; *Fisher v Star Co.*, 231 NY 414,

[41] "One of the most obvious forms" of palming off "occurs when the copier of an article overtly and explicitly misrepresents its source[, for example], where [a] defendant . . . substituted its product for plaintiff's when customers specifically asked for plaintiff's product" (*Remco Indus., Inc. v Toyomenka, Inc.*, 286 F Supp 948, 954 [SD NY 1968], *affd* 397 F2d 977 [2d Cir 1968] [citation omitted]; *see also Shaw v Time-Life Records*, 38 NY2d 201, 206 [1975] [defendant "could not 'palm off' its records as being the personal work of" plaintiff under New York unfair competition law]).

428 [1921]; *see also Meyers v Waverly Fabrics, Div. of Schumacher & Co.*, 65 NY2d 75, 79-80 [1985] [acknowledging defendant's possible liability for "violation of the law of unfair competition by misrepresenting the (uncopyrighted) design, which it knew to be plaintiff's, as its own" (numerous citations omitted)]; *National Basketball Assn. v Motorola, Inc.*, 105 F3d 841, 847-853 [2d Cir 1997] [accepting misappropriation as a theory under New York common law]). Indeed, the New York cases cited by the District Court and the Second Circuit as embodying the famous or well-known marks doctrine in New York common law—*Prunier* and *Vaudable*—were, in fact, decided wholly on misappropriation theories.

[5] In *Prunier*, the plaintiff operated celebrated haute cuisine restaurants in Paris and London, but none in the United States. The defendants opened a restaurant in New York and

> "appropriated to themselves the plaintiff's name. . . . Indeed, it was admitted . . . that the name was intentionally selected because of plaintiff's well-known reputation and good will which has been built up as the result of decades of honest business effort.
>
> "The defendants den[ied], however, that they ever held themselves out as being Prunier's of Paris" (159 Misc at 553).

The court upheld the legal viability of an unfair competition claim by the plaintiff—even though the two restaurants were not in direct competition—so long as "plaintiff['s] conten[tion] that its reputation extends far beyond the territorial limits of Paris and London and that it has a substantial following *in New York city* and in other parts of the world" was proved (*id.* at 559 [emphasis added]).

[6] In *Vaudable*, the plaintiff's restaurant in Paris—Maxim's—was internationally famous "in the high-class restaurant field" (20 Misc 2d at 758-759). The defendants "appropriate[d] the good will plaintiffs [had] created in the name Maxim's as a restaurant," and were therefore held liable for unfair competition based on misappropriation even though the parties were "not in present actual competition" (*id.* at 759). "The trend of the law, both statutory and decisional," the court opined, "has been to extend the scope of the doctrine of unfair competition, whose basic principle is that commercial unfairness should be restrained whenever it appears that there has been a misappropriation, for the advantage of one person, of a property right belonging to another" (*id.* at 759 [citations omitted]; *see also Roy Export Co. v Columbia Broadcasting Sys.*, 672 F2d 1095, 1105 [2d Cir 1982] [with decline of general federal common law after inception of misappropriation branch of unfair competition tort in *International News Service*, "the doctrine was developed by the states, New York in particular; there it has flourished in a variety of factual settings"]).

[7] While expositors of the famous marks doctrine point to *Prunier* and *Vaudable* (*see* 5 McCarthy on Trademarks and Unfair Competition § 29:4 n 2 [4th ed 2007] [citing *Prunier* and *Vaudable* as "(p)erhaps the most famous examples" of the "well known" marks doctrine]), *Prunier* and *Vaudable* themselves in no way explain

or proclaim—let alone rely on—any famous or well-known marks doctrine for their holdings. Instead, *Prunier* and *Vaudable* fit logically and squarely within our time-honored misappropriation theory, which prohibits a defendant from using a plaintiff's property right or commercial advantage—in *Prunier* and *Vaudable*, the goodwill attached to a famous name—to compete unfairly against the plaintiff in New York.

[8] Under New York law, "[a]n unfair competition claim involving misappropriation usually concerns the taking and use of the plaintiff's property to compete against the plaintiff's own use of the same property" (*Roy Export*, 672 F2d at 1105). The term "commercial advantage" has been used interchangeably with "property" within the meaning of the misappropriation theory (*see Flexitized, Inc. v National Flexitized Corp.*, 335 F2d 774, 781-782 [2d Cir 1964]). What *Prunier* and *Vaudable* stand for, then, is the proposition that for certain kinds of businesses (particularly cachet goods/services with highly mobile clienteles), goodwill can, and does, cross state and national boundary lines.

[9] Accordingly, while we answer "Yes" to the first certified question, we are not thereby recognizing the famous or well-known marks doctrine, or any other new theory of liability under the New York law of unfair competition. Instead, we simply reaffirm that when a business, through renown in New York, possesses goodwill constituting property or a commercial advantage in this state, that goodwill is protected from misappropriation under New York unfair competition law. This is so whether the business is domestic or foreign.

III.

Certified Question No. 2

[10] "How famous must a foreign mark or trade dress be to permit its owner to sue for unfair competition?"

[11] Protection from misappropriation of a famous foreign mark presupposes the existence of actual goodwill in New York (*see e.g. Roy Export*, 672 F2d at 1105 [misappropriation under New York law usually requires use in state of plaintiff's property or commercial advantage to compete against plaintiff]). If a foreign plaintiff has no goodwill in this state to appropriate, there can be no viable claim for unfair competition under a theory of misappropriation. At the very least, a plaintiff's mark, when used in New York, must call to mind its goodwill. Otherwise, a plaintiff's property right or commercial advantage based on the goodwill associated with its mark is not appropriated in this state when its unregistered mark is used here. Thus, at a minimum, consumers of the good or service provided under a certain mark by a defendant in New York must primarily associate the mark with the foreign plaintiff (*cf. Allied Maintenance Corp. v Allied Mech. Trades*, 42 NY2d 538, 545 [1977]).

[12] Whether consumers of a defendant's goods or services primarily associate such goods or services with those provided by a foreign plaintiff is an inquiry that will, of necessity, vary with the facts of each case. Accordingly, we cannot—and do

not—provide an exhaustive list of the factors relevant to such an inquiry. That said, some factors that would be relevant include evidence that the defendant intentionally associated its goods with those of the foreign plaintiff in the minds of the public, such as public statements or advertising stating or implying a connection with the foreign plaintiff; direct evidence, such as consumer surveys, indicating that consumers of defendant's goods or services believe them to be associated with the plaintiff; and evidence of actual overlap between customers of the New York defendant and the foreign plaintiff.

[13] If the customers of a New York defendant do not identify a mark with the foreign plaintiff, then no use is being made of the plaintiff's goodwill, and no cause of action lies under New York common law for unfair competition. As a result, to prevail against defendants on an unfair competition theory under New York law, ITC would have to show first, as an independent prerequisite, that defendants appropriated (i.e., deliberately copied), ITC's Bukhara mark or dress for their New York restaurants. If they successfully make this showing, plaintiffs would then have to establish that the relevant consumer market for New York's Bukhara restaurant primarily associates the Bukhara mark or dress with those Bukhara restaurants owned and operated by ITC.

[14] Accordingly, the certified questions should be answered in accordance with this opinion.

Comments and Questions

1. *The final disposition of* ITC v. Punchgini. The case returned to the Second Circuit, which affirmed the district court's initial grant of summary judgment to the defendant on the ground, among others, that BUKARA for restaurant services had no secondary meaning in New York. *ITC Ltd. v. Punchgini, Inc.*, 518 F.3d 159 (2d Cir. 2008), *aff'g* 373 F.Supp.2d 275 (S.D.N.Y. 2005).

2. *"Well-known marks doctrine" or "famous marks doctrine"?* In a footnote in a portion of the New York Court of Appeals opinion not included in the excerpt above, the court addressed the terminological ambiguity over the correct name of the doctrine at issue:

> There is some ambiguity regarding the proper name for what has been variously called the "famous marks doctrine," the "well-known marks doctrine" and the "famous mark doctrine" (*see e.g.* 5 McCarthy on Trademarks and Unfair Competition § 29:4 [4th ed 2007] [using the above names interchangeably]). Apparently, the use of "well-known" in place of "famous" took hold after the Lanham Act was amended by passage of the Federal Trademark Anti-Dilution Act of 2006, which uses "famous" as a term of art (*see* 15 USC § 1125 [c]). At any rate, "famous" and "well-known," "mark" and "marks," have been used interchangeably to describe the putative doctrine, and no distinction is intended by our choice of words here.

ITC Ltd. v. Punchgini, Inc., 880 N.E.2d 852, 856 n.1 (N.Y. 2007).

c. *Belmora* and the End of Territorial Limits on Trademark Rights?

As stated above, the Fourth Circuit's recent opinion in *Belmora LLC v. Bayer Consumer Care AG*, 819 F.3d 697 (4th Cir. 2016), *cert. denied*, __ S. Ct. __, 2017 WL 737826 (U.S. Feb. 27, 2017) (No. 16-548), represents a significant break with much of our traditional understanding of the national limits of trademark rights and with the requirement that a plaintiff use a mark in commerce in the U.S. (or otherwise own a mark that qualifies as a well-known mark in the U.S.) in order to assert exclusive rights in the mark.

Two significant cases form the basis of *Belmora*. The first is *International Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Estrangers a Monaco*, 329 F.3d 359 (4th Cir. 2003). The mark at issue was CASINO DE MONTE CARLO. The declaratory plaintiffs operated various websites whose domain names and content incorporated at least "some portion", *id*. at 361, of the term CASINO DE MONTE CARLO and various images of the declaratory defendant's casino in Monte Carlo, which has operated under the CASINO DE MONTE CARLO mark since 1863. The defendant advertised its casino in the U.S. but rendered its services only abroad. In a controversial opinion, the Fourth Circuit found infringement. Judge Luttig reasoned, in short, that the defendant had shown "use in commerce" because (1) U.S. consumers' purchase of casino services from the defendant constituted trade with a foreign nation that Congress was empowered to regulate, and (2) the defendant's advertising of its mark in the U.S. had made the mark distinctive as a designation of source in the U.S. In a thorough and well-reasoned opinion, Judge Motz dissented. *Id*. at 383-398 (Motz, J., dissenting).

The second is *Lexmark International, Inc. v. Static Control Components, Inc*., 134 S. Ct. 1377 (2014). Static Control Components (SCC) produced components that various companies employed in the remanufacture and refurbishing of used toner cartridges for Lexmark printers. Such remanufacturers were significantly disrupting Lexmark's own sales of replacement toner cartridges for its printers. SCC alleged that Lexmark engaged in false advertising by informing certain Lexmark toner cartridge end-users that they were contractually required to return used cartridges to Lexmark and by informing remanufacturing companies that it was illegal to refurbish certain Lexmark toner cartridges and to use SCC's components in doing so. *Id*. at 1384-85. The district court granted Lexmark's motion to dismiss on the ground that SCC lacked standing. *Id*. at 1385. The Sixth Circuit reversed. *Id*. As explained in *Belmora*, the Supreme Court clarified in *Lexmark* what the plaintiff must show to have standing to sue for false advertising.

Belmora LLC v. Bayer Consumer Care AG
819 F.3d 697 (4th Cir. 2016), *cert. denied*, __ S. Ct. __, 2017 WL 737826 (U.S. Feb. 27, 2017) (No. 16-548)

AGEE, Circuit Judge:

[1] In this unfair competition case, we consider whether the Lanham Act permits the owner of a foreign trademark and its sister company to pursue false association, false advertising, and trademark cancellation claims against the owner of the same mark in the United States. Bayer Consumer Care AG ("BCC") owns the trademark "FLANAX" in Mexico and has sold naproxen sodium pain relievers under that mark in Mexico (and other parts of Latin America) since the 1970s. Belmora LLC owns the FLANAX trademark in the United States and has used it here since 2004 in the sale of its naproxen sodium pain relievers. BCC and its U.S. sister company Bayer Healthcare LLC ("BHC," and collectively with BCC, "Bayer") contend that Belmora used the FLANAX mark to deliberately deceive Mexican–American consumers into thinking they were purchasing BCC's product.

[2] BCC successfully petitioned the U.S. Trademark Trial and Appeal Board ("TTAB") to cancel Belmora's registration for the FLANAX mark based on deceptive use. Belmora appealed the TTAB's decision to the district court. In the meantime, BCC filed a separate complaint for false association against Belmora under § 43 of the Lanham Act, 15 U.S.C. § 1125, and in conjunction with BHC, a claim for false advertising. After the two cases were consolidated, the district court reversed the TTAB's cancellation order and dismissed the false association and false advertising claims.

[3] Bayer appeals those decisions. For the reasons outlined below, we vacate the judgment of the district court and remand this case for further proceedings consistent with this opinion.

I. Background

[4] This appeal comes to us following the district court's grant of Belmora's Federal Rule of Civil Procedure 12(b)(6) motion to dismiss Bayer's complaint and Belmora's Rule 12(c) motion for judgment on the pleadings on the trademark cancellation claim.…

A. The FLANAX Mark

[5] BCC registered the trademark FLANAX in Mexico for pharmaceutical products, analgesics, and anti-inflammatories. It has sold naproxen sodium tablets under the FLANAX brand in Mexico since 1976. FLANAX sales by BCC have totaled hundreds of millions of dollars, with a portion of the sales occurring in Mexican cities near the United States border. BCC's FLANAX brand is well-known in Mexico and other Latin American countries, as well as to Mexican–Americans and other Hispanics in the United States, but BCC has never marketed or sold its FLANAX in the United States. Instead, BCC's sister company, BHC, sells naproxen sodium pain relievers under the brand ALEVE in the United States market.

[6] Belmora LLC began selling naproxen sodium tablets in the United States as FLANAX in 2004. The following year, Belmora registered the FLANAX mark in the United States. Belmora's early FLANAX packaging (below, left) closely mimicked BCC's Mexican FLANAX packaging (right), displaying a similar color scheme, font size, and typeface.

Belmora later modified its packaging (below), but the color scheme, font size, and typeface remain similar to that of BCC's FLANAX packaging.

[7] In addition to using similar packaging, Belmora made statements implying that its FLANAX brand was the same FLANAX product sold by BCC in Mexico. For example, Belmora circulated a brochure to prospective distributors that stated,

> For generations, Flanax has been a brand that Latinos have turned to for various common ailments. Now you too can profit from this highly recognized topselling brand among Latinos. Flanax is now made in the U.S. and continues to show record sales growth everywhere it is sold. Flanax acts as a powerful attraction for Latinos by providing them with products they know, trust and prefer.

Belmora also employed telemarketers and provided them with a script containing similar statements. This sales script stated that Belmora was "the direct producers of FLANAX in the US" and that "FLANAX is a very well known medical product in the Latino American market, for FLANAX is sold successfully in Mexico." Belmora's "sell sheet," used to solicit orders from retailers, likewise claimed that "Flanax products have been used [for] many, many years in Mexico" and are "now being produced in the United States by Belmora LLC."

[8] Bayer points to evidence that these and similar materials resulted in Belmora's distributors, vendors, and marketers believing that its FLANAX was the same as or affiliated with BCC's FLANAX. For instance, Belmora received questions regarding whether it was legal for FLANAX to have been imported from Mexico. And an investigation of stores selling Belmora's FLANAX "identified at least 30 [purchasers] who believed that the Flanax products ... were the same as, or affiliated with, the Flanax products they knew from Mexico."

B. Proceedings Below

1.

[9] In 2007, BCC petitioned the TTAB to cancel Belmora's registration for the FLANAX mark, arguing that Belmora's use and registration of the FLANAX mark violated Article 6bis of the Paris Convention "as made applicable by Sections 44(b) and (h) of the Lanham Act." BCC also sought cancellation of Belmora's registration under § 14(3) of the Lanham Act because Belmora had used the FLANAX mark "to misrepresent the source of the goods ... [on] which the mark is used." Lanham Act § 14(3), 15 U.S.C. § 1064(3).

[10] The TTAB dismissed BCC's Article 6bis claim, concluding that Article 6bis "is not self-executing" and that § 44 of the Lanham Act did not provide "an independent basis for cancellation." However, the TTAB allowed Bayer's § 14(3) claim to proceed. In 2014, after discovery and a hearing, the TTAB ordered cancellation of Belmora's FLANAX registration, concluding that Belmora had misrepresented the source of the FLANAX goods and that the facts "d[id] not present a close case." The TTAB noted that Belmora 1) knew the favorable reputation of Bayer's FLANAX product, 2) "copied" Bayer's packaging, and 3) "repeatedly invoked" that reputation when marketing its product in the United States.

2.

[11] Shortly after the TTAB's ruling, Bayer filed suit in the Southern District of California, alleging that 1) BCC was injured by Belmora's false association with its FLANAX product in violation of Lanham Act § 43(a)(1)(A), and 2) BCC and BHC were both injured by Belmora's false advertising of FLANAX under § 43(a)(1)(B). The complaint also alleged three claims under California state law.

[12] Belmora meanwhile appealed the TTAB's cancellation order and elected to proceed with the appeal as a civil action in the Eastern District of Virginia. It argued that the TTAB erred in concluding that Bayer "had standing and/or a cause of action" under § 14(3) and in finding that Belmora had misrepresented the source of its goods. Belmora also sought a declaration that its actions had not violated the false association and false advertising provisions of Lanham Act § 43(a), as Bayer had alleged in the California district court proceeding. Bayer filed a counterclaim challenging the TTAB's dismissal of its Paris Convention treaty claims.

[13] The California case was transferred to the Eastern District of Virginia and consolidated with Belmora's pending action. Belmora then moved the district court to dismiss Bayer's § 43(a) claims under Rule 12(b)(6) and for judgment on the pleadings under Rule 12(c) on the § 14(3) claim. On February 6, 2015, after two hearings, the district court issued a memorandum opinion and order ruling in favor of Belmora across the board.

[14] The district court acknowledged that "Belmora's FLANAX ... has a similar trade dress to Bayer's FLANAX and is marketed in such a way that capitalizes on the goodwill of Bayer's FLANAX." It nonetheless "distilled" the case "into one single question":

> Does the Lanham Act allow the owner of a foreign mark that is not registered in the United States and further has never used the mark in United States commerce to assert priority rights over a mark that is registered in the United States by another party and used in United States commerce?

The district court concluded that "[t]he answer is no" based on its reading of the Supreme Court's decision in *Lexmark International, Inc. v. Static Control Components, Inc.,* 134 S.Ct. 1377 (2014). Accordingly, the district court dismissed Bayer's false association and false advertising claims for lack of standing. At the same time, it reversed the TTAB's § 14(3) cancellation order.

[15] Bayer filed a timely notice of appeal, and we have jurisdiction under 28 U.S.C. § 1291. The U.S. Patent and Trademark Office ("USPTO") intervened to defend the TTAB's decision to cancel Belmora's registration and to argue that the Lanham Act conforms to the United States' commitments in Article 6bis of the Paris Convention.[1]

II. Discussion

[16] We review de novo the district court's decision to dismiss a proceeding under Rules 12(b)(6) and 12(c), accepting as true all well-pleaded allegations in the plaintiff's complaint and drawing all reasonable factual inferences in the plaintiff's favor....

[1] The district court had agreed with the TTAB that Article 6bis does not create an independent cause of action for the cancellation of Belmora's FLANAX registration. Because Bayer appears to have abandoned its treaty claims on appeal and their resolution is not necessary to our decision, we do not address any issue regarding the Paris Convention arguments.

A. False Association and False Advertising Under Section 43(a)

[17] The district court dismissed Bayer's false association[2] and false advertising claims because, in its view, the claims failed to satisfy the standards set forth by the Supreme Court in *Lexmark.* At the core of the district court's decision was its conclusion that 1) Bayer's claims fell outside the Lanham Act's "zone of interests"—and are not cognizable—"because Bayer does not possess a protectable interest in the FLANAX mark in the United States," and 2) that a "cognizable economic loss under the Lanham Act" cannot exist as to a "mark that was not used in United States commerce."

[18] On appeal, Bayer contends these conclusions are erroneous as a matter of law because they conflict with the plain language of § 43(a) and misread *Lexmark.*

1.

[19] "While much of the Lanham Act addresses the registration, use, and infringement of trademarks and related marks, § 43(a) ... goes beyond trademark protection." *Dastar Corp. v. Twentieth Century Fox Film Corp.,* 539 U.S. 23, 28–29 (2003). Written in terms of the putative defendant's conduct, § 43(a) sets forth unfair competition causes of action for false association and false advertising:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> (A) [False Association:] is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) [False Advertising:] in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Lanham Act § 43(a)(1), 15 U.S.C. § 1125(a)(1). Subsection A, which creates liability for statements as to "affiliation, connection, or association" of goods, describes the cause of action known as "false association." Subsection B, which creates liability for

[2] As the district court pointed out, we have sometimes denominated Lanham Act § 43(a)(1)(A) claims as "false designation" claims. We think it preferable to follow the Supreme Court's terminology in *Lexmark* and instead refer to such claims as those of "false association," although the terms can often be used interchangeably.

"misrepresent[ing] the nature, characteristics, qualities, or geographic origin" of goods, defines the cause of action for "false advertising."

[20] Significantly, the plain language of § 43(a) does not require that a plaintiff possess or have used a trademark in U.S. commerce as an element of the cause of action. Section 43(a) stands in sharp contrast to Lanham Act § 32, which is titled as and expressly addresses "infringement." 15 U.S.C. § 1114 (requiring for liability the "use in commerce" of "any reproduction, counterfeit, copy, or colorable imitation *of a registered mark* " (emphasis added)). Under § 43(a), it is the defendant's use in commerce—whether of an offending "word, term, name, symbol, or device" or of a "false or misleading description [or representation] of fact"—that creates the injury under the terms of the statute. And here the alleged offending "word, term, name, symbol, or device" is Belmora's FLANAX mark.

[21] What § 43(a) does require is that Bayer was "likely to be damaged" by Belmora's "use[ ] in commerce" of its FLANAX mark and related advertisements. The Supreme Court recently considered the breadth of this "likely to be damaged" language in *Lexmark,* a false advertising case arising from a dispute in the used-printer-cartridge market. 134 S.Ct. at 1383, 1388. The lower courts in *Lexmark* had analyzed the case in terms of "prudential standing"—that is, on grounds that are "prudential" rather than constitutional. *Id.* at 1386. The Supreme Court, however, observed that the real question in *Lexmark* was "whether Static Control has a cause of action under the statute." *Id.* at 1387. This query, in turn, hinged on "a straightforward question of statutory interpretation" to which it applied "traditional principles" of interpretation. *Id.* at 1388. As a threshold matter, the Supreme Court noted that courts must be careful not to import requirements into this analysis that Congress has not included in the statute:

> We do not ask whether in our judgment Congress *should* have authorized Static Control's suit, but whether Congress in fact did so. Just as a court cannot apply its independent policy judgment to recognize a cause of action that Congress has denied, it cannot limit a cause of action that Congress has created merely because 'prudence' dictates.

Id. The Court concluded that § 43(a)'s broad authorization—permitting suit by "any person who believes that he or she is or is likely to be damaged"—should not be taken "literally" to reach the limits of Article III standing, but is framed by two "background principles," which may overlap. *Id.*

[22] First, a plaintiff's claim must fall within the "zone of interests" protected by the statute. *Id.* The scope of the zone of interests is not "especially demanding," and the plaintiff receives the "benefit of any doubt." *Id.* at 1389. Because the Lanham Act contains an "unusual, and extraordinarily helpful" purpose statement in § 45, identifying the statute's zone of interests "requires no guesswork." *Id.* Section 45 provides:

> The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of

> marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

Lanham Act § 45, 15 U.S.C. § 1127.[3]

[23] The Supreme Court observed that "[m]ost of the enumerated purposes are relevant to a false-association case," while "a typical false-advertising case will implicate only the Act's goal of 'protecting persons engaged in commerce within the control of Congress against unfair competition.'" *Lexmark,* 134 S.Ct. at 1389. The Court concluded "that to come within the zone of interests in a suit for false advertising under [§ 43(a)], a plaintiff must allege an injury to a commercial interest in reputation or sales." *Id.* at 1390.

[24] The second *Lexmark* background principle is that "a statutory cause of action is limited to plaintiffs whose injuries are proximately caused by violations of the statute." *Id.* The injury must have a "sufficiently close connection to the conduct the statute prohibits." *Id.* In the § 43(a) context, this means "show[ing] economic or reputational injury flowing directly from the deception wrought by the defendant's advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff." *Id.* at 1391.

[25] The primary lesson from *Lexmark* is clear: courts must interpret the Lanham Act according to what the statute says. To determine whether a plaintiff, "falls within the class of plaintiffs whom Congress has authorized to sue," we "apply traditional principles of statutory interpretation." *Id.* at 1387. The outcome will rise and fall on the "meaning of the congressionally enacted provision creating a cause of action." *Id.* at 1388.

[26] We now turn to apply these principles to the case before us.

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[3] In the same section, the Lanham Act defines "commerce" as "all commerce which may lawfully be regulated by Congress." Lanham Act § 45, 15 U.S.C. § 1127. We have previously construed this phrase to mean that the term is "coterminous with that commerce that Congress may regulate under the Commerce Clause of the United States Constitution." *Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco,* 329 F.3d 359, 363–64 (4th Cir.2003). "Commerce" in Lanham Act context is therefore an expansive concept that "necessarily includes all the explicitly identified variants of interstate commerce, foreign trade, and Indian commerce." *Id.* at 364 (citing U.S. Const. art. I, § 8, cl. 3); *see also infra* n. 6.

2.

a.

[27] We first address the position, pressed by Belmora and adopted by the district court, that a plaintiff must have initially used its own mark in commerce within the United States as a condition precedent to a § 43(a) claim. In dismissing BCC's § 43(a) claims, the district court found dispositive that "Bayer failed to plead facts showing that it used the FLANAX mark in commerce in [the] United States." Upon that ground, the district court held "that Bayer does not possess a protectable interest in the [FLANAX] mark."

[28] As noted earlier, such a requirement is absent from § 43(a)'s plain language and its application in *Lexmark.* Under the statute, the *defendant* must have "use[d] in commerce" the offending "word, term, name, [or] symbol," but the *plaintiff* need only "believe[ ] that he or she is or is likely to be damaged by such act." Lanham Act § 43(a), 15 U.S.C. § 1125(a).

[29] It is important to emphasize that this is an unfair competition case, not a trademark infringement case. Belmora and the district court conflated the Lanham Act's infringement provision in § 32 (which authorizes suit only "by the registrant," and thereby requires the plaintiff to have used its own mark in commerce) with unfair competition claims pled in this case under § 43(a). Section 32 makes clear that Congress knew how to write a precondition of trademark possession and use into a Lanham Act cause of action when it chose to do so. It has not done so in § 43(a). *See Russello v. United States,* 464 U.S. 16, 23 (1983) ("[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.").

[30] Given that *Lexmark* advises courts to adhere to the statutory language, "apply[ing] traditional principles of statutory interpretation," *Lexmark,* 134 S.Ct. at 1388, we lack authority to introduce a requirement into § 43(a) that Congress plainly omitted. Nothing in *Lexmark* can be read to suggest that § 43(a) claims have an unstated requirement that the plaintiff have first used its own mark (word, term, name, symbol, or device) in U.S. commerce before a cause of action will lie against a defendant who is breaching the statute.

[31] The district court thus erred in requiring Bayer, as the plaintiff, to have pled its prior use of its own mark in U.S. commerce when it is the defendant's use of a mark or misrepresentation that underlies the § 43(a) unfair competition cause of action. Having made this foundational error, the district court's resolution of the issues requires reversal.[4]

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[4] Even though the district court's error in transposing § 43(a)'s requirements for a defendant's actions upon the plaintiff skews the entire analysis, the district court also confused the issues by ill-defining the economic location of the requisite unfair competition acts. As noted earlier, *supra* n. 5, a defendant's false association or false

[32] Admittedly, some of our prior cases appear to have treated a plaintiff's use of a mark in United States commerce as a prerequisite for a false association claim. *See Lamparello v. Falwell,* 420 F.3d 309, 313 (4th Cir.2005) ("Both infringement [under § 32] and false designation of origin [under §43(a)] have [the same] five elements."); *People for the Ethical Treatment of Animals v. Doughney,* 263 F.3d 359, 364 (4th Cir.2001) (same); *Int'l Bancorp,* 329 F.3d at 361 n. 2 ("[T]he tests for trademark infringement and unfair competition ... are identical."); *Lone Star Steakhouse & Saloon v. Alpha of Va., Inc.,* 43 F.3d 922, 930 (4th Cir.1995) ("[T]o prevail under §§ 32(1) and 43(a) of the Lanham Act for trademark infringement and unfair competition, respectively, a complainant must demonstrate that it has a valid, protectible trademark[.]"). However, none of these cases made that consideration the *ratio decidendi* of its holding or analyzed whether the statute in fact contains such a requirement. *See, e.g.,* 5 J. Thomas McCarthy, Trademarks and Unfair Competition § 29:4 (4th ed.2002) (observing that *International Bancorp* merely "assumed that to trigger Lanham Act § 43(a), the plaintiff's mark must be 'used in commerce'"). Moreover, all of these cases predate *Lexmark,* which provides the applicable Supreme Court precedent interpreting § 43(a). *See U.S. Dep't of Health & Human Servs. v. Fed. Labor Relations Auth.,* 983 F.2d 578, 581 (4th Cir.1992) ("A decision by a panel of this court, or by the court sitting en banc, does not bind subsequent panels if the decision rests on authority that subsequently proves untenable.").

[33] Although the plaintiffs' use of a mark in U.S. commerce was a fact in common in the foregoing cases, substantial precedent reflects that § 43(a) unfair competition claims come within the statute's protectable zone of interests without the preconditions adopted by the district court and advanced by Belmora. As the Supreme Court has pointed out, § 43(a) "goes beyond trademark protection." *Dastar Corp.,* 539 U.S. at 29. For example, a plaintiff whose mark has become generic—and therefore not protectable—may plead an unfair competition claim against a

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advertising conduct under § 43(a) must occur in "commerce within the control of Congress." Such commerce is not limited to purchases and sales within the territorial limits of the United States as the district court seems to imply at times with regard to § 43(a) and § 14(3) claims. *See* J.A. 483, 506 (as to § 14(3), stating that "Bayer did not use the FLANAX mark in the United States"); J.A. 487 (as to § 43(a), stating that "Bayer failed to plead facts showing that it used the FLANAX mark in commerce in [the] United States"). Instead, as we explained in *International Bancorp,* Lanham Act "commerce" includes, among other things, "foreign trade" and is not limited to transactions solely within the borders of the United States. *Int'l Bancorp,* 329 F.3d at 364. Of course, any such "foreign trade" must satisfy the *Lexmark* "zone of interests" and "proximate cause" requirements to be cognizable for Lanham Act purposes.

competitor that uses that generic name and "fail[s] adequately to identify itself as distinct from the first organization" such that the name causes "confusion or a likelihood of confusion." *Blinded Veterans Ass'n v. Blinded Am. Veterans Found.,* 872 F.2d 1035, 1043 (D.C.Cir.1989); *see also Kellogg Co. v. Nat'l Biscuit Co.,* 305 U.S. 111, 118–19 (1938) (requiring the defendant to "use reasonable care to inform the public of the source of its product" even though the plaintiff's "shredded wheat" mark was generic and therefore unprotectable); *Singer Mfg. Co. v. June Mfg. Co.,* 163 U.S. 169, 203–04 (1896) (same, for "Singer" sewing machines).

[34] Likewise, in a "reverse passing off" case, the plaintiff need not have used a mark in commerce to bring a § 43(a) action.[5] A reverse-passing-off plaintiff must prove four elements: "(1) that the work at issue originated with the plaintiff; (2) that origin of the work was falsely designated by the defendant; (3) that the false designation of origin was likely to cause consumer confusion; and (4) that the plaintiff was harmed by the defendant's false designation of origin." *Universal Furniture Int'l, Inc. v. Collezione Europa USA, Inc.,* 618 F.3d 417, 438 (4th Cir.2010). Thus, the plaintiff in a reverse passing off case must plead and prove only that the work "originated with" him—not that he used the work (which may or may not be associated with a mark) in U.S. commerce. *Id.*

[35] The generic mark and reverse passing off cases illustrate that § 43(a) actions do not require, implicitly or otherwise, that a plaintiff have first used its own mark in United States commerce. If such a use were a condition precedent to bringing a § 43(a) action, the generic mark and reverse passing off cases could not exist.

[36] In sum, the Lanham Act's plain language contains no unstated requirement that a § 43(a) plaintiff have used a U.S. trademark in U.S. commerce to bring a Lanham Act unfair competition claim. The Supreme Court's guidance in *Lexmark* does not allude to one, and our prior cases either only assumed or articulated as dicta that such a requirement existed. Thus, the district court erred in imposing such a condition precedent upon Bayer's claims.[6]

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[5] Reverse passing off occurs when a "producer misrepresents someone else's goods or services as his own," in other words, when the defendant is selling the plaintiff's goods and passing them off as originating with the defendant. *Universal Furniture Int'l, Inc. v. Collezione Europa USA, Inc.,* 618 F.3d 417, 438 (4th Cir.2010) (quoting *Dastar Corp.,* 539 U.S. at 28 n. 1).

[6] A plaintiff who relies only on foreign commercial activity may face difficulty proving a cognizable false association injury under § 43(a). A few isolated consumers who confuse a mark with one seen abroad, based only on the presence of the mark on a product in this country and not other misleading conduct by the mark holder, would rarely seem to have a viable § 43(a) claim.

The story is different when a defendant, as alleged here, has—as a cornerstone of its business—intentionally passed off its goods in the United States as the same

[37] As Bayer is not barred from making a § 43(a) claim, the proper *Lexmark* inquiry is twofold. Did the alleged acts of unfair competition fall within the Lanham Act's protected zone of interests? And if so, did Bayer plead proximate causation of a cognizable injury? We examine the false association and false advertising claims in turn.

b.

i.

[38] As to the zone of interests, *Lexmark* advises that "[m]ost of the [Lanham Act's] enumerated purposes are relevant to false-association cases." 134 S.Ct. at 1389. One such enumerated purpose is "making actionable the deceptive and misleading use of marks" in "commerce within the control of Congress." Lanham Act § 45, 15 U.S.C. § 1127; *see also Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 784 n. 19 (1992) (Stevens, J., concurring) ("Trademark law protects the public by making consumers confident that they can identify brands they prefer and can purchase those brands without being confused or misled."). As pled, BCC's false association claim advances that purpose.

[39] The complaint alleges Belmora's misleading association with BCC's FLANAX has caused BCC customers to buy the Belmora FLANAX in the United States instead of purchasing BCC's FLANAX in Mexico. For example, the complaint alleges that BCC invested heavily in promoting its FLANAX to Mexican citizens or Mexican–Americans in border areas. Those consumers cross into the United States and may purchase Belmora FLANAX here before returning to Mexico. And Mexican–Americans may forego purchasing the FLANAX they know when they cross the border to visit Mexico because Belmora's alleged deception led them to purchase the Belmora product in the United States.

[40] In either circumstance, BCC loses sales revenue because Belmora's deceptive and misleading use of FLANAX conveys to consumers a false association with BCC's product. Further, by also deceiving distributors and vendors, Belmora makes its FLANAX more available to consumers, which would exacerbate BCC's losses…. In each scenario, the economic activity would be "within the control of Congress" to regulate. Lanham Act § 45, 15 U.S.C. § 1127.

[41] We thus conclude that BCC has adequately pled a § 43(a) false association claim for purposes of the zone of interests prong. Its allegations reflect the claim

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product commercially available in foreign markets in order to influence purchases by American consumers. *See M. Kramer Mfg. Co. v. Andrews,* 783 F.2d 421, 448 (4th Cir.1986) ("[E]vidence of intentional, direct copying establishes a prima facie case of secondary meaning sufficient to shift the burden of persuasion to the defendant on that issue."). Such an intentional deception can go a long way toward establishing likelihood of confusion. *See Blinded Veterans,* 872 F.2d at 1045 ("Intent to deceive ... retains potency; when present, it is probative evidence of a likelihood of confusion.").

furthers the § 45 purpose of preventing "the deceptive and misleading use of marks" in "commerce within the control of Congress."

ii.

[42] Turning to *Lexmark's* second prong, proximate cause, BCC has also alleged injuries that "are proximately caused by [Belmora's] violations of the [false association] statute." 134 S.Ct. at 1390. The complaint can fairly be read to allege "economic or reputational injury flowing directly from the deception wrought by the defendant's" conduct. *Id.* at 1391. As previously noted, BCC alleges "substantial sales in major cities near the U.S.-Mexico border" and "millions of dollars promoting and advertising" its FLANAX brand in that region. (Compl. ¶¶ 11–12). Thus, BCC may plausibly have been damaged by Belmora's alleged deceptive use of the FLANAX mark in at least two ways. As reflected in the zone of interests discussion, BCC FLANAX customers in Mexico near the border may be deceived into foregoing a FLANAX purchase in Mexico as they cross the border to shop and buy the Belmora product in the United States. Second, Belmora is alleged to have targeted Mexican–Americans in the United States who were already familiar with the FLANAX mark from their purchases from BCC in Mexico. We can reasonably infer that some subset of those customers would buy BCC's FLANAX upon their return travels to Mexico if not for the alleged deception by Belmora. Consequently, BCC meets the *Lexmark* pleading requirement as to proximate cause.

[43] BCC may ultimately be unable to prove that Belmora's deception "cause[d] [these consumers] to withhold trade from [BCC]" in either circumstance, *Lexmark,* 134 S.Ct. at 1391, but at the initial pleading stage we must draw all reasonable factual inferences in BCC's favor. *Priority Auto Grp.,* 757 F.3d at 139. Having done so, we hold BCC has sufficiently pled a § 43(a) false association claim to survive Belmora's Rule 12(b)(6) motion. The district court erred in holding otherwise.

c.

[44] BCC and BHC both assert § 43(a)(1)(B) false advertising claims against Belmora. BHC's claim represents a "typical" false advertising case: it falls within the Act's zone of interests by "protecting persons engaged in commerce within the control of Congress against unfair competition." *Lexmark,* 134 S.Ct. at 1389 (quoting 15 U.S.C. § 1127). As a direct competitor to Belmora in the United States, BHC sufficiently alleges that Belmora engaged in Lanham Act unfair competition by using deceptive advertisements that capitalized on BCC's goodwill…. If not for Belmora's statements that its FLANAX was the same one known and trusted in Mexico, some of its consumers could very well have instead purchased BHC's ALEVE brand. These lost customers likewise satisfy Lexmark's second prong: they demonstrate an injury to sales or reputation proximately caused by Belmora's alleged conduct.

[45] BCC's false advertising claim is perhaps not "typical" as BCC is a foreign entity without direct sales in the territorial United States. Nonetheless, BCC's claim advances the Act's purpose of "making actionable the deceptive and misleading use of marks." Lanham Act § 45, 15 U.S.C. § 1127. As alleged, Belmora's advertising

misrepresents the nature of its FLANAX product in that Belmora implies that product is the same as consumers purchased in Mexico from BCC and can now buy here.

[46] To be sure, BCC's false advertising claim overlaps to some degree with its false association claim, but the two claims address distinct conduct within the two subsections of § 43(a). Belmora's alleged false statements go beyond mere claims of false association; they parlay the passed-off FLANAX mark into misleading statements about the product's "nature, characteristics, qualities, or geographic origin," all hallmarks of a false advertising claim. Lanham Act 43(a)(1)(B), 15 U.S.C. 1125(a)(1)(B).

[47] Belmora's alleged false statements intertwine closely with its use of the FLANAX mark. The FLANAX mark denotes history: Belmora claims its product has been "used [for] many, many years in Mexico" and "Latinos have turned to" it "[f]or generations." FLANAX also reflects popularity: Belmora says the product is "highly recognized [and] top-selling." And FLANAX signifies a history of quality: Belmora maintains that Latinos "know, trust and prefer" the product. Each of these statements by Belmora thus directly relates to the "nature, characteristics, qualities, or geographic origin" of its FLANAX as being one and the same as that of BCC. Lanham Act § 43(a)(1)(B), 15 U.S.C. § 1125(a)(1)(B). Because these statements are linked to Belmora's alleged deceptive use of the FLANAX mark, we are satisfied that BCC's false advertising claim, like its false association claim, comes within the Act's zone of interests. As we can comfortably infer that the alleged advertisements contributed to the lost border sales pled by BCC, the claim also satisfies *Lexmark's* proximate cause prong (for the same reasons discussed above regarding the false association claim).

d.

[48] We thus conclude that the Lanham Act permits Bayer to proceed with its claims under § 43(a)—BCC with its false association claim and both BCC and BHC with false advertising claims. It is worth noting, as the Supreme Court did in *Lexmark,* that "[a]lthough we conclude that [Bayer] has *alleged* an adequate basis to proceed under [§ 43(a)], it cannot obtain relief without *evidence* of injury proximately caused by [Belmora's alleged misconduct]. We hold only that [Bayer] is entitled to a chance to prove its case." 134 S.Ct. at 1395.

[49] In granting Bayer that chance, we are not concluding that BCC has any specific trademark rights to the FLANAX mark in the United States. Belmora owns that mark. But trademark rights do not include using the mark to deceive customers as a form of unfair competition, as is alleged here. Should Bayer prevail and prove its § 43(a) claims, an appropriate remedy might include directing Belmora to use the mark in a way that does not sow confusion. *See* Lanham Act § 34(a), 15 U.S.C. § 1116(a) (authorizing injunctions based on "principles of equity"). Of course, the precise remedy would be a determination to be made by the district court in the

first instance upon proper evidence.[7] We leave any potential remedy to the district court's discretion should this case reach that point. We only note that any remedy should take into account traditional trademark principles relating to Belmora's ownership of the mark.

B. Cancellation Under Section 14(3)

[50] The TTAB ordered the cancellation of Belmora's FLANAX trademark under § 14(3), finding that the preponderance of the evidence "readily establishe[d] blatant misuse of the FLANAX mark in a manner calculated to trade in the United States on the reputation and goodwill of petitioner's mark created by its use in Mexico." In reversing that decision and granting Belmora's motion for judgment on the pleadings, the district court found that BCC, as the § 14(3) complainant, "lack[ed] standing to sue pursuant to *Lexmark* " under both the zone of interests and the proximate cause prongs. The district court also reversed the TTAB's holding that Belmora was using FLANAX to misrepresent the source of its goods "because Section 14(3) requires use of the mark in United States commerce and Bayer did not use the FLANAX mark in the United States."

[51] On appeal, Bayer argues that the district court erred in overturning the TTAB's § 14(3) decision because it "read a use requirement into the section that is simply not there." Appellants' Br. 49. For reasons that largely overlap with the preceding § 43(a) analysis, we agree with Bayer.

…

III.

[52] For the foregoing reasons, we conclude that Bayer is entitled to bring its unfair competition claims under Lanham Act § 43(a) and its cancellation claim under § 14(3). The district court's judgment is vacated and the case remanded for further proceedings consistent with this opinion.

VACATED AND REMANDED

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[7] For example, a remedy might include altering the font and color of the packaging or the "ready remedy" of attaching the manufacturer's name to the brand name. *Blinded Veterans,* 872 F.2d at 1047. Another option could be for the packaging to display a disclaimer—to correct for any deliberately created actual confusion. *See id.* ("The district court could, however, require [Blinded American Veterans Foundation] to attach a prominent disclaimer to its name alerting the public that it is not the same organization as, and is not associated with, the Blinded Veterans Association.").

II. Trademark Infringement

In this Part, we consider the infringement of trademark rights under certain sections of the Lanham Act:

- § 32, 15 U.S.C. § 1114 (likelihood of confusion with respect to registered marks)
- § 43(a), 15 U.S.C. § 1125(a) (likelihood of confusion with respect to registered or unregistered marks)
- § 43(c), 15 U.S.C. § 1125(c) (likelihood of dilution with respect to registered or unregistered marks)
- § 43(d), 15 U.S.C. § 1125(d) ("cybersquatting" of registered or unregistered marks)

Note that the test for likelihood of confusion under § 32 is now essentially the same as the test for likelihood of confusion under § 43(a), and courts often cite to case law under one section interchangeably with case law under the other. When owners of registered marks plead likelihood of confusion, they typically do so under both § 32 and § 43(a) in the event that some defect is discovered in their registration. Such plaintiffs may also plead under both sections in order to avail themselves of the slightly broader language of § 43(a), though, again, courts typically treat § 32 and § 43(a) as essentially interchangeable.

Courts have set forth the elements of a trademark infringement claim in a variety of ways. For example, with respect to a claim based on a likelihood of confusion under either or both of § 32 and § 43(a), courts have stated:

- "[T]o succeed in a Lanham Act suit for trademark infringement, a plaintiff has two obstacles to overcome: the plaintiff must prove that its mark is entitled to protection and, even more important, that the defendant's use of its own mark will likely cause confusion with plaintiff's mark." *Gruner + Jahr USA Publ'g v. Meredith Corp.*, 991 F.2d 1072, 1074 (2d Cir.1993).
- "To prevail on a claim of trademark infringement under the Lanham Act, 15 U.S.C. § 1114, a party must prove: (1) that it has a protectible ownership interest in the mark; and (2) that the defendant's use of the mark is likely to cause consumer confusion." *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1144 (9th Cir. 2011) (citations omitted).
- "To establish trademark infringement under the Lanham Act, a plaintiff must prove: (1) that it owns a valid mark; (2) that the defendant used the mark 'in commerce' and without plaintiff's authorization; (3) that the defendant used the mark (or an imitation of it) 'in connection with the sale, offering for sale, distribution, or advertising' of goods or services; and (4) that the defendant's use of the mark is likely to confuse consumers." *Rosetta Stone v Google Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 152 (4th Cir. 2012) (citations omitted).

- "Both infringement and false designation of origin have five elements. To prevail under either cause of action, the trademark holder must prove: (1) that it possesses a mark; (2) that the [opposing party] used the mark; (3) that the [opposing party's] use of the mark occurred 'in commerce'; (4) that the [opposing party] used the mark 'in connection with the sale, offering for sale, distribution, or advertising' of goods or services; and (5) that the [opposing party] used the mark in a manner likely to confuse consumers." Lamparello v. Falwell, 420 F.3d 309, 313 (4th Cir. 2005) (citations omitted).

Though the enumerations vary in their level of detail, these statements of the elements of a likelihood of confusion claim are all essentially the same. The plaintiff must prove that (1) it possesses exclusive rights in a mark and (2) the defendant has infringed those exclusive rights. Our focus in Part I was on the first of these two basic elements—whether there is a property right. Our focus in this Part is on the second of these elements—whether that right has been infringed.

We begin in Part II.A by reviewing the requirement that, in order to be liable for trademark infringement, a defendant must "use in commerce" the plaintiff's mark "in connection with the sale…of any goods or services." We then turn in Part II.B to forms of infringement that are based on the likelihood of consumer confusion as to the source or sponsorship of the defendant's goods. In Part II.C, we consider forms of infringement that are not based on consumer confusion, most notably trademark dilution. In Part II.D, we turn to forms of relief for cybersquatting. Finally, in Part II.E, we review the doctrine of secondary liability in trademark law.

A. The Actionable Use Requirement

In Part I.C above, we addressed the requirement that a trademark owner "use in commerce" the mark in order to establish rights in the mark. Here, we consider the "use in commerce" requirement as applied not to owners, but to unauthorized users. We do so because of the statutory language, shown in italics, in Lanham Act § 32 and § 43(a):

> Lanham Act § 32, 15 U.S.C. § 1114
>
> (1) Any person who shall, without the consent of the registrant-- (a) *use in commerce* 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…shall be liable in a civil action by the registrant for the remedies hereinafter provided.

> Lanham Act § 43(a), 15 U.S.C. § 1125(a)
>
> (1) Any person who, *on or in connection with any goods or services, or any container for goods, uses in commerce* any word, term, name, symbol, or device, or any combination thereof, or any false designation

> of origin, false or misleading description of fact, or false or misleading representation of fact, which--(A) is likely to cause confusion, or to cause mistake, or to deceive…shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Thus, for a defendant to be found liable, § 32 requires a showing that the defendant made a "use in commerce" of the plaintiff's mark "in connection with the sale, offering for sale, distribution, or advertising of any goods or services," and § 43(a) requires that the defendant "use[] in commerce" the plaintiff's mark "in connection with any goods or services, or any container for goods." (Lanham Act § 43(c), addressing trademark dilution, similarly requires a showing that the defendant made a "use of a mark or trade name in commerce." 15 U.S.C. § 1125(c)(1). See Comment 2 at the conclusion of Part II.A.2 for a discussion of this language).

Courts have analyzed the "use in commerce" language differently from how they've analyzed the "in connection with" language. We turn first to the question of defendant's "use in commerce."

1. Defendant's "Use in Commerce"

It is clear enough that the various infringement sections of the Lanham Act all require a showing that the defendant has made a "use in commerce," if only to satisfy the constitutional limitation on Congressional power, but what constitutes such a "use in commerce"? As we discussed in Part I.C, Lanham Act § 45, 15 U.S.C. § 1127, offers a definition of this phrase:

> The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce—
>
> (1) on goods when--
>
> (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and
>
> (B)the goods are sold or transported in commerce, and
>
> (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

The obvious problem, however, is that this definition appears to describe the kind of "use in commerce" necessary to establish trademark rights rather than the kind of "use in commerce" necessary to infringe those rights. In the opinion below, *Rescuecom Corp. v. Google Inc*., 562 F.3d 123 (2d Cir. 2009), the Second Circuit went to great lengths to arrive at this rather straightforward understanding of the § 45 definition of "use in commerce." It felt the need thoroughly to consider the issue because in a previous opinion, *1–800 Contacts, Inc. v. WhenU.Com, Inc.,* 414 F.3d 400 (2d Cir.2005), it had somehow failed to recognize that § 45 was designed to address only the conduct of trademark owners rather than that of trademark infringers. *Rescuecom* became one long, extended effort in trying to maintain appearances. In reading through *Rescuecom*, consider the following questions:

- What is the underlying policy concern that is animating this technical, even rather pedantic debate about the meaning of "use in commerce"?
- Has the Second Circuit explicitly overruled its previous decision in *1-800 Contacts*? What is the status of *Rescuecom*'s Appendix? What does it mean that, as the *Rescuecom* opinion explains, "[t]he judges of the *1–800* panel have read this Appendix and have authorized us to state that they agree with it"?
- If a search engine user enters the word "Apple" and receives advertisements for Android phones, has the search engine itself made a "use in commerce" of Apple's mark? Asked perhaps another way, if a restaurant has given written instructions to its employees to respond to a consumer's order for Pepsi with the statement "We offer Coke", has the restaurant made a "use in commerce" of the Pepsi mark that could be the basis for an infringement cause of action?

Rescuecom Corp. v. Google Inc.
562 F.3d 123 (2d Cir. 2009)

LEVAL, Circuit Judge:

[1] Appeal by Plaintiff Rescuecom Corp. from a judgment of the United States District Court for the Northern District of New York (Mordue, *Chief Judge)* dismissing its action against Google, Inc., under Rule 12(b)(6) for failure to state a claim upon which relief may be granted. Rescuecom's Complaint alleges that Google is liable under §§ 32 and 43 of the Lanham Act, 15 U.S.C. §§ 1114 & 1125, for infringement, false designation of origin, and dilution of Rescuecom's eponymous trademark. The district court believed the dismissal of the action was compelled by our holding in *1–800 Contacts, Inc. v. WhenU.Com, Inc.,* 414 F.3d 400 (2d Cir.2005) ("*1–800*"), because, according to the district court's understanding of that opinion, Rescuecom failed to allege that Google's use of its mark was a "use in commerce" within the meaning of § 45 of the Lanham Act, 15 U.S.C. § 1127. We believe this misunderstood the holding of *1–800.* While we express no view as to whether Rescuecom can prove a Lanham Act violation, an actionable claim is adequately alleged in its pleadings. Accordingly, we vacate the judgment dismissing the action and remand for further proceedings.

BACKGROUND

[2] As this appeal follows the grant of a motion to dismiss, we must take as true the facts alleged in the Complaint and draw all reasonable inferences in favor of Rescuecom. *Lentell v. Merrill Lynch & Co., Inc.,* 396 F.3d 161, 165 (2d Cir.2005). Rescuecom is a national computer service franchising company that offers on-site computer services and sales. Rescuecom conducts a substantial amount of business over the Internet and receives between 17,000 to 30,000 visitors to its website each month. It also advertises over the Internet, using many web-based services, including those offered by Google. Since 1998, "Rescuecom" has been a registered federal trademark, and there is no dispute as to its validity.

[3] Google operates a popular Internet search engine, which users access by visiting www.google.com. Using Google's website, a person searching for the website of a particular entity in trade (or simply for information about it) can enter that entity's name or trademark into Google's search engine and launch a search. Google's proprietary system responds to such a search request in two ways. First, Google provides a list of links to websites, ordered in what Google deems to be of descending relevance to the user's search terms based on its proprietary algorithms….

[4] The second way Google responds to a search request is by showing context-based advertising. When a searcher uses Google's search engine by submitting a search term, Google may place advertisements on the user's screen. Google will do so if an advertiser, having determined that its ad is likely to be of interest to a searcher who enters the particular term, has purchased from Google the placement of its ad on the screen of the searcher who entered that search term. What Google places on the searcher's screen is more than simply an advertisement. It is also a link to the advertiser's website, so that in response to such an ad, if the searcher clicks on the link, he will open the advertiser's website, which offers not only additional information about the advertiser, but also perhaps the option to purchase the goods and services of the advertiser over the Internet. Google uses at least two programs to offer such context-based links: AdWords and Keyword Suggestion Tool.

[5] AdWords is Google's program through which advertisers purchase terms (or keywords). When entered as a search term, the keyword triggers the appearance of the advertiser's ad and link. An advertiser's purchase of a particular term causes the advertiser's ad and link to be displayed on the user's screen whenever a searcher launches a Google search based on the purchased search term.[1] Advertisers pay Google based on the number of times Internet users "click" on the advertisement, so as to link to the advertiser's website. For example, using Google's AdWords, Company Y, a company engaged in the business of furnace repair, can cause Google to display its advertisement and link whenever a user of Google

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[1] Although we generally refer to a single advertiser, there is no limit on the number of advertisers who can purchase a particular keyword to trigger the appearance of their ads.

launches a search based on the search term, "furnace repair." Company Y can also cause its ad and link to appear whenever a user searches for the term "Company X," a competitor of Company Y in the furnace repair business. Thus, whenever a searcher interested in purchasing furnace repair services from Company X launches a search of the term X (Company X's trademark), an ad and link would appear on the searcher's screen, inviting the searcher to the furnace repair services of X's competitor, Company Y. And if the searcher clicked on Company Y's link, Company Y's website would open on the searcher's screen, and the searcher might be able to order or purchase Company Y's furnace repair services.

[6] In addition to AdWords, Google also employs Keyword Suggestion Tool, a program that recommends keywords to advertisers to be purchased. The program is designed to improve the effectiveness of advertising by helping advertisers identify keywords related to their area of commerce, resulting in the placement of their ads before users who are likely to be responsive to it. Thus, continuing the example given above, if Company Y employed Google's Keyword Suggestion Tool, the Tool might suggest to Company Y that it purchase not only the term "furnace repair" but also the term "X," its competitor's brand name and trademark, so that Y's ad would appear on the screen of a searcher who searched Company X's trademark, seeking Company X's website.

[7] Once an advertiser buys a particular keyword, Google links the keyword to that advertiser's advertisement. The advertisements consist of a combination of content and a link to the advertiser's webpage. Google displays these advertisements on the search result page either in the right margin or in a horizontal band immediately above the column of relevance-based search results. These advertisements are generally associated with a label, which says "sponsored link." Rescuecom alleges, however, that a user might easily be misled to believe that the advertisements which appear on the screen are in fact part of the relevance-based search result and that the appearance of a competitor's ad and link in response to a searcher's search for Rescuecom is likely to cause trademark confusion as to affiliation, origin, sponsorship, or approval of service. This can occur, according to the Complaint, because Google fails to label the ads in a manner which would clearly identify them as purchased ads rather than search results. The Complaint alleges that when the sponsored links appear in a horizontal bar at the top of the search results, they may appear to the searcher to be the first, and therefore the most relevant, entries responding to the search, as opposed to paid advertisements.

[8] Google's objective in its AdWords and Keyword Suggestion Tool programs is to sell keywords to advertisers. Rescuecom alleges that Google makes 97% of its revenue from selling advertisements through its AdWords program. Google therefore has an economic incentive to increase the number of advertisements and links that appear for every term entered into its search engine.

[9] Many of Rescuecom's competitors advertise on the Internet. Through its Keyword Suggestion Tool, Google has recommended the Rescuecom trademark to Rescuecom's competitors as a search term to be purchased. Rescuecom's

competitors, some responding to Google's recommendation, have purchased Rescuecom's trademark as a keyword in Google's AdWords program, so that whenever a user launches a search for the term "Rescuecom," seeking to be connected to Rescuecom's website, the competitors' advertisement and link will appear on the searcher's screen. This practice allegedly allows Rescuecom's competitors to deceive and divert users searching for Rescuecom's website. According to Rescuecom's allegations, when a Google user launches a search for the term "Rescuecom" because the searcher wishes to purchase Rescuecom's services, links to websites of its competitors will appear on the searcher's screen in a manner likely to cause the searcher to believe mistakenly that a competitor's advertisement (and website link) is sponsored by, endorsed by, approved by, or affiliated with Rescuecom.

[10] The District Court granted Google's 12(b)(6) motion and dismissed Rescuecom's claims. The court believed that our *1–800* decision compels the conclusion that Google's allegedly infringing activity does not involve use of Rescuecom's mark in commerce, which is an essential element of an action under the Lanham Act. The district court explained its decision saying that even if Google employed Rescuecom's mark in a manner likely to cause confusion or deceive searchers into believing that competitors are affiliated with Rescuecom and its mark, so that they believe the services of Rescuecom's competitors are those of Rescuecom, Google's actions are not a "use in commerce" under the Lanham Act because the competitor's advertisements triggered by Google's programs did not exhibit Rescuecom's trademark. The court rejected the argument that Google "used" Rescuecom's mark in recommending and selling it as a keyword to trigger competitor's advertisements because the court read *1–800* to compel the conclusion that this was an internal use and therefore cannot be a "use in commerce" under the Lanham Act.

DISCUSSION

[11] "This Court reviews *de novo* a district court's grant of a motion to dismiss pursuant to Federal Rules of Civil Procedure 12(b)(6)." *PaineWebber Inc. v. Bybyk,* 81 F.3d 1193, 1197 (2d Cir.1996). When reviewing a motion to dismiss, a court must "accept as true all of the factual allegations set out in plaintiff's complaint, draw inferences from those allegations in the light most favorable to plaintiff, and construe the complaint liberally." *Gregory v. Daly,* 243 F.3d 687, 691 (2d Cir.2001) (citations omitted).

I. Google's Use of Rescuecom's Mark Was a "Use in Commerce"

[12] Our court ruled in *1–800* that a complaint fails to state a claim under the Lanham Act unless it alleges that the defendant has made "use in commerce" of the plaintiff's trademark as the term "use in commerce" is defined in 15 U.S.C. § 1127. The district court believed that this case was on all fours with *1–800,* and that its dismissal was required for the same reasons as given in *1–800.* We believe the cases are materially different. The allegations of Rescuecom's complaint adequately plead a use in commerce.

[13] In *1–800,* the plaintiff alleged that the defendant infringed the plaintiff's trademark through its proprietary software, which the defendant freely distributed to computer users who would download and install the program on their computer. The program provided contextually relevant advertising to the user by generating pop-up advertisements to the user depending on the website or search term the user entered in his browser. *Id.* at 404–05. For example, if a user typed "eye care" into his browser, the defendant's program would randomly display a pop-up advertisement of a company engaged in the field of eye care. Similarly, if the searcher launched a search for a particular company engaged in eye care, the defendant's program would display the pop-up ad of a company associated with eye care. *See id.* at 412. The pop-up ad appeared in a separate browser window from the website the user accessed, and the defendant's brand was displayed in the window frame surrounding the ad, so that there was no confusion as to the nature of the pop-up as an advertisement, nor as to the fact that the defendant, not the trademark owner, was responsible for displaying the ad, in response to the particular term searched. *Id.* at 405.

[14] Sections 32 and 43 of the Act, which we also refer to by their codified designations, 15 U.S.C. §§ 1114 & 1125, *inter alia,* impose liability for unpermitted "use in commerce" of another's mark which is "likely to cause confusion, or to cause mistake, or to deceive," § 1114, "as to the affiliation ... or as to the origin, sponsorship or approval of his or her goods [or] services ... by another person." § 1125(a)(1)(A). The *1–800* opinion looked to the definition of the term "use in commerce" provided in § 45 of the Act, 15 U.S.C. § 1127. That definition provides in part that "a mark shall be deemed to be in use in commerce ... (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce." 15 U.S.C. § 1127.[2] Our court found that the plaintiff failed to show that the defendant made a "use in commerce" of the plaintiff's mark, within that definition.

[15] At the outset, we note two significant aspects of our holding in *1–800,* which distinguish it from the present case. A key element of our court's decision in *1–800* was that under the plaintiff's allegations, the defendant did not use, reproduce, or display the plaintiff's mark *at all.* The search term that was alleged to trigger the pop-up ad was the plaintiff's *website address. 1–800* noted, notwithstanding the similarities between the website address and the mark, that the website address was not used or claimed by the plaintiff as a trademark. Thus, the transactions alleged to be infringing were not transactions involving use of the plaintiff's trademark. *Id.* at 408–09.[3] *1–800* suggested in dictum that is highly

[2] The Appendix to this opinion discusses the applicability of § 1127's definition of "use in commerce" to sections of the Lanham Act proscribing infringement.

[3] We did not imply in *1–800* that a website can never be a trademark. In fact, the opposite is true. *See* Trademark Manual of Examining Procedures § 1209.03(m) (5th ed. 2007) ("A mark comprised of an Internet domain name is registrable as a trademark or service mark only if it functions as an identifier of the source of goods

relevant to our case that had the defendant used the plaintiff's *trademark* as the trigger to pop-up an advertisement, such conduct might, depending on other elements, have been actionable. 414 F.3d at 409 & n. 11.

[16] Second, as an alternate basis for its decision, *1–800* explained why the defendant's program, which might randomly trigger pop-up advertisements upon a searcher's input of the plaintiff's website address, did not constitute a "use in commerce," as defined in § 1127. *Id.* at 408–09. In explaining why the plaintiff's mark was not "used or displayed in the sale or advertising of services," *1–800* pointed out that, under the defendant's program, advertisers could not request or purchase keywords to trigger their ads. *Id.* at 409, 412. Even if an advertiser wanted to display its advertisement to a searcher using the plaintiff's trademark as a search term, the defendant's program did not offer this possibility. In fact, the defendant "did not disclose the proprietary contents of [its] directory to its advertising clients...." *Id.* at 409. In addition to not selling trademarks of others to its customers to trigger these ads, the defendant did not "otherwise manipulate which category-related advertisement will pop up in response to any particular terms on the internal directory." *Id.* at 411. The display of a particular advertisement was controlled by the category associated with the website or keyword, rather than the website or keyword itself. The defendant's program relied upon categorical associations such as "eye care" to select a pop-up ad randomly from a predefined list of ads appropriate to that category. To the extent that an advertisement for a competitor of the plaintiff was displayed when a user opened the plaintiff's website, the trigger to display the ad was not based on the defendant's sale or recommendation of a particular trademark.

[17] The present case contrasts starkly with those important aspects of the *1–800* decision. First, in contrast to *1–800,* where we emphasized that the defendant made no use whatsoever of the plaintiff's trademark, here what Google is recommending and selling to its advertisers is Rescuecom's trademark. Second, in contrast with the facts of *1–800* where the defendant did not "use or display," much less sell, trademarks as search terms to its advertisers, here Google displays, offers, and sells Rescuecom's mark to Google's advertising customers when selling its advertising services. In addition, Google encourages the purchase of Rescuecom's mark through its Keyword Suggestion Tool. Google's utilization of Rescuecom's mark fits literally within the terms specified by 15 U.S.C. § 1127. According to the Complaint, Google uses and sells Rescuecom's mark "in the sale ... of [Google's advertising] services ... rendered in commerce." § 1127.

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or services."); *see also Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 768, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992) (Section 43(a) of the Lanham Act protects unregistered trademarks as long as the mark could qualify for registration under the Lanham Act.); *Thompson Med. Co., Inc. v. Pfizer Inc.,* 753 F.2d 208, 215–216 (2d Cir.1985) (same). The question whether the plaintiff's website address was an unregistered trademark was never properly before the *1–800* court because the plaintiff did not claim that it used its website address as a trademark.

[18] Google, supported by amici, argues that *1–800* suggests that the inclusion of a trademark in an internal computer directory cannot constitute trademark use. Several district court decisions in this Circuit appear to have reached this conclusion. *See e.g., S & L Vitamins, Inc. v. Australian Gold, Inc.,* 521 F.Supp.2d 188, 199–202 (E.D.N.Y.2007) (holding that use of a trademark in metadata did not constitute trademark use within the meaning of the Lanham Act because the use "is strictly internal and not communicated to the public"); *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.,* 425 F.Supp.2d 402, 415 (S.D.N.Y.2006) (holding that the internal use of a keyword to trigger advertisements did not qualify as trademark use). This over-reads the *1–800* decision. First, regardless of whether Google's use of Rescuecom's mark in its internal search algorithm could constitute an actionable trademark use, Google's recommendation and sale of Rescuecom's mark to its advertising customers are not internal uses. Furthermore, *1–800* did not imply that use of a trademark in a software program's internal directory precludes a finding of trademark use. Rather, influenced by the fact that the defendant was not using the plaintiff's trademark at all, much less using it as the basis of a commercial transaction, the court asserted that the particular use before it did not constitute a use in commerce. *See 1–800,* 414 F.3d at 409–12. We did not imply in *1–800* that an alleged infringer's use of a trademark in an internal software program insulates the alleged infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace. If we were to adopt Google and its amici's argument, the operators of search engines would be free to use trademarks in ways designed to deceive and cause consumer confusion.[4] This is surely neither within the intention nor the letter of the Lanham Act.

[19] Google and its amici contend further that its use of the Rescuecom trademark is no different from that of a retail vendor who uses "product placement" to allow one vender to benefit from a competitors' name recognition. An example of product placement occurs when a store-brand generic product is placed next to a trademarked product to induce a customer who specifically sought out the trademarked product to consider the typically less expensive, generic brand as an alternative. *See 1–800,* 414 F.3d at 411. Google's argument misses the point. From the fact that proper, non-deceptive product placement does not result in liability under the Lanham Act, it does not follow that the label "product placement" is a magic shield against liability, so that even a deceptive plan of product placement

[4] For example, instead of having a separate "sponsored links" or paid advertisement section, search engines could allow advertisers to pay to appear at the top of the "relevance" list based on a user entering a competitor's trademark—a functionality that would be highly likely to cause consumer confusion. Alternatively, sellers of products or services could pay to have the operators of search engines automatically divert users to their website when the users enter a competitor's trademark as a search term. Such conduct is surely not beyond judicial review merely because it is engineered through the internal workings of a computer program.

designed to confuse consumers would similarly escape liability. It is not by reason of absence of a use of a mark in commerce that benign product placement escapes liability; it escapes liability because it is a benign practice which does not cause a likelihood of consumer confusion. In contrast, if a retail seller were to be paid by an off-brand purveyor to arrange product display and delivery in such a way that customers seeking to purchase a famous brand would receive the off-brand, believing they had gotten the brand they were seeking, we see no reason to believe the practice would escape liability merely because it could claim the mantle of "product placement." The practices attributed to Google by the Complaint, which at this stage we must accept as true, are significantly different from benign product placement that does not violate the Act.

[20] Unlike the practices discussed in *1–800,* the practices here attributed to Google by Rescuecom's complaint are that Google has made use in commerce of Rescuecom's mark. Needless to say, a defendant must do more than use another's mark in commerce to violate the Lanham Act. The gist of a Lanham Act violation is an unauthorized use, which "is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, ... or as to the origin, sponsorship, or approval of ... goods [or] services." *See* 15 U.S.C. § 1125(a); *Estee Lauder Inc. v. The Gap, Inc.,* 108 F.3d 1503, 1508–09 (2d Cir.1997). We have no idea whether Rescuecom can prove that Google's use of Rescuecom's trademark in its AdWords program causes likelihood of confusion or mistake. Rescuecom has alleged that it does, in that would-be purchasers (or explorers) of its services who search for its website on Google are misleadingly directed to the ads and websites of its competitors in a manner which leads them to believe mistakenly that these ads or websites are sponsored by, or affiliated with Rescuecom. This is particularly so, Rescuecom alleges, when the advertiser's link appears in a horizontal band at the top of the list of search results in a manner which makes it appear to be the most relevant search result and not an advertisement. What Rescuecom alleges is that by the manner of Google's display of sponsored links of competing brands in response to a search for Rescuecom's brand name (which fails adequately to identify the sponsored link as an advertisement, rather than a relevant search result), Google creates a likelihood of consumer confusion as to trademarks. If the searcher sees a different brand name as the top entry in response to the search for "Rescuecom," the searcher is likely to believe mistakenly that the different name which appears is affiliated with the brand name sought in the search and will not suspect, because the fact is not adequately signaled by Google's presentation, that this is not the most relevant response to the search. Whether Google's actual practice is in fact benign or confusing is not for us to judge at this time. We consider at the 12(b)(6) stage only what is alleged in the Complaint.

[21] We conclude that the district court was mistaken in believing that our precedent in *1–800* requires dismissal.

CONCLUSION

[22] The judgment of the district court is vacated and the case is remanded for further proceedings.

APPENDIX

On the Meaning of "Use in Commerce" in Sections 32 and 43 of the Lanham Act[5]

[23] In *1–800 Contacts, Inc. v. WhenU.Com, Inc.,* 414 F.3d 400 (2d Cir.2005) ("*1–800*"), our court followed the reasoning of two district court opinions from other circuits, *U–Haul Int'l, Inc. v. WhenU.com, Inc.,* 279 F.Supp.2d 723 (E.D.Va.2003) and *Wells Fargo & Co., v. WhenU.com, Inc.,* 293 F.Supp.2d 734 (E.D.Mich.2003), which dismissed suits on virtually identical claims against the same defendant. Those two district courts ruled that the defendant's conduct was not actionable under §§ 32 & 43(a) of the Lanham Act, 15 U.S.C. § § 1114 & 1125(a), even assuming that conduct caused likelihood of trademark confusion, because the defendant had not made a "use in commerce" of the plaintiff's mark, within the definition of that phrase set forth in § 45 of the Lanham Act, 15 U.S.C. § 1127. In quoting definitional language of § 1127 that is crucial to their holdings, however, *U–Haul* and *Wells Fargo* overlooked and omitted portions of the statutory text which make clear that the definition provided in § 1127 was not intended by Congress to apply in the manner that the decisions assumed.

[24] Our court's ruling in *1–800* that the Plaintiff had failed to plead a viable claim under §§ 1114 & 1125(a) was justified by numerous good reasons and was undoubtedly the correct result. In addition to the questionable ground derived from the district court opinions, which had overlooked key statutory text, our court's opinion cited other highly persuasive reasons for dismissing the action—among them that the plaintiff did not claim a trademark in the term that served as the basis for the claim of infringement; nor did the defendant's actions cause any likelihood of confusion, as is crucial for such a claim.

[25] We proceed to explain how the district courts in *U–Haul* and *Wells Fargo* adopted reasoning which overlooked crucial statutory text that was incompatible with their ultimate conclusion….

[Deleted here is the court's lengthy discussion of the history of the phrase "use in commerce" in the Lanham Act and, in particular, of the 1988 amendment to § 1127's definition of "use in commerce"].

The Interpretation of § 1127's Definition of "Use in Commerce " with Respect to Alleged Infringers

[26] In light of the preceding discussion, how should courts today interpret the definition of "use in commerce" set forth in 15 U.S.C. § 1127, with respect to acts of infringement prescribed by §§ 1114 and 1125(a)? The foregoing review of the evolution of the Act seems to us to make clear that Congress did not intend that this definition apply to the sections of the Lanham Act which define infringing conduct. The definition was rather intended to apply to the sections which used the phrase in

[5] In this discussion, all iterations of the phrase "use in commerce" whether in the form of a noun (a "use in commerce"), a verb ("to use in commerce"), or adjective ("used in commerce"), are intended without distinction as instances of that phrase.

prescribing eligibility for registration and for the Act's protections. However, Congress does not enact intentions. It enacts statutes. And the process of enacting legislation is of such complexity that understandably the words of statutes do not always conform perfectly to the motivating intentions. This can create for courts difficult problems of interpretation. Because pertinent amendments were passed in 1962 and in 1988, and because the 1988 amendment did not change the pre-existing parts of the definition in § 1127, but merely added a sentence, it seems useful to approach the question of the current meaning in two steps. First, what did this definition mean between 1962 and 1988—prior to the 1988 amendment? Then, how was the meaning changed by the 1988 amendment?

[27] Between 1962 and 1988, notwithstanding the likelihood shown by the legislative history that Congress *intended* the definition to apply only to registration and qualification for benefits and not to infringement, a court addressing the issue nonetheless would probably have concluded that the section applied to alleged infringement, as well. Section 1127 states that its definitions apply "unless the contrary is plainly apparent from the context." One who considered the question at the time might well have wondered why Congress would have provided this restrictive definition for acts of trademark infringement with the consequence that deceptive and confusing uses of another's mark with respect to goods would escape liability if the conduct did not include the placement of the mark on goods or their containers, displays, or sale documents, and with respect to services if the conduct did not include the use or display of the mark in the sale or advertising of the services. It is easy to imagine perniciously confusing conduct involving another's mark which does not involve placement of the mark in the manner specified in the definition. Nonetheless, in spite of those doubts, one could not have said it was "plainly apparent from the context" that those restrictions did not apply to sections defining infringement. In all probability, therefore, a court construing the provision between 1962 and 1988 would have concluded that in order to be actionable under §§ 1114 or 1125(a) the allegedly infringing conduct needed to include placement of the mark in the manner specified in the definition of "use in commerce" in § 1127.

[28] The next question is how the meaning of the § 1127 definition was changed by the 1988 amendment, which, as noted, left the preexisting language about placement of the mark unchanged, but added a prior sentence requiring that a "use in commerce" be "a bona fide use in the ordinary course of trade, and not made merely to reserve a right in a mark." While it is "plainly apparent from the context" that the new first sentence cannot reasonably apply to statutory sections defining infringing conduct, the question remains whether the addition of this new sentence changed the meaning of the second sentence of the definition without changing its words.

[29] We see at least two possible answers to the question, neither of which is entirely satisfactory. One interpretation would be that, by adding the new first sentence, Congress changed the meaning of the second sentence of the definition to conform to the new first sentence, without altering the words. The language of the definition, which, prior to the addition of the new first sentence, would have been

construed to apply both to sections defining infringement, and to sections specifying eligibility for registration, would change its meaning, despite the absence of any change in its words, so that the entire definition now no longer applied to the sections defining infringement. Change of meaning without change of words is obviously problematic.

[30] The alternative solution would be to interpret the two sentences of the statutory definition as of different scope. The second sentence of the definition, which survived the 1988 amendment unchanged, would retain its prior meaning and continue to apply as before the amendment to sections defining infringement, as well as to sections relating to a mark owner's eligibility for registration and for enjoyment of the protections of the Act. The new first sentence, which plainly was not intended to apply to infringements, would apply only to sections in the latter category—those relating to an owner's eligibility to register its mark and enjoy the Act's protection. Under this interpretation, liability for infringement under §§ 1114 and 1125(a) would continue, as before 1988, to require a showing of the infringer's placement of another's mark in the manner specified in the second sentence of the § 1127 definition. It would not require a showing that the alleged infringer made "bona fide use of the mark in the ordinary course of trade, and not merely to reserve a right in the mark." On the other hand, eligibility of mark owners for registration and for the protections of the Act would depend on their showing compliance with the requirements of both sentences of the definition.

[31] We recognize that neither of the two available solutions is altogether satisfactory. Each has advantages and disadvantages. At least for this Circuit, especially given our prior *1–800* precedent, which applied the second sentence of the definition to infringement, the latter solution, according a different scope of application to the two sentences of the definition, seems to be preferable.[6]

[32] The judges of the *1–800* panel have read this Appendix and have authorized us to state that they agree with it. At the same time we note that the discussion in this Appendix does not affect the result of this case. We assumed in the body of the opinion, in accordance with the holding of *1–800,* that the requirements of the second sentence of the definition of "use in commerce" in § 1127 apply to infringing conduct and found that such use in commerce was adequately pleaded. The discussion in this Appendix is therefore dictum and not a binding opinion of the court. It would be helpful for Congress to study and clear up this ambiguity.

Questions and Comments

1. The tamasha surrounding the question of the meaning of "use in commerce" when applied to the defendant's conduct, particularly in the search engine context, appears now to have ended. In *Network Automation Inc. v. Advanced*

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[6] We express no view which of the alternative available solutions would seem preferable if our Circuit had not previously applied the second sentence to sections of the Act defining infringement.

Systems Concepts Inc., 638 F.3d 1137 (9th Cir. 2011), the plaintiff sought a declaration of non-infringement for its purchase of search engine keywords, among them the defendant's trademark, that triggered sponsored links advertising the plaintiff's services. The Ninth Circuit devoted one short paragraph to the issue of "use in commerce" by the declaratory plaintiff. The *Network Automation* court simply held: "We now agree with the Second Circuit that such use is a "use in commerce" under the Lanham Act. *See Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 127 (2d Cir.2009) (holding that Google's sale of trademarks as search engine keywords is a use in commerce)." *Id*. at 1145.

2. Defendant's Use "in Connection with the Sale…of any Goods or Services"

We now turn to what has proven to be a far more significant threshold requirement for liability in U.S. trademark law, often called the "commercial use" requirement. This is the requirement that, to be found liable, the defendant must make a use of the plaintiff's mark "in connection with the sale, distribution, or advertising of any goods or services", Lanham Act § 32(1)(a), 15 U.S.C. § 1114(1)(a), or "in connection with any goods or services," Lanham Act § 43(a)(1), 15 U.S.C. § 1125(a)(1).

Radiance Foundation, Inc. v. National Association for the Advancement of Colored People
786 F.3d 316 (4th Cir. 2015)

WILKINSON, Circuit Judge:

[1] The Radiance Foundation published an article online entitled "NAACP: National Association for the Abortion of Colored People" that criticized the NAACP's stance on abortion. In response to a cease-and-desist letter from the NAACP, Radiance sought a declaratory judgment that it had not infringed any NAACP trademarks. The NAACP then filed counterclaims alleging trademark infringement and dilution.

[2] The Lanham Act protects against consumer confusion about the source or sponsorship of goods or services. Persons may not misappropriate trademarks to the detriment of consumers or of the marks themselves. However, the Act's reach is not unlimited. To find Lanham Act violations under these facts risks a different form of infringement—that of Radiance's expressive right to comment on social issues under the First Amendment. Courts have taken care to avoid Lanham Act interpretations that gratuitously court grave constitutional concerns, and we shall do so here. We hold that Radiance is not liable for trademark infringement or dilution of defendant's marks by tarnishment. We vacate the injunction against Radiance entered by the district court and remand with instructions that defendant's counterclaims likewise be dismissed.

I.

[3] The National Association for the Advancement of Colored People, better known by its acronym "NAACP," is this country's "oldest and largest civil rights organization," *Radiance Found., Inc. v. NAACP,* 25 F.Supp.3d 865, 872 (E.D.Va.2014), and one that holds a place of honor in our history. It champions "political, educational, social, and economic equality of all citizens" while working to eliminate racial and other forms of prejudice within the United States. *Id.* Since its formation, it has pursued these objectives not only through litigation but also through community outreach, informational services, and educational activities on issues of significance to the African American community. *See id.* The NAACP owns several trademarks, among them "NAACP" (federally registered) and "National Association for the Advancement of Colored People."

[4] The Radiance Foundation, established by Ryan Bomberger, is also a non-profit organization focused on educating and influencing the public about issues impacting the African American community. Radiance addresses social issues from a Christian perspective. It uses as its platform two websites, TheRadianceFoundation.org and TooManyAborted.com, where it posts articles on topics such as race relations, diversity, fatherlessness, and the impact of abortion on the black community. *Id.* at 873. Radiance also runs a billboard campaign for TooManyAborted.com; individuals may sponsor these billboards, licensing the artwork from Radiance. In addition to its billboard campaign, Radiance funds its endeavors through donations from visitors to its websites, which are facilitated by "Donate" buttons on the webpages that link to a PayPal site.

[5] In January 2013, Bomberger authored an article criticizing the NAACP's annual Image Awards, entitled "NAACP: National Association for the Abortion of Colored People." The piece lambasted the NAACP for sponsoring an awards event to recognize Hollywood figures and products that Radiance alleged defied Christian values and perpetuated racist stereotypes. The article then criticized other of the NAACP's public stances and actions. It particularly targeted the NAACP's ties to Planned Parenthood and its position on abortion. Though the NAACP has often claimed to be neutral on abortion, Radiance maintains that the NAACP's actions actually demonstrate support for the practice.

[6] The article appeared on three websites: the two owned by Radiance—TheRadianceFoundation.com and TooManyAborted.com—and a third-party site called LifeNews.com. Though the text of the article was identical across the sites, the headlines and presentation varied slightly. On TheRadianceFoundation.com, directly below the headline was an image of a TooManyAborted billboard with the headline "NAACP: National Association for the Abortion of Colored People" repeated next to it. The TooManyAborted.com site posted the headline "The National Association for the Abortion of Colored People" with a graphic below of a red box with the words "CIVIL WRONG" followed by the modified NAACP name. Adjacent to the article on both pages was an orange button with "CLICK HERE TO GIVE ONE–TIME GIFT TO THE RADIANCE FOUNDATION" printed around the word "DONATE." Finally on LifeNews.com, the third-party site, the NAACP's Scales of Justice appeared as a graphic underneath the headline.

[7] The NAACP sent Radiance a cease-and-desist letter on January 28, 2013, after a Google alert for the "NAACP" mark unearthed the LifeNews.com article. Radiance thereupon brought a declaratory action seeking a ruling that it had not infringed or diluted any of the NAACP's marks and that its use of the marks, or similar ones, was protected under the First Amendment. The NAACP counterclaimed for trademark infringement under 15 U.S.C. §§ 1114(1) and 1125(a) and Virginia state law, and trademark dilution under 15 U.S.C. § 1125(c).

[8] After a bench trial, the district court found for the NAACP on all counterclaims and denied declaratory relief to Radiance. It held that Radiance had used the marks "in connection with" goods and services and that its use of the "NAACP" and "National Association for the Advancement of Colored People" marks, or a colorable imitation, created a likelihood of confusion among consumers. *Radiance Found.,* 25 F.Supp.3d at 878–79.

…

[9] The district court issued a permanent injunction "against any use [by Radiance] of 'National Association for the Abortion of Colored People' that creates a likelihood of confusion or dilution." *Id.* at 902. However, it declined to award any damages or attorney's fees, as it found the NAACP had failed to make the case that they were warranted. *Id.* at 899–901.

[10] Radiance now appeals….

II.

…

B.

[11] The first element of trademark infringement at issue is … whether Radiance's use of the NAACP's marks was "in connection with the sale, offering for sale, distribution, or advertising of any goods or services." 15 U.S.C. § 1114(1)(a); *see also id.* § 1125(a)(1) (requiring mark be used "in connection with any goods or services"). The NAACP urges us to give this requirement a "broad construction," but that construction would expose to liability a wide array of noncommercial expressive and charitable activities. Such an interpretation would push the Lanham Act close against a First Amendment wall, which is incompatible with the statute's purpose and stretches the text beyond its breaking point. We decline to reach so far.

[12] At least five of our sister circuits have interpreted this element as protecting from liability all noncommercial uses of marks. *Farah v. Esquire Magazine,* 736 F.3d 528, 541 (D.C. Cir. 2013); *Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research,* 527 F.3d 1045, 1052–54 (10th Cir. 2008); *Bosley Med. Inst., Inc. v. Kremer,* 403 F.3d 672, 676–77 (9th Cir.2005); *Taubman Co. v. Webfeats,* 319 F.3d 770, 774 (6th Cir. 2003); *Porous Media Corp. v. Pall Corp.,* 173 F.3d 1109, 1120 (8th Cir. 1999). *But see United We Stand Am., Inc. v. United We Stand, Am. New York, Inc.*, 128 F.3d 86, 89–90 (2d Cir. 1997). We have not taken a position on whether "in connection with" goods or services indicates a commercial use. *Lamparello v. Falwell*, 420 F.3d 309, 313-14 (4th Cir. 2005).

[13] At the very least, reading the "in connection with" element to take in broad swaths of noncommercial speech would be an "overextension" of the Lanham Act's reach that would "intrude on First Amendment values." *Rogers v. Grimaldi*, 875 F.2d 994, 998 (2d Cir.1989); *see also Taubman,* 319 F.3d at 774 (stating that the "Lanham Act is constitutional because it only regulates commercial speech"). It is true that neither of the Lanham Act's infringement provisions explicitly mentions commerciality. *Lamparello,* 420 F.3d at 314. Still, this provision must mean something more than that the mark is being used in commerce in the constitutional sense, because the infringement provisions in § 1114(1)(a) and § 1125(a)(1) include a separate Commerce Clause hook. *Bosley,* 403 F.3d at 677; *Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Estrangers a Monaco,* 329 F.3d 359, 363–64 (4th Cir.2003); *United We Stand,* 128 F.3d at 92–93.

[14] Although this case does not require us to hold that the commercial speech doctrine is in all respects synonymous with the "in connection with" element, we think that doctrine provides much the best guidance in applying the Act. The "in connection with" element in fact reads very much like a description of different types of commercial actions: "in connection with the *sale, offering for sale, distribution,* or *advertising* of any goods or services." 15 U.S.C. § 1114(1)(a) (emphasis added).

[15] Use of a protected mark as part of "speech that does no more than propose a commercial transaction" thus plainly falls within the Lanham Act's reach. *United States v. United Foods, Inc.,* 533 U.S. 405, 409 (2001). Courts also look to the factors outlined in *Bolger v. Youngs Drug Products Corp.,* 463 U.S. 60, 66–67 (1983): whether the speech is an advertisement; whether the speech references a particular good or service; and whether the speaker (the alleged infringer) has a demonstrated economic motivation for his speech. *Greater Balt. Ctr. for Pregnancy Concerns, Inc. v. Mayor of Balt.,* 721 F.3d 264, 285 (4th Cir.2013) (en banc). These are not exclusive factors, and the presence or absence of any of them does not necessitate a particular result.

[16] In the context of trademark infringement, the Act's purpose … is to protect consumers from misleading uses of marks by competitors. Thus if in the context of a sale, distribution, or advertisement, a mark is used as a source identifier, we can confidently state that the use is "in connection with" the activity. Even the Second Circuit, which rejected noncommerciality as an invariable defense to Lanham Act liability, conceded that a "crucial" factor is that the infringer "us[ed] the Mark not as a commentary on its owner, but instead as a source identifier." *United We Stand,* 128 F.3d at 92. The danger of allowing the "in connection with" element to suck in speech on political and social issues through some strained or tangential association with a commercial or transactional activity should thus be evident. Courts have uniformly understood that imposing liability under the Lanham Act for such speech is rife with the First Amendment problems.

[17] Finally, in order to determine whether the use is "in connection with" goods or services, we must consider what qualifies as a good or service. The Lanham Act does not directly define either term, but we can deduce their meaning from

other defined terms and common usage. A "good" is best understood as a valuable product, physical or otherwise, that the consumer may herself employ. *See* 15 U.S.C. § 1127 (noting that a mark may be used in commerce in relation to a good when placed on a good, its container, its tag, or its associated documents); Black's Law Dictionary 809 (10th ed.2014) (defining "goods" as "[t]hings that have value, whether tangible or not"). A service is a more amorphous concept, "denot[ing] an intangible commodity in the form of human effort, such as labor, skill, or advice." Black's Law Dictionary 1576. Because Congress intended the Lanham Act to protect consumers from confusion in the marketplace, it is probable that the Act is meant to cover a wide range of products, whether "goods" or "services." *See Yates v. United States,* ––– U.S. ––––, 135 S.Ct. 1074, 1082 (2015) ("Ordinarily, a word's usage accords with its dictionary definition. In law as in life, however, the same words, placed in different contexts, sometimes mean different things.").

[18] It is clear, therefore, that despite the need to reconcile the reach of the Lanham Act with First Amendment values, "goods or services" remains a broad and potentially fuzzy concept. That is yet another reason why the "in connection with" language must denote a real nexus with goods or services if the Act is not to fatally collide with First Amendment principles.

III.

…

A.

[19] In finding that Radiance's use of the NAACP's marks was "in connection with" goods or services, the district court erred in several respects. To begin, the court held that because the Radiance article appeared in a Google search for the term "NAACP," it diverted "Internet users to Radiance's article as opposed to the NAACP's websites," which thereby created a connection to the NAACP's goods and services. *Radiance Found., Inc. v. NAACP,* 25 F.Supp.3d 865, 884 (E.D.Va.2014). But typically the use of the mark has to be in connection with the infringer's goods or services, not the trademark holder's. *See Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research,* 527 F.3d 1045, 1053–54 (10th Cir.2008) (stating that "the defendant in a trademark infringement ... case must use the mark in connection with the goods or services of a competing producer, not merely to make a comment on the trademark owner's goods or services").

[20] If the general rule was that the use of the mark merely had to be in connection with the trademark holder's goods or services, then even the most offhand mention of a trademark holder's mark could potentially satisfy the "in connection with" requirement. That interpretation would expand the requirement to the point that it would equal or surpass the scope of the Lanham Act's "in commerce" jurisdictional element. This would not only make the jurisdictional element superfluous, but would hamper the ability of the "in connection with" requirement to hold Lanham Act infractions within First Amendment limits.

[21] In *People for the Ethical Treatment of Animals v. Doughney,* we stated that an infringer "need only have prevented users from obtaining or using [the

trademark holder's] goods or services, or need only have connected the [infringing] website to other's goods or services" in order to satisfy the "in connection with" requirement. 263 F.3d 359, 365 (4th Cir.2001). But that rule applies specifically where the infringer has used the trademark holder's mark in a *domain name. Id.* at 365–66. Neither of Radiance's websites used an NAACP mark in its domain name. Rather, Radiance used the NAACP's marks only in the title and body of an article criticizing the NAACP. Nothing in *PETA* indicates that the use of a mark in the course of disseminating such an idea is on that account sufficient to establish the requisite relationship to goods or services. *PETA* simply does not govern the application of the "in connection with" element in this case.

[22] The district court proceeded to find that Radiance's use of the NAACP's marks was also in connection with *Radiance's* goods or services. *Radiance Found.,* 25 F.Supp.3d at 884–85. But the court's analysis failed to demonstrate a sufficient nexus between the specific use of the marks and the sale, offer for sale, distribution, or advertisement of any of the goods or services that the court invoked. The court first found that there was a sufficient nexus "with Radiance's own information services" because Radiance "provided information" on its website. *Id.* at 884. That ruling, however, neuters the First Amendment. The provision of mere "information services" without any commercial or transactional component is speech—nothing more.

[23] In the alternative, the court held that Radiance's use of the NAACP's marks was in connection with goods or services, because the use was "part of social commentary or criticism for which they solicit donations and sponsorship." *Id.* The NAACP echoes the district court, arguing that the transactional nature of the billboard campaign and Radiance's fundraising efforts place Radiance's use of the marks "comfortably within" the reach of the "in connection with" element. Appellee's Br. at 24–26.

[24] We need not address this point with absolute pronouncements. Suffice it to say that the specific use of the marks at issue here was too attenuated from the donation solicitation and the billboard campaign to support Lanham Act liability. Although present on the article page, the Donate button was off to the side and did not itself use the NAACP's marks in any way. The billboard campaign was displayed on a different page altogether. A visitor likely would not perceive the use of the NAACP's marks in the article as being in connection with those transactional components of the website. It is important not to lose perspective. The article was just one piece of each Radiance website's content, which was comprised of articles, videos, and multimedia advocacy materials. That the protected marks appear somewhere in the content of a website that includes transactional components is not alone enough to satisfy the "in connection with" element. To say it was would come too close to an absolute rule that any social issues commentary with any transactional component in the neighborhood enhanced the commentator's risk of Lanham Act liability.

[25] The Supreme Court has warned "that charitable appeals for funds ... involve a variety of speech interests ... that are within the protection of the First

Amendment." *Vill. of Schaumburg v. Citizens for a Better Env't,* 444 U.S. 620, 632 (1980). Such solicitation, the Court stated, is not a "variety of purely commercial speech." *Id.* Courts are thus well-advised to tread cautiously when a trademark holder invokes the Lanham Act against an alleged non-profit infringer whose use of the trademark holder's marks may be only tenuously related to requests for money. Again, this is not to say that in all instances a solicitation by a non-profit is immune from Lanham Act liability. A solicitation may satisfy the "in connection with" element if the trademark holder demonstrates a sufficient nexus between the unauthorized use of the protected mark and clear transactional activity. Such a nexus may be present, for example, where the protected mark seems to denote the recipient of the donation. However, where, as here, the solicitations are not closely related to the specific uses of the protected marks, we are compelled to conclude that the district court erred in ruling that the "in connection element" was met.

…

Questions and Comments

1. *The Difference in the Language of Lanham Act § 32 and § 43(a)*. You will have noticed that the two likelihood of confusion sections formulate the commercial use requirement slightly differently. *Compare* Lanham Act § 32(1)(a), 15 U.S.C. § 1114(1)(a) (establishing liability for "[a]ny person who shall use in commerce" the plaintiff's mark "in connection with the sale, offering for sale, distribution, or advertising of any goods or services*"* in a manner that is confusing) *to* Lanham Act § 43(a)(1), 15 U.S.C. § 1125(a)(1) (establishing liability for "[a]ny person who, on or in connection with any goods or services, or any container for goods, uses in commerce" the plaintiff's mark in a manner that is confusing). In practice, courts have read both statements of the commercial use requirement to mean the same thing.

2. *The Commercial Use Requirement and Trademark Dilution*. We will address the issue of trademark dilution below in Part II.C. Note for the moment that the antidilution section of the Lanham Act, § 43(c), 15 U.S.C. § 1125(c), does not include language akin to what we find in Lanham Act §§ 32 and 43(a). Under a previous, now-abrogated version of § 43(c) (which trademark lawyers traditionally refer to as the old "Federal Trademark Dilution Act" or "FTDA"), courts read the phrase "another person's commercial use in commerce" to implement the commercial use requirement. *See* Bosley Medical Institute, Inc. v. Kremer, 403 F.3d 672, 676 (9th Cir. 2005) ("[W]e have interpreted the language [of § 43(c)(1)] to be roughly analogous to the 'in connection with' sale of goods and services requirement of the infringement statute."). The new § 43(c), effective as of October 6, 2006, which trademark lawyers often refer to as the "Trademark Dilution Revision Act" or "TDRA", instead requires that the defendant makes "use of a mark or trade name in commerce." 15 U.S.C. § 1125(c)(1). Courts have read this language to require a showing of defendant's commercial use akin to what is required under § 32 and § 43(a). More precisely, courts have read the new § 43(c) "use of a *mark*" language to require the plaintiff to prove that the defendant is using its accused designation

as a trademark, i.e., as a designation of source for its own good or services. *See, e.g., National Business Forms & Printing, Inc. v. Ford Motor Co*., 671 F.3d 526, 536 (5th Cir. 2012) ("We agree with the district court that NBFP did not 'use' Ford's marks (as the TDRA contemplates that term) in identifying or distinguishing its own goods or services merely by reproducing them for customers as part of its commercial printing business."). *See also* MCCARTHY § 24:122. We will return to this issue below in Part II.C.

B. Confusion-Based Infringement

The overriding question in most federal trademark infringement litigation is a simple one: is the defendant's trademark, because of its similarity to the plaintiff's trademark, causing or likely to cause consumer confusion as to the source or sponsorship of the defendant's goods? Each of the circuits requires that, in answering this question, the district court conduct a multifactor analysis of the likelihood of consumer confusion according to the factors set out by that circuit. As the Seventh Circuit has explained, the multifactor test operates "as a heuristic device to assist in determining whether confusion exists." *Sullivan v. CBS Corp*., 385 F.3d 772, 778 (7th Cir. 2004). In Part II.B.1, we will briefly review the peculiar history of the multifactor test approach to the likelihood of confusion (or "LOC") question. In Part II.B.2, we will focus on one recent and particularly rich application of the multifactor test in *Virgin Enterprises Ltd. v. Nawab*, 335 F.3d 141 (2d Cir. 2003). Part II.B.3 will address the use of survey evidence in the LOC context. Parts III.B.4 through III.B.7 will address various modes of consumer confusion such as "sponsorship or affiliation" confusion, "initial interest" confusion, "post-sale" confusion, and "reverse" confusion. Part II.B.8 will return briefly to the Lanham Act § 2(d) bar to registration of a mark that is confusingly-similar to a previously registered mark.

1. The History of the Confusion-Based Cause of Action for Trademark Infringement

a. The Early-Twentieth Century Approach to the Likelihood of Consumer Confusion

In the following opinion, *Borden Ice Cream Co. v. Borden's Condensed Milk Co*., 201 F. 510 (7th Cir. 1912), the appellee Borden Condensed Milk Co. was the well-known manufacturer of, among other things, milk products under the trademark BORDEN. Appellee did not, however, manufacture ice cream; indeed, its corporate charter did not allow it to do so. The appellant Borden Ice Cream Co. commenced use of the BORDEN mark for ice cream – after finding someone named Borden to join its application for a corporate charter in Illinois. Under current trademark law, this would be a clear case of trademark infringement. As you will see, the *Borden Ice Cream* court saw things differently at the time.

Borden Ice Cream Co. v. Borden's Condensed Milk Co.
201 F. 510 (7th Cir. 1912)

[1] This is an appeal from an interlocutory order of injunction entered in the District Court, restraining the appellants 'from the use of the name 'Borden' in the manufacture or sale of ice cream and like articles, and the manufacture or sale of milk products in any of their forms, without plainly and in written or printed form attached to all cartons of such commodities, and upon all wagons or other vehicles used in the delivery of such commodities, and on all letter heads and other stationery going out to customers and to the public, and in all places where the name 'Borden's Ice Cream Company' may hereafter appear in the transaction of any business by the defendants, advising purchasers and the public in an unmistakable manner that the product of the defendants is not that of the complainant, 'Borden's Condensed Milk Company.''

[2] The word 'Borden' in the corporate name of the appellee was taken from the name of Gail Borden, who founded the business in the year 1857, and since that time it has been and is now a trade-name of great value, identified almost universally with the business of milk and milk products of the appellee and its predecessors. The trade-name 'Borden,' or the word 'Borden,' constitutes one of the principal assets of the appellee, and is widely known and identified with the good will and public favor enjoyed by it throughout the United States.

[3] On May 31, 1899, the appellee was incorporated under the laws of the state of New Jersey, with broad corporate powers, and specifically authorized 'to manufacture, sell and otherwise deal in condensed, preserved and evaporated milk and all other manufactured forms of milk; to produce, purchase and sell fresh milk, and all products of milk; to manufacture, purchase and sell all food products; to raise, purchase and sell all garden, farm and dairy products; to raise, purchase and sell, and otherwise deal in, cattle and all other live stock; to manufacture, lease, purchase and sell all machinery, tools, implements, apparatus and all other articles and appliances used in connection with all or any of the purposes aforesaid, or with selling and transporting the manufactured or other products of the company; and to do any and all things connected with or incidental to the carrying on of such business, or any branch or part thereof.'

[4] It may be stated in this connection that the charter of the company contains no express authority to manufacture or sell what is known commercially as ice cream.

…

[5] Appellee has developed in the state of Illinois and the city of Chicago, and elsewhere, a large business in the sale of fresh milk and cream and evaporated milk to confectioners for use by them in making commercial ice cream. It has expended large sums of money in promoting and advertising its business, and particularly in extending the sale of the so-called 'Borden's Peerless Brand Evaporated Milk, Confectioners' Size,' a high quality of evaporated milk inclosed [sic] in cans, especially designed for use in the manufacture of ice cream.

[6] For more than two years prior to the filing of the bill in the District Court, the appellee had been manufacturing a form of ice cream known as 'Borden's Malted Milk Ice Cream,' which product is, as the name implies, an ice cream made with malted milk as its basic element, and is especially adapted for use in hospitals. This malted milk ice cream, which hitherto has been used only in hospitals, the appellee is about to place on the market for general use in competition with commercial ice cream.

[7] On May 25, 1911, the appellants Charles F. Borden, George W. Brown, and Edgar V. Stanley applied to the Secretary of State of the state of Illinois for a license to incorporate under the name of 'Borden Ice Cream Company.' On July 31, 1911, the appellee notified the individual appellants that the term 'Borden' had become so firmly established in connection with the products of the appellee the use of that word in connection with any company dealing in milk products would lead to the presumption that they were the products of the appellee, and demanded that the word 'Borden' be eliminated from appellants' company name.

[8] On the same day appellee protested to the Secretary of State of the state of Illinois against the issuance of any charter under the name of 'Borden Ice Cream Company,' but on the 16th of August, 1911, a charter was duly issued to the 'Borden Ice Cream Company,' by which it was authorized 'to manufacture and sell ice cream, ices and similar products.'

[9] The appellant Charles F. Borden had never before been engaged in the ice cream business, or in buying or selling milk or milk products, or in any similar business, and is not the principal person connected with the appellant Borden Ice Cream Company. The appellant Lawler is an ice cream manufacturer, and has subscribed to 47 out of a total of 50 shares of stock of the Borden Ice Cream Company. Charles F. Borden has subscribed to one share of stock, and has not paid for that.

[10] The bill charges, upon information and belief, that it is the intention of appellant Borden Ice Cream Company to use the word 'Borden' for the purpose of trading upon the reputation of appellee's goods and products, and for the purpose of deceiving and defrauding the public into the belief that such product is the product of the appellee; that such 'improper, deceitful and fraudulent use of the name 'Borden' will be a great and irreparable injury to the complainant's (appellee's) property right in its trade-name; and that the reputation of the products of complainant (appellee) will be greatly injured thereby; and that the business of complainant (appellee) will be injured;' and that there will be great confusion in the business carried on by the original company because of such improper use; and that it will be impossible for present and prospective customers to know that the product of the Borden Ice Cream Company is not the product of Borden's Condensed Milk Company.

[11] The bill and the affidavits on file do not show any facts tending to sustain the allegation of irreparable injury to the old company or its business, or showing or tending to show that the old company has been or will be injured in any way in the business which it is now engaged in. Moreover, it does not appear that the malted

milk ice cream manufactured by the old company will in any way come into competition with the commercial ice cream proposed to be put on the market by the new company.

[12] The bill was filed before the defendant had started to do any business. The answer admits most of the material allegations, but denies all fraudulent purpose.

CARPENTER, District Judge (after stating the facts as above).

[13] A personal name, such as 'Borden,' is not susceptible of exclusive appropriation, and even its registration in the Patent Office cannot make it a valid trade-mark. *Howe Scale Co. v. Wyckoff*, 198 U.S. 134; *Elgin Natl. Watch Co. v. Illinois Watch Case Co.*, 179 U.S. 665; *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169; *Brown Chemical Co. v. Meyer*, 139 U.S. 540.

[14] There is no charge made in the bill that the appellants are infringing, or propose to infringe, upon any technical trade-mark of the appellee, so we may dismiss any claim for relief upon that score.

[15] The only theory upon which the injunction in this case can be sustained is upon that known as unfair competition. Relief against unfair competition is granted solely upon the ground that one who has built up a good will and reputation for his goods or business is entitled to all of the resultant benefits. Good will or business popularity is property, and, like other property, will be protected against fraudulent invasion.

…

[16] It has been said that the universal test question in cases of this class is whether the public is likely to be deceived as to the maker or seller of the goods. This, in our opinion, is not the fundamental question. The deception of the public naturally tends to injure the proprietor of a business by diverting his customers and depriving him of sales which otherwise he might have made. This, rather than the protection of the public against imposition, is the sound and true basis for the private remedy. That the public is deceived may be evidence of the fact that the original proprietor's rights are being invaded. If, however, the rights of the original proprietor are in no wise interfered with, the deception of the public is no concern of a court of chancery. American Washboard Co. v. Saginaw Mfg. Co., 103 Fed. 281.

[17] Doubtless it is morally wrong for a person to proclaim, or even intimate, that his goods are manufactured by some other and well-known concern; but this does not give rise to a private right of action, unless the property rights of that concern are interfered with. The use by the new company of the name 'Borden' may have been with fraudulent intent; and, even assuming that it was, the trial court had no right to interfere, unless the property rights of the old company were jeopardized. Nothing else being shown, a court of equity cannot punish an unorthodox or immoral, or even dishonest, trader; it cannot enforce as such the police power of the state.

[18] In the case now under our consideration the old company (the appellee) never has manufactured what is known as commercial ice cream. The new company

(the appellant) was incorporated for the sole purpose of manufacturing and putting on the market such an article.

[19] Nonexclusive trade-names are public property in their primary sense, but they may in their secondary sense come to be understood as indicating the goods or business of a particular trader. Such trade-names are acquired by adoption and user, and belong to the one who first used them and gave them value in a specific line of business. It is true that the name of a person may become so associated with his goods or business that another person of the same or a similar name engaging in the same business will not be allowed to use even his own name, without affirmatively distinguishing his goods or business.

[20] The secondary meaning of a name, however, has no legal significance, unless the two persons make or deal in the same kind of goods. Clearly the appellants here could make gloves, or plows, or cutlery, under the name 'Borden' without infringing upon any property right of the old company. If that is true, they can make anything under the name 'Borden' which the appellee has not already made and offered to the public. George v. Smith (C.C.) 52 Fed. 830.

[21] The name 'Borden,' until appellants came into the field, never had been associated with commercial ice cream. By making commercial ice cream the appellants do not come into competition with the appellee. In the absence of competition, the old company cannot assert the rights accruing from what has been designated as the secondary meaning of the word 'Borden.' The phrase 'unfair competition' presupposes competition of some sort. In the absence of competition the doctrine cannot be invoked.

[22] There being no competition between the appellants and appellee, we are confronted with the proposition that the appellee, in order to succeed on this appeal, has and can enforce a proprietary right to the name 'Borden' in any kind of business, to the exclusion of all the world.

[23] It is urged that appellee has power, under its charter, to make commercial ice cream, and that it intends some day to do so. If such intention can be protected at this time, it might well be that appellee, having enjoined appellants from making commercial ice cream, would rest content with selling its evaporated milk to ice cream dealers, and never itself manufacture the finished product. But, as was well stated by Judge Coxe, in George v. Smith, supra:

> 'It is the party who uses it first as a brand for his goods, and builds up a business under it, who is entitled to protection, and not the one who first thought of using it on similar goods, but did not use it. The law deals with acts and not intentions.'

[24] Appellee also urges that it makes and sells large quantities of evaporated or condensed milk to manufacturers of ice cream, and that if the appellants are permitted to use the name 'Borden' in the ice cream business dealers probably will believe that its ice cream is made by appellee, and will in consequence buy the finished product rather than the component parts, and that appellee's sales of evaporated or condensed milk will fall off, to its manifest damage. Such result would

be too speculative and remote to form the basis of an order restraining men from using in their business any personal name, especially their own.

[25] Appellee is in this position: If it bases its right to an injunction upon the doctrine of unfair competition, no competition of any kind has been shown by the record. If it relies upon some supposed damage which may result from appellants' use of the name 'Borden' in connection with inferior goods, the action is premature, because the appellants, as yet, have neither sold nor made anything.

[26] The order of the District Court must be reversed; and it is so ordered.

b. The Development of the Modern Multifactor Test

The idiosyncrasies of tradition rather than of reason drove the development of the multifactor tests across the circuits. Each of the circuits' current multifactor tests originated either directly or indirectly from the 1938 *Restatement (First) of the Law of Torts*. The *Restatement (First)* failed to set forth a single, unified multifactor test for trademark infringement. Instead, it proposed four factors that courts should consider in all cases and nine more factors that courts should additionally consider only when the parties goods were noncompeting with each other, i.e., not substitutable for each other. Section 729 of the *Restatement (First)* set out the four factors courts should always consider:

> In determining whether the actor's designation is confusingly similar to the other's trade-mark or trade name, the following factors are important:
>
> (a) the degree of similarity between the designation and the trade-mark or trade name in
>
> (i) appearance;
>
> (ii) pronunciation of the words used;
>
> (iii) verbal translation of the pictures or designs involved;
>
> (iv) suggestion;
>
> (b) the intent of the actor in adopting the designation;
>
> (c) the relation in use and manner of marketing between the goods or services marketed by the actor and those marketed by the other;
>
> (d) the degree of care likely to be exercised by purchasers.

RESTATEMENT FIRST OF TORTS § 729 (1939). Section 731 set out the additional nine factors that courts should additionally consider only in cases involving noncompetitive goods:

> In determining whether one's interest in a trade-mark or trade name is protected, under the rules stated in §§ 717 and 730, with reference to the goods, services or business in connection with which the actor uses his designation, the following factors are important:
>
> (a) the likelihood that the actor's goods, services or business will be mistaken for those of the other;

> (b) the likelihood that the other may expand his business so as to compete with the actor;
>
> (c) the extent to which the goods or services of the actor and those of the other have common purchasers or users;
>
> (d) the extent to which the goods or services of the actor and those of the other are marketed through the same channels;
>
> (e) the relation between the functions of the goods or services of the actor and those of the other;
>
> (f) the degree of distinctiveness of the trademark or trade name;
>
> (g) the degree of attention usually given to trade symbols in the purchase of goods or services of the actor and those of the other;
>
> (h) the length of time during which the actor has used the designation;
>
> (i) the intent of the actor in adopting and using the designation.

Id. at § 731.

Through the course of the mid-twentieth century, the federal courts lost track of the distinction between the two sets of factors, and the circuits each began to use a single, unified multifactor test regardless of whether the parties' goods were competing. Each circuit developed its own test, and for the most part, the peculiarities of the particular cases in which the circuit's multifactor test first coalesced determined which factors are still considered in that circuit today. A good example of this is found in the following opinion, *Polaroid Corp. v. Polarad Electronics Corp*., 287 F.2d 402 (2d Cir. 1961), which is the origin of the Second Circuit's "*Polaroid* Factors." Despite Judge Friendly's clear statement that his test was meant for situations "[w]here the products are different," *id*. at 495, Second Circuit courts routinely apply the *Polaroid* factors in competing goods cases. The opinion is presented here primarily for its historical significance as one of the most influential opinions in U.S. trademark law, but also to show, in the final paragraph of the opinion excerpt, how much trademark infringement doctrine had evolved since *Borden's Ice Cream*.

Polaroid Corp. v. Polarad Electronics Corp. **287 F.2d 492 (2d Cir. 1961)**

FRIENDLY, Circuit Judge.

[1] Plaintiff, Polaroid Corporation, a Delaware corporation, owner of the trademark Polaroid and holder of 22 United States registrations thereof granted between 1936 and 1956 and of a New York registration granted in 1950, brought this action in the Eastern District of New York, alleging that defendant's use of the name Polarad as a trademark and as part of defendant's corporate title infringed plaintiff's Federal and state trademarks and constituted unfair competition. It sought a broad injunction and an accounting. Defendant's answer, in addition to denying the allegations of the complaint, sought a declaratory judgment establishing

defendant's right to use Polarad in the business in which defendant was engaged, an injunction against plaintiff's use of Polaroid in the television and electronics fields, and other relief. Judge Rayfiel, in an opinion reported in D.C.1960, 182 F.Supp. 350, dismissed both the claim and the counterclaims, concluding that neither plaintiff nor defendant had made an adequate showing with respect to confusion and that both had been guilty of laches. Both parties appealed but defendant has withdrawn its cross-appeal. We find it unnecessary to pass upon Judge Rayfiel's conclusion that defendant's use of Polarad does not violate any of plaintiff's rights. For we agree that plaintiff's delay in proceeding against defendant bars plaintiff from relief so long as defendant's use of Polarad remains as far removed from plaintiff's primary fields of activity as it has been and still is.

[2] The name Polaroid was first adopted by plaintiff's predecessor in 1935. It has been held to be a valid trademark as a coined or invented symbol and not to have lost its right to protection by becoming generic or descriptive, *Marks v. Polaroid Corp.*, D.C.D.Mass.1955, 129 F.Supp. 243. Polaroid had become a well known name as applied to sheet polarizing material and products made therefrom, as well as to optical desk lamps, stereoscopic viewers, etc., long before defendant was organized in 1944. During World War II, plaintiff's business greatly expanded, from $1,032,000 of gross sales in 1941 to $16,752,000 in 1945, due in large part to government contracts. Included in this government business were three sorts on which plaintiff particularly relies, the sale of Schmidt corrector plates, an optical lens used in television; research and development contracts for guided missiles and a machine gun trainer, both involving the application of electronics; and other research and development contracts for what plaintiff characterizes as 'electro-optical devices employing electronic circuitry in combination with optical apparatus.' In 1947 and 1948 plaintiff's sales declined to little more than their pre-war level; the tremendous expansion of plaintiff's business, reaching sales of $65,271,000 in 1958, came after the development of the Land camera in 1948.

[3] Defendant was organized in December, 1944. Originally a partnership called Polarad Electronics Co., it was converted in 1948 into a New York corporation bearing the name Polarad Television Corp., which was changed a year later to Polarad Electronics Corp. Its principal business has been the sale of microwave generating, receiving and measuring devices and of television studio equipment. Defendant claimed it had arrived at the name Polarad by taking the first letters of the first and last names of its founder, Paul Odessey, and the first two letters of the first name of his friend and anticipated partner, Larry Jaffe, and adding the suffix 'rad,' intended to signify radio; however, Odessey admitted that at the time he had 'some knowledge' of plaintiff's use of the name Polaroid, although only as applied to glasses and polarizing filters and not as to electronics. As early as November, 1945, plaintiff learned of defendant; it drew a credit report and had one of its attorneys visit defendant's quarters, then two small rooms; plaintiff made no protest. By June, 1946, defendant was advertising television equipment in 'Electronics'—a trade journal. These advertisements and other notices with respect to defendant came to the attention of plaintiff's officers; still plaintiff did nothing. In 1950, a New York

Attorney who represented plaintiff in foreign patent matters came upon a trade show display of defendant's television products under the name Polarad and informed plaintiff's house counsel; the latter advised plaintiff's president, Dr. Land, that 'the time had come when he thought we ought to think seriously about the problem.' However, nothing was done save to draw a further credit report on defendant, although defendant's sales had grown from a nominal amount to a rate of several hundred thousand dollars a year, and the report related, as had the previous one, that defendant was engaged 'in developing and manufacturing equipment for radio, television and electronic manufacturers throughout the United States.' In October, 1951, defendant, under its letterhead, forwarded to plaintiff a letter addressed to 'Polarad Electronics Corp.' at defendant's Brooklyn address, inquiring in regard to 'polaroid material designed for night driving'; there was no protest by plaintiff. In 1953, defendant applied to the United States Patent Office for registration of its trademark Polarad for radio and television units and other electronic devices; in August, 1955, when this application was published in the Official Gazette of the Patent Office, plaintiff for the first time took action by filing a notice of opposition, which was overruled by the Examiner in April, 1957. Still plaintiff delayed bringing suit until late 1956. Through all this period defendant was expending considerable sums for advertising and its business was growing—employees increasing from eight in the calendar year 1945 to 530 in the year ended June 30, 1956, fixed assets from $2,300 to $371,800, inventories from $3,000 to $1,547,400, and sales from $12,000 to $6,048,000.

[4] Conceding that the bulk of its business is in optics and photography, lines not pursued by defendant, plaintiff nevertheless claims to be entitled to protection of its distinctive mark in at least certain portions of the large field of electronics. Plaintiff relies on its sales of Schmidt corrector plates, used in certain types of television systems, first under government contracts beginning in 1943 and to industry commencing in 1945; on its sale, since 1946, of polarizing television filters, which serve the same function as the color filters that defendant supplies as a part of the television apparatus sold by it; and, particularly, on the research and development contracts with the government referred to above. Plaintiff relies also on certain instances of confusion, predominantly communications intended for defendant but directed to plaintiff. Against this, defendant asserts that its business is the sale of complex electronics equipment to a relatively few customers; that this does not compete in any significant way with plaintiff's business, the bulk of which is now in articles destined for the ultimate consumer; that plaintiff's excursions into electronics are insignificant in the light of the size of the field; that the instances of confusion are minimal; that there is no evidence that plaintiff has suffered either through loss of customers or injury to reputation, since defendant has conducted its business with high standards; and that the very nature of defendant's business, sales to experienced industrial users and the government, precludes any substantial possibility of confusion. Defendant also asserts plaintiff's laches to be a bar.

[5] The problem of determining how far a valid trademark shall be protected with respect to goods other than those to which its owner has applied it, has long

been vexing and does not become easier of solution with the years. Neither of our recent decisions so heavily relied upon by the parties, *Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc.*, 2 Cir., 1960, 281 F.2d 755, by plaintiff, and *Avon Shoe Co., Inc. v. David Crystal, Inc.*, 2 Cir., 1960, 279 F.2d 607 by defendant, affords much assistance, since in the Ritchie case there was confusion as to the identical product and the defendant in the Avon case had adopted its mark 'without knowledge of the plaintiffs' prior use,' at page 611. Where the products are different, the prior owner's chance of success is a function of many variables: the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers. Even this extensive catalogue does not exhaust the possibilities—the court may have to take still other variables into account. American Law Institute, Restatement of Torts, §§ 729, 730, 731. Here plaintiff's mark is a strong one and the similarity between the two names is great, but the evidence of actual confusion, when analyzed, is not impressive. The filter seems to be the only case where defendant has sold, but not manufactured, a product serving a function similar to any of plaintiff's, and plaintiff's sales of this item have been highly irregular, varying, e.g., from $2,300 in 1953 to $303,000 in 1955, and $48,000 in 1956.

[6] If defendant's sole business were the manufacture and sale of microwave equipment, we should have little difficulty in approving the District Court's conclusion that there was no such likelihood of confusion as to bring into play either the Lanham Act, 15 U.S.C.A. § 1114(1), or New York General Business Law, § 368-b, or to make out a case of unfair competition under New York decisional law, see *Avon Shoe Co. v. David Crystal, Inc.*, supra, at page 614, footnote 11. What gives us some pause is defendant's heavy involvement in a phase of electronics that lies closer to plaintiff's business, namely, television. Defendant makes much of the testimony of plaintiff's executive vice president that plaintiff's normal business is 'the interaction of light and matter.' Yet, although television lies predominantly in the area of electronics, it begins and ends with light waves. The record tells us that certain television uses were among the factors that first stimulated Dr. Land's interest in polarization, see *Marks v. Polaroid Corporation*, supra, 129 F.Supp. at page 246, plaintiff has manufactured and sold at least two products for use in television systems, and defendant's second counterclaim itself asserts likelihood of confusion in the television field. We are thus by no means sure that, under the views with respect to trademark protection announced by this Court in such cases as *Yale Electric Corp. v. Robertson*, 2 Cir., 1928, 26 F.2d 972 (locks vs. flashlights [finding confusion]); *L. E. Waterman Co. v. Gordon*, 2 Cir., 1934, 72 F.2d 272 (mechanical pens and pencils vs. razor blades [finding confusion]); *Triangle Publications, Inc. v. Rohrlich*, 2 Cir., 1948, 167 F.2d 969, 972 (magazines vs. girdles [finding confusion]); and *Admiral Corp. v. Penco, Inc.*, 2 Cir., 1953, 203 F.2d 517 (radios, electric ranges and refrigerators vs. sewing machines and vacuum cleaners [finding confusion]), plaintiff would not have been entitled to at least some injunctive relief if it had

moved with reasonable promptness. However, we are not required to decide this since we uphold the District Court's conclusion with respect to laches.

[The court goes on to reject the plaintiff's attempts to overcome the defendant's defense of laches.]

Questions and Comments

1. *"His Mark is His Authentic Seal."* In *Yale Elec. Corp. v. Robertson*, 26 F.2d 972 (2d Cir. 1928), which Judge Friendly cites in the final paragraph of *Polaroid*, Judge Hand set forth his oft-quoted description of the plaintiff's interest in preventing the use of its mark on noncompeting goods:

> However, it has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful.

Id. at 974. If the defendant's conduct "does not tarnish [the plaintiff's reputation], or divert any sales by its use," then what exactly is the harm to the plaintiff?

2. Contemporary Applications of the Multifactor Test for the Likelihood of Confusion

Each circuit has developed its own formulation of the multifactor test for the likelihood of consumer confusion. Nevertheless, as the chart entitled "Factors Considered by Circuit" suggests, the circuits' various tests are roughly similar. Notably absent from the Fourth, Fifth, and Eleventh Circuit's tests, however, is any explicit call to consider the sophistication of the relevant consumers.

In *Virgin Enterprises Ltd. v. Nawab*, 335 F.3d 141 (2d Cir. 2003), the Second Circuit applied its *Polaroid* test to determine if consumers would likely mistake the goods and services of the defendant, operating under the mark VIRGIN WIRELESS, for the those of the plaintiff, the owner of the VIRGIN mark for a wide variety of goods and services. The opinion is exceptional for its thorough analysis of the factors. In reading through *Virgin Enterprises*, consider the following questions:

- Which of the *Polaroid* factors are likely the most important to courts' adjudication of the likelihood of confusion question?
- In practice, is intent likely as unimportant to courts' determinations as the *Virgin Enterprises* opinion suggests?

- Why should strong marks receive a wider scope of protection than weak marks?
- Why should inherent strength be more important to the multifactor inquiry than acquired strength? Relatedly, why should fanciful marks receive a wider scope of protection that arbitrary or suggestive marks?
- Does the court make any mistakes in its discussion of the *Abercrombie* spectrum?

Factors Considered by Circuit

	Factor	Circuit (Number in parentheses indicates the number of the factor in that circuit) 1	2	3	4	5	6	7	8	9	10	11	D.C.	Fed.	Total circuits considering the factor	Restatement (First) Torts Factors	Restatement (Third) Unfair Competition Factors
1	Similarity of the marks	(1)	(2)	(1)	(2)	(2)	(3)	(1)	(2)	(1)	(1)	(2)	(2)	(1)	13	§ 729(a)	§ 21(a)
2	Proximity of the goods	(2)	(3)	(9)	(3)	(3)	(2)	(2)	(3)	(3)	(4)**	(3)	(3)	(2)	13	§ 731(a),(e)	--
3	Evidence of actual confusion	(6)	(5)	(6)	(7)	(7)	(4)	(6)	(5)	(7)	(3)	(7)	(5)	(7)	13	--	§ 23(1)
4	Strength of plaintiff's mark	(8)	(1)	(2)	(1)	(1)	(1)	(5)	(1)	(2)	(6)	(1)	(1)	(5)	13	§ 731(f)	§ 21(d)
5	Defendant's intent	(7)	(6)	(5)	(6)	(6)	(7)	(7)	(4)	(6)	(2)	(6)	(6)	--	12	§§ 729(b), 731(i)	§ 22
6	Sophistication of the consumers	(5)	(8)	(3)	--	--	(6)	(4)	(6)	(5)	(5)	--	(8)	(4)	10	§§ 729(d), 731(g)	§ 21(c)
7	Similarity of advertising methods, marketing methods	(4)	--	(7)	(5)	(5)	(5)	(3)*	--	(4)	(4)**	(5)	--	--	9	§§ 729(c), 731(d)	§ 21(b)
8	Similarity of sales facilities	(3)	--	--	(4)	(4)	--	(3)*	--	--	--	(4)	--	(3)	6	--	--
9	Likelihood of bridging the gap	--	(4)	(10)	--	--	(8)	--	--	(8)	--	--	(4)	--	5	§ 731(b)	§ 21(e)
10	Comparative quality of the goods	--	(7)	--	--	--	--	--	--	--	--	--	(7)	--	2	--	--
11	Length of time of concurrent use without evidence of actual confusion	--	--	(4)	--	--	--	--	--	--	--	--	--	(8)	2	§ 731(h)	§ 23(2)
12	Extent to which targets of parties' sales efforts are the same	--	--	(8)	--	--	--	--	--	--	--	--	--	--	1	§ 731(c)	--
13	Third-party uses of plaintiff's mark	--	--	--	--	--	--	--	--	--	--	--	--	(6)	1	--	--
14	Variety of goods on which mark is used	--	--	--	--	--	--	--	--	--	--	--	--	(9)	1	--	--
15	Market interface between applicant and owner of prior mark	--	--	--	--	--	--	--	--	--	--	--	--	(10)	1	--	--
16	Extent of applicant's right to exclude	--	--	--	--	--	--	--	--	--	--	--	--	(11)	1	--	--
17	Extent of potential confusion, i.e., whether de minimis or substantial	--	--	--	--	--	--	--	--	--	--	--	--	(12)	1	--	--
18	Any other established fact probative of effect of use	--	--	--	--	--	--	--	--	--	--	--	--	(13)	1	--	--
19	Strength of plaintiff's mark in defendant's geographically-distinct market	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	21(f)
	Total factors considered:	8	8	10	7	7	8	7	6	8	6	7	8	13		10	9

* The Seventh Circuit tends to consider both the similarity of advertising methods and the similarity of sales facilities under factor three. **The Tenth Circuit considers in factor four the "similarity of products and manner of marketing."

Int. Cls.: 35, 39, and 42

Prior U.S. Cls.: 100, 101, 104, and 105

Reg. No. 1,851,817

United States Patent and Trademark Office **Registered Aug. 30, 1994**

SERVICE MARK
PRINCIPAL REGISTER

VIRGIN

VIRGIN ENTERPRISES LIMITED (UNITED KINGDOM CORPORATION)
120, CAMPDEN HILL ROAD
LONDON, W8 7AR, ENGLAND

FOR: DIRECT MAIL ADVERTISING FOR OTHERS; DISSEMINATION OF ADVERTISING MATERIALS FOR OTHER; PREPARING ADVERTISING, PROMOTIONS, AND PUBLIC RELATIONS MATERIALS FOR OTHERS; MANAGEMENT OF PROMOTIONAL AND INCENTIVE PLANS AND SERVICES FOR OTHERS; BUSINESS ORGANIZATION PROMOTIONAL CONSULTING FOR OTHERS; DEMONSTRATION OF THE GOODS AND SERVICES OF OTHERS AND THE PROMOTION THEREOF; PROMOTING AND ADVERTISING THE GOODS AND SERVICES OF OTHERS BY AIRCRAFT, AIRSHIPS AND AIR BALLOONS; OUTDOOR ADVERTISING SUCH AS BY BILLBOARDS; AND DISTRIBUTION OF ADVERTISING, PROMOTIONAL MATERIALS AND SAMPLE MATERIALS OF OTHERS, IN CLASS 35 (U.S. CLS. 101 AND 104).

FIRST USE 2–13–1993; IN COMMERCE 2–13–1993.

FOR: TRANSPORTATION OF GOODS AND PASSENGERS BY ROAD, RAIL, AIR AND SEA; FREIGHT TRANSPORTATION SERVICES; TOURIST AGENCY SERVICES; TRAVEL AGENCY SERVICES; ARRANGING TRAVEL TOURS; AND TRANSPORTATION RESERVATION SERVICES, IN CLASS 39 (U.S. CL. 105).

FIRST USE 6–0–1984; IN COMMERCE 6–0–1984.

FOR: CLUBS, NIGHTCLUBS; BARS; HOTELS; RESORTS; HOTEL RESERVATION SERVICES; HOTEL AND RESORT MANAGEMENT FOR OTHERS; CARRY-OUT RESTAURANT AND RESTAURANT SERVICES; CATERING; COMPUTER PROGRAMMING FOR OTHERS; COMPUTER SOFTWARE DESIGN SERVICES FOR OTHERS; ARTWORK AND GRAPHIC DESIGN SERVICES FOR OTHERS; AND RETAIL STORE SERVICES IN THE FIELDS OF COSMETICS AND LAUNDRY PREPARATIONS, METAL HARDWARE, CAMERAS, RECORDS, AUDIO AND VIDEO TAPES, AUDIO AND VIDEO RECORDERS, COMPUTERS AND ELECTRONIC APPARATUS, JEWELRY, CLOCKS AND WATCHES, MUSICAL INSTRUMENTS, STATIONERY, SHEET MUSIC, BOOKS AND PHOTOGRAPHY, HANDBAGS, PURSES, LUGGAGE AND LEATHER GOODS, CLOTHING, LACE, EMBROIDERY, GIFTS AND SEWING MATERIALS, TOYS, GAMES, VIDEO GAME MACHINES AND VIDEO GAME CARTRIDGES, PROCESSED FOODS, JELLIES AND JAMS, COFFEE, TEA, BAKERY ITEMS AND CANDY, BEER, ALE, MINERAL AND AERATED WATERS AND OTHER NON-ALCOHOLIC DRINKS, WINES, SPIRITS AND LIQUEURS, AND TOBACCO AND SMOKERS' ARTICLES, IN CLASS 42 (U.S. CL. 100).

FIRST USE 11–28–1990; IN COMMERCE 11–28–1990.

OWNER OF U.S. REG. NOS. 1,469,618, 1,597,386, AND OTHERS.

SN 74–162,592, FILED 5–1–1991.

ELEANOR MELTZER, EXAMINING ATTORNEY

Virgin Enterprises Ltd. v. Nawab
335 F.3d 141 (2d Cir. 2003)

LEVAL, Circuit Judge.

[1] Plaintiff Virgin Enterprises Limited ("VEL" or "plaintiff") appeals from the denial of its motion for a preliminary injunction. This suit, brought under § 32 of the Lanham Act, 15 U.S.C. § 1114(1), alleges that defendants infringed plaintiff's rights in the registered mark VIRGIN by operating retail stores selling wireless telephones and related accessories and services under the trade name VIRGIN WIRELESS. The United States District Court for the Eastern District of New York (Sifton, *J.*) denied plaintiff's motion for a preliminary injunction, based upon its finding that plaintiff's registration did not cover the retail sale of wireless telephones and related products, and that plaintiff failed to show a likelihood of consumer confusion.

BACKGROUND

[2] Plaintiff VEL, a corporation with its principal place of business in London, owns U.S. Registration No. 1,851,817 ("the 817 Registration"), filed on May 5, 1991, and registered on August 30, 1994, for the VIRGIN mark as applied to "*retail store services* in the fields of ... computers and *electronic apparatus* " (emphasis added)... Plaintiff also owns U.S. Registration No. 1,852,776 ("the 776 Registration"), filed on May 9, 1991, and registered on September 6, 1994, for a stylized version of the VIRGIN mark for use in connection with "retail store services in the fields of ... computers and electronic apparatus," and U.S. Registration No. 1,863,353 ("the 353 Registration"), filed on May 19, 1992, and registered on November 15, 1994, for the VIRGIN MEGASTORE mark. It is undisputed that these three registrations have become incontestable pursuant to 15 U.S.C. § 1065.

[3] VEL, either directly or through corporate affiliates, operates various businesses worldwide under the trade name VIRGIN, including an airline, large-scale record stores called Virgin Megastores, and an internet information service. Plaintiff or its affiliates also market a variety of goods branded with the VIRGIN name, including music recordings, computer games, books, and luggage. Three of plaintiff's megastores are located in the New York area. According to an affidavit submitted to the district court in support of plaintiff's application for preliminary injunction, Virgin Megastores sell a variety of electronic apparatus, including video game systems, portable CD players, disposable cameras, and DVD players. These stores advertise in a variety of media, including radio.

[4] Defendants Simon Blitz and Daniel Gazal are the sole shareholders of defendants Cel-Net Communications, Inc. ("Cel-Net"); The Cellular Network Communications, Inc., doing business as CNCG ("CNCG"); and SD Telecommunications, Inc. ("SD Telecom"). Blitz and Gazal formed Cel-Net in 1993 to sell retail wireless telephones and services in the New York area. Later, they formed CNCG to sell wireless phones and services on the wholesale level. CNCG now sells wireless phones and services to more than 400 independent wireless retailers. In

1998, Cel-Net received permission from New York State regulators to resell telephone services within the state.

[5] Around 1999, Andrew Kastein, a vice-president of CNCG, began to develop a Cel-Net brand of wireless telecommunications products. In early 1999, Cel-Net entered into negotiations with the Sprint PCS network to provide telecommunications services for resale by Cel-Net. In August 1999, Cel-Net retained the law firm Pennie & Edmonds to determine the availability of possible service marks for Cel-Net. Pennie & Edmonds associate Elizabeth Langston researched for Kastein a list of possible service marks; among the marks Cel-Net asked to have researched was VIRGIN. Defendants claim that Langston told Cel-Net officer Simon Corney that VIRGIN was available for use in the telecommunications field. Plaintiff disputed this, offering an affidavit from Langston that she informed defendants that she would not search the VIRGIN mark because her firm represented plaintiff.

[6] According to defendants, in December 1999, Cel-Net retained Corporate Solutions, LLC and its principals Nathan Erlich and Tahir Nawab as joint venture partners to help raise capital to launch Cel-Net's wireless telephone service. On December 2, 1999, Erlich and Nawab filed four intent-to-use applications with the U.S. Patent and Trademark Office ("PTO") to register the marks VIRGIN WIRELESS, VIRGIN MOBILE, VIRGIN COMMUNICATIONS, and VIRGIN NET in the field of telecommunications services, class 38. On December 24, 1999, Corporate Solutions incorporated defendant Virgin Wireless, Inc. ("VWI") and licensed to VWI the right to use the marks VIRGIN WIRELESS and VIRGIN MOBILE. Meanwhile, one of plaintiff's affiliates had begun to offer wireless telecommunication services bearing the VIRGIN mark in the United Kingdom. A press release dated November 19, 1999, found on plaintiff's website, stated that its Virgin Mobile wireless services were operable in the United States.

[7] On June 23, 2000, defendant Blitz signed a lease under the name Virgin Wireless for a kiosk location in South Shore Mall in Long Island from which to re-sell AT & T wireless services, telephones, and accessories under the retail name Virgin Wireless. Defendants Cel-Net and VWI later expanded their telecommunications re-sale operations to include two retail stores and four additional retail kiosks in malls in the New York area and in Pennsylvania. All of these stores have been run by VWI under the trade name VIRGIN WIRELESS. VWI also has leases and bank accounts in its name, and has shown evidence of actual retail transactions and newspaper advertisements.

[8] In August 2000, plaintiff licensed Virgin Mobile USA, LLC, to use the VIRGIN mark for wireless telecommunications services in the United States. On August 10, 2000, plaintiff filed an intent-to-use application with the PTO for use of the VIRGIN mark in the United States on telecommunications services and mobile telephones. On October 11, 2001, the PTO suspended this mark's registration in international class 9, which covers wireless telephones, and class 38, which covers telecommunications services, because the VIRGIN mark was already reserved by a prior filing, presumably defendants'. On August 16, 2001, plaintiff filed another intent-to-use application for the mark VIRGIN MOBILE to brand telecommunications

services. The PTO issued a non-final action letter for both of plaintiff's pending new registrations on October 31, 2001, which stated that defendant Corporation Solutions' pending applications for similar marks in the same class could give rise to "a likelihood of confusion." The PTO suspended action on plaintiff's application pending the processing of Corporation Solutions' applications.

[9] In October 2001, plaintiff issued a press release announcing that it was offering wireless telecommunications services and mobile telephones in the United States.

[10] Plaintiff became aware of Corporation Solutions' application for registration of the VIRGIN WIRELESS and VIRGIN MOBILE marks by May 2000. In October 2001 and December 2001, defendant VWI filed suits against plaintiff in the federal district courts in Arizona and Delaware, alleging that plaintiff was using VWI's mark. Plaintiff maintains (and the district court found) that it learned in January 2002 that VWI and Cel-Net were operating kiosks under the VIRGIN WIRELESS name and two days later filed the present suit seeking to enjoin defendants from selling mobile phones in VIRGIN-branded retail stores.

[11] On May 2, 2002, the district court considered plaintiff's application for a preliminary injunction. It found that no essential facts were in dispute, and therefore no evidentiary hearing was required. It was uncontested (and the district court accordingly found) that plaintiff sold "electronic apparatus" in its stores, including "various video game systems, portable cassette tape, compact disc, mp3, and mini disc players, portable radios, and disposable cameras," but not including telephones or telephone service, and that the only products the defendants sold in their stores were wireless telephones, telephone accessories, and wireless telephone services….

[12] Arguing against plaintiff's likelihood of success, the court noted that plaintiff's registrations did not claim use of the VIRGIN mark "in telecommunications services or in the associated retail sale of wireless telephones and accessories." While plaintiff's 817 and 776 Registrations covered the retail sale of "computers and electronic apparatus," they did not extend to telecommunications services and wireless phones.

[13] The court noted that the defendants were the first to use the VIRGIN mark in telecommunications, and the first to attempt to register VIRGIN for telecommunications and retail telephone sales....

DISCUSSION

....

II.

[14] A claim of trademark infringement, whether brought under 15 U.S.C. § 1114(1) (for infringement of a registered mark) or 15 U.S.C. § 1125(a) (for infringement of rights in a mark acquired by use), is analyzed under the familiar two-prong test described in *Gruner + Jahr USA Publ'g v. Meredith Corp.*, 991 F.2d 1072 (2d Cir.1993). *See Time, Inc. v. Petersen Publ'g Co. L.L.C.*, 173 F.3d 113, 117 (2d Cir.1999) (noting that *Gruner* test is applicable to claims brought under § 1114(1)

and § 1125(a)). 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. *Gruner,* 991 F.2d at 1074. Examining the question as the test dictates, we have no doubt that plaintiff was entitled to a preliminary injunction.

[15] We believe the district court accorded plaintiff too narrow a scope of protection for its famous, arbitrary, and distinctive mark. There could be no dispute that plaintiff prevailed as to the first prong of the test—prior use and ownership. For years, plaintiff had used the VIRGIN mark on huge, famous stores selling, in addition to music recordings, a variety of consumer electronic equipment. At the time the defendants began using VIRGIN, plaintiff owned rights in the mark. The focus of inquiry thus turns to the second prong of the test—whether defendants' use of VIRGIN as a mark for stores selling wireless telephone services and phones was likely to cause confusion. There can be little doubt that such confusion was likely.

[16] The landmark case of *Polaroid Corp. v. Polarad Electronics Corp*., 287 F.2d 492 (2d Cir.1961) (Friendly, J.), outlined a series of nonexclusive factors likely to be pertinent in addressing the issue of likelihood of confusion, which are routinely followed in such cases...

[17] Six of the *Polaroid* factors relate directly to the likelihood of consumer confusion. These are the strength of the plaintiff's mark; the similarity of defendants' mark to plaintiff's; the proximity of the products sold under defendants' mark to those sold under plaintiff's; where the products are different, the likelihood that plaintiff will bridge the gap by selling the products being sold by defendants; the existence of actual confusion among consumers; and the sophistication of consumers. Of these six, all but the last (which was found by the district court to be neutral) strongly favor the plaintiff. The remaining two *Polaroid* factors, defendants' good or bad faith and the quality of defendants' products, are more pertinent to issues other than likelihood of confusion, such as harm to plaintiff's reputation and choice of remedy. We conclude that the *Polaroid* factors powerfully support plaintiff's position.

[18] *Strength of the mark.* The strength of a trademark encompasses two different concepts, both of which relate significantly to likelihood of consumer confusion. The first and most important is inherent strength, also called "inherent distinctiveness." This inquiry distinguishes between, on the one hand, inherently distinctive marks—marks that are arbitrary or fanciful in relation to the products (or services) on which they are used—and, on the other hand, marks that are generic, descriptive or suggestive as to those goods. The former are the strong marks. *Abercrombie & Fitch Co. v. Hunting World, Inc*., 537 F.2d 4, 9 (2d Cir.1976). The second sense of the concept of strength of a mark is "acquired distinctiveness," i.e., fame, or the extent to which prominent use of the mark in commerce has resulted in a high degree of consumer recognition. *See TCPIP Holding Co. v. Haar Communications Inc*., 244 F.3d 88, 100 (2d Cir.2001) (describing these two concepts of strength).

[19] Considering first *inherent distinctiveness,* the law accords broad, muscular protection to marks that are arbitrary or fanciful in relation to the products on which they are used, and lesser protection, or no protection at all, to marks consisting of words that identify or describe the goods or their attributes. The reasons for the distinction arise from two aspects of market efficiency. The paramount objective of the trademark law is to avoid confusion in the marketplace. The purpose for which the trademark law accords merchants the exclusive right to the use of a name or symbol in their area or commerce is *identification,* so that the merchants can establish goodwill for their goods based on past satisfactory performance, and the consuming public can rely on a mark as a guarantee that the goods or services so marked come from the merchant who has been found to be satisfactory in the past. *See Estee Lauder Inc. v. The Gap, Inc*., 108 F.3d 1503, 1510 (2d Cir.1997) (quoting *Restatement (Third) of Unfair Competition* § 21 comment i (1995)); *Power Test Petroleum Distribs., Inc. v. Calcu Gas, Inc.,* 754 F.2d 91, 97 (2d Cir.1985); *McGregor-Doniger Inc. v. Drizzle Inc*., 599 F.2d 1126, 1131 (2d Cir.1979). At the same time, efficiency and the public interest require that every merchant trading in a class of goods be permitted to refer to the goods by their name, and to make claims about their quality. Thus, a merchant who sells pencils under the trademark *Pencil* or *Clear Mark,* for example, and seeks to exclude other sellers of pencils from using those words in their trade, is seeking an advantage the trademark law does not intend to offer. To grant such exclusivity would deprive the consuming public of the useful market information it receives where every seller of pencils is free to call them pencils. *Abercrombie*, 537 F.2d at 9; *CES Publ'g Corp. v. St. Regis Publ'ns, Inc.*, 531 F.2d 11, 13 (2d Cir.1975). The trademark right does not protect the exclusive right to an advertising message—only the exclusive right to an identifier, to protect against confusion in the marketplace. Thus, as a matter of policy, the trademark law accords broader protection to marks that serve exclusively as identifiers and lesser protection where a grant of exclusiveness would tend to diminish the access of others to the full range of discourse relating to their goods. *See TCPIP*, 244 F.3d at 100; *Nabisco, Inc. v. PF Brands, Inc*., 191 F.3d 208, 215 (2d Cir.1999); *Otokoyama Co. Ltd. v. Wine of Japan Import, Inc*., 175 F.3d 266, 270 (2d Cir.1999).

[20] The second aspect of efficiency that justifies according broader protection to marks that are inherently distinctive relates directly to the likelihood of confusion. If a mark is arbitrary or fanciful, and makes no reference to the nature of the goods it designates, consumers who see the mark on different objects offered in the marketplace will be likely to assume, because of the arbitrariness of the choice of mark, that they all come from the same source. For example, if consumers become familiar with a toothpaste sold under an unusual, arbitrary brand name, such as *ZzaaqQ,* and later see that same inherently distinctive brand name appearing on a different product, they are likely to assume, notwithstanding the product difference, that the second product comes from the same producer as the first. The more unusual, arbitrary, and fanciful a trade name, the more unlikely it is that two independent entities would have chosen it. In contrast, every seller of foods has an

interest in calling its product "delicious." Consumers who see the word *delicious* used on two or more different food products are less likely to draw the inference that they must all come from the same producer. *Cf. Streetwise Maps*, 159 F.3d at 744 (noting that several map producers use "street" in product names; thus plaintiff's mark using "street" was not particularly distinctive); *W. Publ'g*, 910 F.2d at 61 (noting numerous registrations of marks using word "golden"). In short, the more distinctive the mark, the greater the likelihood that the public, seeing it used a second time, will assume that the second use comes from the same source as the first. The goal of avoiding consumer confusion thus dictates that the inherently distinctive, arbitrary, or fanciful marks, i.e., strong marks, receive broader protection than weak marks, those that are descriptive or suggestive of the products on which they are used. *See Abercrombie*, 537 F.2d at 9-11; *TCPIP*, 244 F.3d at 100-01.

[21] The second sense of trademark strength, fame, or "acquired distinctiveness," also bears on consumer confusion. *See TCPIP*, 244 F.3d at 100-01; *Streetwise Maps*, 159 F.3d at 744. If a mark has been long, prominently and notoriously used in commerce, there is a high likelihood that consumers will recognize it from its prior use. Widespread consumer recognition of a mark previously used in commerce increases the likelihood that consumers will assume it identifies the previously familiar user, and therefore increases the likelihood of consumer confusion if the new user is in fact not related to the first. *See Nabisco*, 191 F.3d at 216-17. A mark's fame also gives unscrupulous traders an incentive to seek to create consumer confusion by associating themselves in consumers' minds with a famous mark. The added likelihood of consumer confusion resulting from a second user's use of a famous mark gives reason for according such a famous mark a broader scope of protection, at least when it is also inherently distinctive. *See McGregor*, 599 F.2d at 1132 (noting that secondary meaning may further enlarge the scope of protection accorded to inherently distinctive marks).

[22] Plaintiff's VIRGIN mark undoubtedly scored high on both concepts of strength. In relation to the sale of consumer electronic equipment, the VIRGIN mark is inherently distinctive, in that it is arbitrary and fanciful; the word "virgin" has no intrinsic relationship whatsoever to selling such equipment. Because there is no intrinsic reason for a merchant to use the word "virgin" in the sale of consumer electronic equipment, a consumer seeing VIRGIN used in two different stores selling such equipment will likely assume that the stores are related.

[23] Plaintiff's VIRGIN mark was also famous. The mark had been employed with world-wide recognition as the mark of an airline and as the mark for megastores selling music recordings and consumer electronic equipment. The fame of the mark increased the likelihood that consumers seeing defendants' shops selling telephones under the mark VIRGIN would assume incorrectly that defendants' shops were a part of plaintiff's organization. *See Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 873 (2d Cir.1986).

[24] There can be no doubt that plaintiff's VIRGIN mark, as used on consumer electronic equipment, is a strong mark, as the district court found. It is entitled as

such to a broad scope of protection, precisely because the use of the mark by others in connection with stores selling reasonably closely related merchandise would inevitably have a high likelihood of causing consumer confusion.

[25] *Similarity of marks.* When the secondary user's mark is not identical but merely similar to the plaintiff's mark, it is important to assess the degree of similarity between them in assessing the likelihood that consumers will be confused. *See McGregor*, 599 F.2d at 1133. Plaintiff's and defendants' marks were not merely similar; they were identical to the extent that both consisted of the same word, "virgin."

[26] The district court believed this factor did not favor plaintiff because it found some differences in appearance. Defendants' logo used a different typeface and different colors from plaintiff's. While those are indeed differences, they are quite minor in relation to the fact that the name being used as a trademark was the same in each case.

[27] Advertisement and consumer experience of a mark do not necessarily transmit all of the mark's features. Plaintiff, for example, advertised its Virgin Megastores on the radio. A consumer who heard those advertisements and then saw the defendants' installation using the name VIRGIN would have no way of knowing that the two trademarks looked different. *See Sports Auth., Inc. v. Prime Hospitality Corp*., 89 F.3d 955, 962 (2d Cir.1996). A consumer who had visited one of plaintiff's Virgin Megastores and remembered the name would not necessarily remember the typeface and color of plaintiff's mark. The reputation of a mark also spreads by word of mouth among consumers. One consumer who hears from others about their experience with Virgin stores and then encounters defendants' Virgin store will have no way knowing of the differences in typeface. *See Hills Bros. Coffee, Inc. v. Hills Supermarkets, Inc*., 428 F.2d 379, 381 (2d Cir.1970) (per curiam).

[28] In view of the fact that defendants used the same name as plaintiff, we conclude the defendants' mark was sufficiently similar to plaintiff's to increase the likelihood of confusion. This factor favored the plaintiff as a matter of law. We conclude that the district court erred in concluding otherwise on the basis of comparatively trivial and often irrelevant differences.

[29] *Proximity of the products and likelihood of bridging the gap.* The next factor is the proximity of the products being sold by plaintiff and defendant under identical (or similar) marks. *See Arrow Fastener,* 59 F.3d at 396. This factor has an obvious bearing on the likelihood of confusion. When the two users of a mark are operating in completely different areas of commerce, consumers are less likely to assume that their similarly branded products come from the same source. In contrast, the closer the secondary user's goods are to those the consumer has seen marketed under the prior user's brand, the more likely that the consumer will mistakenly assume a common source. *See Cadbury Beverages, Inc. v. Cott Corp*., 73 F.3d 474, 480-81 (2d Cir.1996).

[30] While plaintiff had not sold telephones or telephone service prior to defendant's registration evincing intent to sell those items, plaintiff had sold quite

similar items of consumer electronic equipment. These included computer video game systems, portable cassette-tape players, compact disc players, MP3 players, mini-disc players, and disposable cameras. Like telephones, many of these are small consumer electronic gadgets making use of computerized audio communication. They are sold in the same channels of commerce. Consumers would have a high expectation of finding telephones, portable CD players, and computerized video game systems in the same stores. We think the proximity in commerce of telephones to CD players substantially advanced the risk that consumer confusion would occur when both were sold by different merchants under the same trade name, VIRGIN.

[31] Our classic *Polaroid* test further protects a trademark owner by examining the likelihood that, even if the plaintiff's products were not so close to the defendants' when the defendant began to market them, there was already a likelihood that plaintiff would in the reasonably near future begin selling those products. *See Cadbury Beverages*, 73 F.3d at 482. VEL's claim of proximity was further strengthened in this regard because, as the district court expressly found, "plans had been formulated [for VEL] to enter [the market for telecommunications products and services] shortly in the future." VEL had already begun marketing telephone service in England which would operate in the United States, and, as the district court found, had made plans to sell telephones and wireless telephone service under the VIRGIN name from its retail stores.

[32] The district court, nonetheless, found in favor of the defendants with respect to the proximity of products and services. We would ordinarily give considerable deference to a factual finding on this issue. Here, however, we cannot do so because it appears the district court applied the wrong test. The court did not assess the *proximity* of defendants' VIRGIN-branded retail stores selling telephone products to plaintiff's VIRGIN-branded retail stores selling other consumer electronic products. It simply concluded that, because defendants were selling exclusively telephone products and services, and plaintiff's electronic products did not include telephones or related services, the defendants must prevail as to the proximity factor.

[33] This represents a considerable misunderstanding of the *Polaroid* test. The famous list of factors of likely pertinence in assessing likelihood of confusion in *Polaroid* was specially designed for a case like this one, in which the secondary user is not in direct competition with the prior user, but is selling a somewhat different product or service. In *Polaroid,* the plaintiff sold optical and camera equipment, while the defendant sold electronic apparatus. The test the court discussed was expressly addressed to the problem "how far a valid trademark shall be protected with respect to goods *other than those to which its owner has applied it.*" 287 F.2d at 495 (emphasis added); *see also Arrow Fastener*, 59 F.3d at 396 (noting that products need not actually compete with each other). The very fact that the test includes the "proximity" between the defendant's products and the plaintiff's and the likelihood that the plaintiff will "bridge the gap" makes clear that the trademark owner does not lose, as the district court concluded, merely because it has not previously sold the precise good or service sold by the secondary user.

[34] In our view, had the district court employed the proper test of proximity, it could not have failed to find a high degree of proximity as between plaintiff VEL's prior sales of consumer electronic audio equipment and defendants' subsequent sales of telephones and telephone services, which proximity would certainly contribute to likelihood of consumer confusion. And plaintiff was all the more entitled to a finding in its favor in respect of these matters by virtue of the fact, which the district court *did* find, that at the time defendants began using the VIRGIN mark in the retail sale of telephones and telephone services, plaintiff already had plans to bridge the gap by expanding its sales of consumer electronic equipment to include sales of those very goods and services in the near future. Consumer confusion was more than likely; it was virtually inevitable.

[35] *Actual confusion.* It is self-evident that the existence of actual consumer confusion indicates a likelihood of consumer confusion. *Nabisco*, 191 F.3d at 228. We have therefore deemed evidence of actual confusion "particularly relevant" to the inquiry. *Streetwise Maps*, 159 F.3d at 745.

[36] Plaintiff submitted to the district court an affidavit of a former employee of defendant Cel-Net, who worked at a mall kiosk branded as Virgin Wireless, which stated that individuals used to ask him if the kiosk was affiliated with plaintiff's VIRGIN stores. The district court correctly concluded that this evidence weighed in plaintiff's favor.

[37] *Sophistication of consumers.* The degree of sophistication of consumers can have an important bearing on likelihood of confusion. Where the purchasers of a products are highly trained professionals, they know the market and are less likely than untrained consumers to be misled or confused by the similarity of different marks. The district court recognized that "[r]etail customers, such as the ones catered to by both the defendants and [plaintiff], are not expected to exercise the same degree of care as professional buyers, who are expected to have greater powers of discrimination." On the other hand, it observed that purchasers of cellular telephones and the service plans were likely to give greater care than self-service customers in a supermarket. Noting that neither side had submitted evidence on the sophistication of consumers, the court made no finding favoring either side. We agree that the sophistication factor is neutral in this case.

[38] *Bad faith and the quality of the defendants' services or products.* Two factors remain of the conventional *Polaroid* test: the existence of bad faith on the part of the secondary user and the quality of the secondary user's products or services. *Polaroid*, 287 F.2d at 495. Neither factor is of high relevance to the issue of likelihood of confusion. A finding that a party acted in bad faith can affect the court's choice of remedy or can tip the balance where questions are close. It does not bear directly on whether consumers are likely to be confused. *See TCPIP*, 244 F.3d at 102. The district court noted some evidence of bad faith on the defendants' part, but because the evidence on the issue was scant and equivocal, the court concluded that such a finding "at this stage [would be] speculative." The court therefore found that this factor favored neither party.

[39] The issue of the quality of the secondary user's product goes more to the harm that confusion can cause the plaintiff's mark and reputation than to the likelihood of confusion. *See Arrow Fastener*, 59 F.3d at 398 (noting that first user's reputation may be harmed if secondary user's goods are of poor quality). In any event, the district court found this factor to be "neutral" with respect to likelihood of confusion.

* * * * * *

[40] In summary we conclude that of the six *Polaroid* factors that pertain directly to the likelihood of consumer confusion, all but one favor the plaintiff, and that one—sophistication of consumers—is neutral. The plaintiff is strongly favored by the strength of its mark, both inherent and acquired; the similarity of the marks; the proximity of the products and services; the likelihood that plaintiff would bridge the gap; and the existence of actual confusion. None of the factors favors the defendant. The remaining factors were found to be neutral. Although we do not suggest that likelihood of confusion may be properly determined simply by the number of factors in one party's favor, the overall assessment in this case in our view admits only of a finding in plaintiff's favor that defendants' sale of telephones and telephone-related services under the VIRGIN mark was likely to cause substantial consumer confusion.

[41] One issue remains. Defendants argue that plaintiff should be barred by laches from seeking injunctive relief. They contend that because of plaintiff's delay after learning of the defendants' applications to register the VIRGIN marks, they expended considerable sums and developed goodwill in their use of the VIRGIN marks before plaintiff brought suit. Because the district court ruled in the defendants' favor it made no express finding on the issue of laches. But the district court explicitly found that plaintiff first learned of defendants' use of the name VIRGIN in commerce only two days before plaintiff instituted this suit. Given that finding, plaintiff could not be chargeable with laches.

[42] We conclude that, as a matter of law, plaintiff demonstrated irreparable harm and likelihood of success on the merits and was entitled to a preliminary injunction.

CONCLUSION

REVERSED and REMANDED.

Questions and Comments

1. *The* Abercrombie *Spectrum*. In its discussion of inherent distinctiveness, the court divides the *Abercrombie* spectrum into inherently and non-inherently distinctive marks: "This inquiry distinguishes between, on the one hand, inherently distinctive marks—marks that are arbitrary or fanciful in relation to the products (or services) on which they are used—and, on the other hand, marks that are generic, descriptive or suggestive as to those goods." Do you detect an error in this division?

Later in the opinion, the court refers to the Virgin mark as "arbitrary and fanciful." Should we treat these two *Abercrombie* categories as indistinguishable for purposes of the inherent distinctiveness analysis? Why might we seek to accord a greater scope of protection to fanciful marks than to arbitrary marks?

2. *Are All Factors Equally Important?* In order to prevail in the overall likelihood of confusion multifactor test, must a plaintiff win all of the factors, a majority of them, some of them? Is the outcome of any particular factor necessary or sufficient to trigger a particular overall test outcome?

Empirical work offers some insight into these questions. *See* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581 (2006). The author's evidence suggests that the plaintiff must win the similarity factor in order to win the overall test. Of the 192 preliminary injunction and bench trial opinions studied, 65 opinions found that the marks were not similar, and each of these 65 opinions found in favor of the defendant in the overall likelihood of confusion test. Notwithstanding the *Virgin* court's assertion that the intent factor is not "of high relevance" and may only "tip the balance where the questions are close," the study also suggests that the outcome of the intent factor correlates very strongly with the outcome of the overall test. Sixty-seven of the 192 preliminary injunction and bench trial opinions found that the intent factor favored the plaintiff. Of these 67 opinions, 65 found in favor of the plaintiff in the overall test (and in the two outlying opinions, the court found that the similarity factor favored the defendant). Overall, across the circuits, five core factors appear to drive the outcome of the likelihood of confusion test. In order of importance, these factors are the similarity of the marks, the defendant's intent, the proximity of the goods, evidence of actual confusion, and the strength of the plaintiff's mark. The remaining factors appear, in practice, to be largely irrelevant to the outcome of the test.

3. *Why Should Strong Marks Receive More Protection?* The conventional rationale for according a greater scope of protection to strong marks is that, due to their notoriety, they are more easily called to mind by similar marks. *See* Jacob Jacoby, *The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution*, 91 TRADEMARK REP. 1013, 1038-42 (2001). But shouldn't strong marks actually require less protection? Consider the example of COKE. Having been exposed to the COKE mark countless times throughout their lives, are American consumers more or less likely to detect slight differences between the COKE mark and other similar marks? Some foreign courts have had the temerity to suggest that exceptionally strong marks are less likely to be confused with other marks. *See, e.g.*, *Baywatch Production Co. Inc. v The Home Video Channel*, High Court of Justice, Chancery Division, 31 July 1996 (Crystal J.) (citing *BASF Plc v CEP (UK) Plc* (Knox J.), 16 October 1995)); *Uprise Product Yugen Kaisha v. Commissioner of Japan Patent Office*, Heisei 22 (gyo-ke) 10274 Intellectual Property High Court of Japan (2010).

4. *Sophistication of the Relevant Consumers*. Courts assess the likelihood of confusion by the "reasonably prudent" consumer of the goods or services at issue. Consumers of more expensive or more technically sophisticated goods are

understood to exercise greater care in their purchasing decisions, and thus to be comparatively less likely to be confused. *See, e.g.*, *Florida Int'l Univ. Bd. of Trustees v. Florida Nat'l Univ., Inc.*, 830 F.3d 1242, 1256 (11th Cir. 2016) (in finding no likelihood of confusion between FLORIDA INTERNATIONAL UNIVERSITY and FLORIDA NATIONAL UNIVERSITY, observing that "students looking for a college to attend are likely to be relatively sophisticated and knowledgeable because of the nature, importance, and size of the investment in a college education"); *Heartsprings, Inc. v. Heartspring, Inc*., 143 F.3d 550, 557 (10th Cir. 1998) (finding that consumers would not likely confuse defendant's mark HEARTSPRING for a residential school for physically disabled children with plaintiff's mark HEARTSPRINGS for printed materials teaching children to resolve conflicts non-violently where tuition for defendant's school ranged from $90,000 to $150,000 per year).

A recent Canadian case captured this aspect of consumer sophistication doctrine quite memorably. In *Atomic Energy of Canada Limited v. Areva NP Canada Ltd*., 2009 FC 980 (2009), the plaintiff used a stylized "A" (shown below on the right) as its trademark for services relating to the design and construction of nuclear reactors while the defendant also used a stylized "A" (shown below on the left) in connection with the sale of nuclear reactor parts and components. The court noted: "All of [the plaintiff's] experts acknowledged in cross-examination that the relevant consumers would not be confused into purchasing the wrong nuclear reactor." *Id*. at ¶19. Citing English case law, the court recognized that "[I]t is not sufficient that the only confusion would be to a very small, unobservant section of society; or as Foster J. put it recently, if the only person who would be misled was a 'moron in a hurry.'" *Id*. at ¶28. Mr. Justice Zinn added: "In this industry, the fact that Homer Simpson may be confused is insufficient to find confusion." *Id*.

Are relatively poor individuals less sophisticated consumers and thus more easily confused? One S.D.N.Y. judge seemed to think so. See *Schieffelin & Co. v. The Jack Co*., 1994 WL 144884 at *55 (S.D.N.Y. 1994) ("Even if some of the prospective purchasers of Dom Perignon are from low income groups, and are therefore less sophisticated shoppers than wealthier purchasers, . . ."). A later court took exception to the *Shieffelin* Court's assumption. S*ee Reebok Intern. Ltd. v. K-Mart Corp*., 849 F.Supp. 252, 268 (S.D.N.Y. 1994) ("[T]he court expressly disagrees with this statement's implication that there is a direct relationship between income and consumer intelligence. Careless shopping habits are not a necessary by-product of a low income."). Indeed, couldn't an argument be made that low income groups would give more care to their purchases?

5. *What About the Interests of Consumers Who Are Not Confused?* In Michael Grynberg, Trademark Litigation as Consumer Conflict, 83 N.Y.U. L. REV. 60 (2008), Grynberg argues:

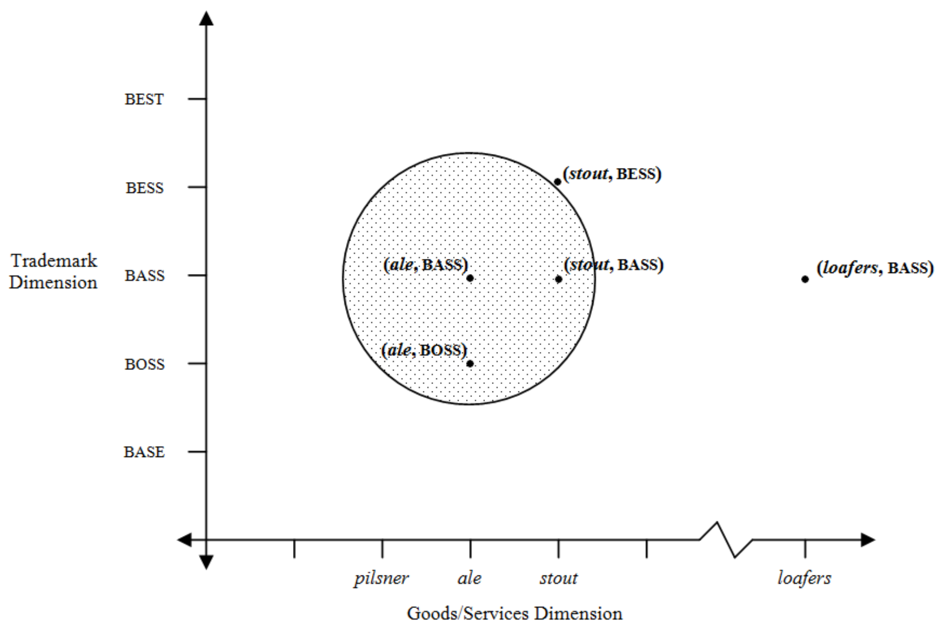
> Trademark litigation typically unfolds as a battle between competing sellers who argue over whether the defendant's conduct is likely to confuse consumers. This is an unfair fight. In the traditional narrative, the plaintiff defends her trademark while simultaneously protecting consumers at risk for confusion. The defendant, relatively speaking, stands alone. The resulting "two-against-one" storyline gives short shrift to the interests of nonconfused consumers who may have a stake in the defendant's conduct. As a result, courts are too receptive to nontraditional trademark claims where the case for consumer harm is questionable. Better outcomes are available by appreciating trademark litigation's parallel status as a conflict between consumers. This view treats junior and senior trademark users as proxies for different consumer classes and recognizes that remedying likely confusion among one group of consumers may cause harm to others. Focusing on the interests of benefited and harmed consumers also minimizes the excessive weight given to moral rhetoric in adjudicating trademark cases. Consideration of trademark's consumer-conflict dimension is therefore a useful device for critiquing trademark's expansion and assessing future doctrinal developments.

Id. at 60. Should courts be more solicitous of the interests of sophisticated consumers who are in fact not confused and may benefit from the information provided by the defendant's conduct?

6. *Is It Necessary for Courts Explicitly to Consider Each Factor?* District courts are generally required explicitly to address each of the factors listed in their circuit's multifactor test. If a factor is irrelevant, the court must explain why. Failure to do so can result in remand. See, for example, *Sabinsa Corp. v. Creative Compounds*, 609 F.3d 175 (3d Cir. 2010), which reviewed a district court opinion that addressed only three of the ten *Lapp* factors used by the Third Circuit. The Third Circuit explained: "[W]hile it is true that a district court may find that certain of the *Lapp* factors are inapplicable or unhelpful in a particular case, the court must still explain its choice not to employ those factors. Here, the District Court failed to explain whether it viewed these remaining factors as neutral or irrelevant or how it weighed and balanced the combined factors." *Id*. at 183. Finding that the facts were "largely undisputed," *id*., the Third Circuit declined to remand. Instead, it considered each of the ten *Lapp* factors and reversed.

7. *A Two-Dimensional Model of Trademark Scope*. Trademark lawyers typically speak of trademarks in two dimensions, as in the trademark "FORD for cars" or the trademark "ACE for hardware, but not for bandages." From this we can derive a simple two-dimensional model of trademark infringement, as in the figure below. *See* Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621, 654-655 (2004) This model conceives of any given trademark as forming a point in

a two-dimensional features space consisting of a trademark dimension and a goods/services dimension. The trademark dimension consists of a collapsed, one-dimensional continuum of all possible marks arranged according to similarities of "sound, sight, and meaning." The goods/services dimension similarly consists of a one-dimensional continuum of all possible goods and services arranged according to their degree of similarity.



Distance in this features space is a measure of two concepts. First, distance is a measure of difference. The distance between any two points represents the degree of difference between them. Second, and related, distance is a measure of the likelihood of consumer confusion. The closer two points are in features space, the greater the proportion of consumers in the relevant consumer population who will likely confuse them.

As we have seen, in order to prevent consumer confusion as to source, trademark law invests a trademark-product combination with some broader scope of protection extending out from the point the combination forms in this features space. Otherwise, a competitor could come very near to that point, as in (*stout*, BASS) or (*ale*, BOSS) in the above figure and, by confusing some proportion of consumers as to source, unfairly appropriate as to those consumers the goodwill of the BASS ale brand. The closer a junior user's trademark-product combination comes to the trademark-product combination of a senior user, the greater the proportion of consumers who will confuse the junior's with the senior's use. At some proximity to the senior's use, trademark law declares that too high a proportion of consumers are or will be confused, and establishes a border, a property line, inside of which no competitor may come. This border, enveloping any given trademark, describes the scope of that trademark's protection and the extent of the producer's property right.

For exceptionally well-known marks, what might be the shape of the mark's scope in this features space? Would it matter where the mark falls on the *Abercrombie* spectrum? What would be the shape of the scope of protection for COCA-COLA? Can any other firm reasonably use that mark on any other good or service? What would be the shape of the scope of FORD for automobiles or APPLE for high technology goods and services?

3. Survey Evidence and the Likelihood of Confusion

It is often said that survey evidence is routinely submitted in trademark litigation, particularly on the issue of consumer confusion. In a statement before Congress, the American Bar Association offered a typical expression of this view: "survey evidence is traditionally one of the most classic and most persuasive and most informative forms of trial evidence that trademark lawyers utilize in both prosecuting and defending against trademark claims of various sorts." *Committee Print to Amend the Federal Trademark Dilution Act: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the Comm. on the Judiciary*, 108th Cong. 14 (2004) (statement of Robert W. Sacoff, Chair, Section of Intellectual Property Law, American Bar Association). In fact, empirical work suggests that survey evidence plays a surprisingly small role in deciding most trademark cases. *See* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581, 1641-42 (2006). The author studied all federal court opinions applying a likelihood of confusion multifactor test over a five-year period from 2000 to 2004 and found that only 65 (20%) of the 331 opinions addressed survey evidence, 34 (10%) credited the survey evidence, and 24 (7%) ultimately ruled in favor of the outcome that the credited survey evidence itself favored. Eleven (24%) of the 46 bench trial opinions addressed survey evidence (with eight crediting it), while 24 (16%) of the 146 preliminary injunction opinions addressed survey evidence (with 12 crediting it). *Id.* *See also* Robert C. Bird & Joel H. Steckel, *The Role of Consumer Surveys in Trademark Infringement: Empirical Evidence from the Federal Courts*, 14 PENN. J. BUS. L. 1013 (2012) (finding that survey evidence is infrequently used in trademark litigation and suggesting that "the mere submission of a survey by a defendant appears to help its case, while a plaintiff-submitted survey can potentially hurt its case if the court deems it flawed"). *But see* Dan Sarel & Howard Marmorstein, *The Effect of Consumer Surveys and Actual Confusion Evidence in Trademark Litigation: An Empirical Assessment*, 99 TRADEMARK REP. 1416 (2009) (finding survey evidence presented in one-third of the opinions studied and that survey evidence had a substantial impact in cases involving dissimilar goods). *Cf.* Shari Seidman Diamond & David Franklyn, *Trademark Surveys: An Undulating Path*, 92 TEXAS L. REV. 2029 (2014) (concluding based on a survey of trademark practitioners that surveys can perform a significant role in settlement negotiations).

Nevertheless, in the small subset of trademark cases involving high-stakes litigation or one or more well-funded parties, survey evidence is customary, so much so that courts will sometimes draw an "adverse inference" against a party for failing to present it. *See, e.g.*, *Eagle Snacks, Inc. v. Nabisco Brands, Inc*., 625 F. Supp. 571, 583 (D.N.J. 1985) ("Failure of a trademark owner to run a survey to support its claims of brand significance and/or likelihood of confusion, where it has the financial means of doing so, may give rise to the inference that the contents of the survey would be unfavorable, and may result in the court denying relief."); *but see, e.g.*, *Tools USA and Equipment Co. v. Champ Frame Straightening Equipment Inc*., 87 F.3d 654, 661 (4th Cir. 1996) ("Actual confusion can be demonstrated by survey evidence, but contrary to [defendant's] suggestion, survey evidence is not necessarily the best evidence of actual confusion and surveys are not required to prove likelihood of confusion.").

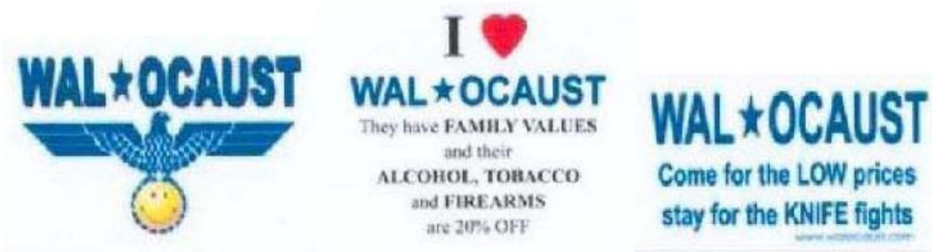
When litigants do present survey evidence, courts' analysis of this evidence can be painstaking, especially when the litigants present dueling survey experts. In the following opinion, *Smith v. Wal-Mart Stores, Inc*., 537 F.Supp.2d 1302 (N.D.Ga. 2008), the declaratory plaintiff Charles Smith sought to criticize Wal-Mart's effect on American communities and workers by likening the retailer to the Nazi regime and, after Wal-Mart sent Smith two cease and desist letters, to Al Qaeda. In particular, Smith created and sold online through CafePress.com t-shirts and other merchandise incorporating the term "Walocaust" and various Nazi insignia (shown below) or the term "Wal-Qaeda" and various slogans and images (shown below). Wal-Mart produced survey evidence to support the proposition that American consumers would believe that Wal-Mart was selling the t-shirts or had otherwise authorized their sale, or that in any case, Smith's conduct tarnished Wal-Mart's trademark. Both parties moved for summary judgment. Excerpted below is Judge Timothy Batten, Sr.'s extraordinarily fine analysis of the surveys before him, which he conducted under the "actual confusion" factor of the multifactor test for the likelihood of consumer confusion. The analysis is lengthy and very detailed, but it is one with which a serious student of trademark litigation should be familiar.

A few additional preliminary comments. First, the surveys at issue are modified forms of the "*Eveready* format" for likelihood of confusion surveys, based on the case *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir. 1976), in which the Seventh Circuit credited two surveys as strong evidence of the likelihood of confusion. (Notwithstanding the spelling of "Ever-Ready" in the caption of the case, most commentators, including McCarthy, refer to the survey format as the "*Eveready* format.") The surveys presented their respondents with the defendant's products and asked, in essence, "Who do you think puts out [the defendant's product]?"; "What makes you think so?"; "Please name any other products put out by the same concern which puts out the [defendant's product] shown here." *Id*. at 386. Second, the excerpt below addresses, in addition to the likelihood of confusion issue, a cause of action for dilution by tarnishment of Wal-Mart's mark. We will address dilution more fully in Part II.C.

In reading through the excerpt, consider the following question:

- Do you find the *Eveready* format persuasive? How else might you design a likelihood of confusion survey?

- The "third set of questions" in the surveys, "aimed at testing for confusion as to authorization or sponsorship, asked whether the company that 'put out' the shirt needed permission from another company to do so, and if so, which company." Is this an appropriate survey question to ask consumers?



Appendix B: Challenged Wal-Qaeda Images

Smith v. Wal-Mart Stores, Inc.
537 F.Supp.2d 1302 (N.D.Ga. 2008)

Timothy C. Batten, Sr., District Judge:

…

II. Analysis

C. Trademark Infringement, Unfair Competition, Cybersquatting and Deceptive Trade Practices Claims

1. Actual Confusion

[1] Proof of actual confusion is considered the best evidence of likelihood of confusion. *Roto–Rooter Corp. v. O'Neal,* 513 F.2d 44, 45–46 (5th Cir.1975). A claimant may present anecdotal evidence of marketplace confusion, and surveys, when appropriately and accurately conducted and reported, are also widely and routinely accepted as probative of actual confusion. *See, e.g., AmBrit, Inc. v. Kraft, Inc.,* 812 F.2d 1531, 1544 (11th Cir.1986) (considering the proffered survey but giving it little weight); *SunAmerica Corp. v. Sun Life Assurance Co. of Canada,* 890 F.Supp. 1559, 1576 (N.D.Ga.1994) (viewing the proffered survey as confirmation of consistent anecdotal evidence).

[2] Wal–Mart concedes that it has no marketplace evidence of actual consumer confusion. Instead, it presents two consumer research studies conducted by Dr. Jacob Jacoby that purport to prove that consumer confusion and damage to Wal–Mart's reputation are likely.

a. The Jacoby Report

[3] Jacoby developed two surveys for Wal–Mart that both purported to measure consumer confusion and dilution by tarnishment. Specifically, the stated objectives of the research were (1) "To determine whether (and if so, to what extent), when confronted with merchandise bearing Mr. Smith's designs either in person or via the Internet, prospective consumers would be confused into believing that these items either came from Wal–Mart, came from a firm affiliated with Wal–Mart, or had been authorized by Wal–Mart," and (2) "To determine whether (and if so, to what extent) exposure to Mr. Smith's designs would generate dilution via tarnishment."

[4] Deeming it impractical to test all of Smith's designs, Jacoby chose instead to test two products as representative of all of Smith's allegedly infringing products—the white t-shirt with the word "WAL*OCAUST" in blue font over the Nazi eagle clutching a yellow smiley face, and another white t-shirt that depicted the word "WAL–QAEDA" in a blue font as part of the phrase "SUPPORT OUR TROOPS. BOYCOTT WAL–QAEDA."

[5] He also tested consumer reactions to "control" designs, which he compared to consumer responses to the Walocaust and Wal–Qaeda designs. To develop the control for the Walocaust design, Jacoby replaced the star with a hyphen and removed the smiley face from the yellow circle, and for both the Walocaust and

Wal–Qaeda controls, he substituted "Z" for "W." These substitutions resulted in control concepts entitled "Zal-ocaust" and "Zal–Qaeda."

[6] Jacoby engaged a market research firm to test each of the t-shirt designs in (1) a "product" study intended to test for post-purchase confusion and tarnishment, and (2) a "website" study intended to test for point-of-sale confusion and tarnishment.[1]

[7] The market research company conducted the studies in a mall-intercept format. The company's researchers would approach people who appeared to be thirteen years old or older and ask a series of screening questions.[2] To qualify for either survey, the respondent was required to be at least thirteen years old[3] and must have in the past year bought, or would in the coming year consider buying, bumper stickers, t-shirts or coffee mugs with words, symbols or designs on them. To qualify for the "website" study, the respondent must also have (1) used the Internet in the past month to search for information about products or services and (2) either (a) in the past year used the Internet to buy or to search for information about bumper stickers, t-shirts or coffee mugs with words, symbols or designs on them, or (b) in the coming year would consider buying over the Internet bumper stickers, t-shirts or coffee mugs with words, symbols or designs on them.[4] If the respondent met the qualifications, he or she was asked to go with the researcher to the mall's enclosed interviewing facility for a five-minute interview.[5]

[1] This resulted in eight test cells:

	Test cells		Control cells	
Post-purchase confusion/tarnishment	Wal★ocaust t-shirt	Wal-Qaeda t-shirt	Zal-ocaust t-shirt	Zal-Qaeda t-shirt
Point-of-sale confusion/tarnishment	Wal★ocaust website	Wal-Qaeda website	Zal-ocaust website	Zal-Qaeda website

[2] The research company conducted the surveys in malls in Trumbull, Connecticut; Philadelphia, Pennsylvania; Youngstown, Ohio; Chicago Ridge, Illinois; Louisville, Kentucky; San Antonio, Texas; Colorado Springs, Colorado; and Northridge, California. The website survey was also conducted in Portland, Oregon.

[3] Because CafePress allowed only consumers over the age of thirteen to purchase from its site, Jacoby similarly limited his universe of respondents.

[4] Respondents who worked at an advertising agency, a market research firm or a business located in the mall (or had an immediate family member who did) were excluded, as were people who normally wore eyeglasses or contact lenses but were not wearing them at the time of the screening.

[5] The screening questionnaire provided to the Court indicates that the respondents who then participated in the surveys were given a monetary reward. Neither Jacoby's report nor any of the supporting survey documents disclosed the amount of the reward.

[8] For the "product" study, the interviewers presented to each respondent one of the four t-shirts described above and asked the respondent to imagine seeing someone wearing the shirt. The interviewer then asked a series of questions.

[9] The first three sets of questions were designed to test for consumer confusion. The interviewers were directed to ask each of the "likelihood of confusion" questions sequentially unless the respondent answered "Sears," "Wal–Mart," "Youngblood's" or "K–Mart," in which case the interviewer was to record the answer, skip the remaining confusion questions, and go directly to the tarnishment questions.

[10] In the consumer confusion series, the first set of questions tested for confusion as to source. The interviewer would ask "which company or store" the respondent thought "put out" the shirt, and if the respondent named a company or store, the interviewer then asked what about the shirt made the respondent think the shirt was "put out" by that company or store. The second set of questions, which dealt with confusion as to connection or relationship, asked the respondent whether the company or store that "put out" the shirt had some "business connection or relationship with another company" and if so, with what company. The respondent was then asked why he or she believed the companies had a business connection or relationship. A third set of questions, aimed at testing for confusion as to authorization or sponsorship, asked whether the company that "put out" the shirt needed permission from another company to do so, and if so, which company.

[11] Finally, if the respondent had not yet answered "Sears," "Wal–Mart," "Youngblood's" or "K–Mart" to any of the first three sets of questions, he or she was then asked what the shirt made him or her "think of" and then "which company or store" the shirt brought to mind.

[12] The fifth set of questions, which tested for dilution by tarnishment, were asked in reference to any company or store the respondent mentioned in his or her answers to the first four sets of questions. The first question asked whether seeing the shirt made the respondent more or less likely to shop at the store he or she had named, and the second question asked whether the perceived association with the store made the respondent more or less likely to buy the shirt.

[13] The interviews for the website study were much like those for the product study, except that instead of being shown the actual shirts, the respondents were exposed to a simulation of Smith's Walocaust CafePress homepage, his Wal–Qaeda CafePress homepage or the associated control homepage.[6] In each of the simulations, all of the hyperlinks were removed from the homepages except for the one hyperlink associated with the t-shirt that Jacoby had decided to test.

[14] Jacoby directed the interviewers to begin each website interview by providing a URL to the respondent and asking the respondent to imagine that the

[6] The simulations were reproduced on a compact disc; the respondents did not view Smith's actual web pages on the Internet.

URL was a search term the respondent had heard or seen somewhere and wanted to look up on the Internet. The interviewer would then have the respondent sit at a computer and type the URL into the browser. The URL would take the respondent to the simulated home page for testing.

[15] The interviewer would then direct the respondent to look at the screen and scroll down the page "as [he or she] normally would" and click through to the first t-shirt on the screen. The respondent was then directed to click on the "view larger" box and look at the shirt as though he or she "found it interesting and [was] considering whether or not to order it...." The interviewer would then ask the respondent exactly the same series of questions posed in the product study, including the same skip pattern to be applied in the event that the respondent mentioned Sears, Wal–Mart, Youngblood's or K–Mart in response to any of the consumer confusion questions.

[16] In order to be tallied as "confused," the respondent had to meet two tests. First, the respondent had to indicate either that the shirt came from Wal–Mart (first confusion series), came from a company that had some business connection or relationship with Wal–Mart (second confusion series), or came from a source that required or obtained permission from Wal–Mart (third confusion series). Second, the respondent had to indicate that his or her reason for that understanding was either because of the prefix "Wal," the name (or equivalent), the smiley face, or the star after the prefix "Wal." Thus, a respondent who believed that there was a connection between Wal–Mart and the t-shirt that he or she was shown but who did not mention the prefix "Wal," the name (or equivalent), the smiley face, or the star, would not be counted as "confused."

[17] Any respondent who perceived an association between Wal–Mart and the t-shirt that he or she was shown and reported that the perceived association either made the respondent less likely to shop at Wal–Mart or more likely to buy that t-shirt was deemed to satisfy the requirement for dilution.

[18] The field interviewers returned 322 completed interviews for the product study and 335 for the website study. Three responses were eliminated from the sample after the research company conducted a review to ensure that each respondent was qualified to participate in the study and that the questionnaires had been completed properly. The research company then sent the name and phone number of each of the interview respondents to an independent telephone interviewing service for validation, which consisted of calling each mall-intercept respondent to ensure that the respondent had actually participated in the study and that his or her answers were accurately recorded.

[19] In the product study, 181 respondents (fifty-six percent of the usable sample) were positively validated, and sixteen respondents (about five percent) reported either different answers to the survey questions or claimed not to have participated in the study. The remainder either could not be reached during the

twenty days Jacoby allocated for the validation or refused to respond to the validation survey.

[20] Jacoby reported the results of those respondents who were positively validated plus the results from the respondents who could not be reached or would not respond to the validation survey, and he eliminated the results of the respondents who provided non-affirming answers during the validation process. This resulted in 305 reported responses to the product study: seventy-three for the Wal*ocaust concept, seventy-six for the Wal–Qaeda concept, seventy-nine for the Zal-ocaust concept, and seventy-seven for the Zal–Qaeda concept.

[21] In the website study, 169 respondents (fifty-one percent of the usable sample) were positively validated, and forty-six respondents (about fourteen percent) reported either different answers to the survey questions or claimed not to have participated in the study. The remainder either could not be reached during the twenty days Jacoby allocated for the validation or refused to respond to the validation survey.

[22] As he did in the product study, Jacoby reported the results of those respondents who were positively validated plus the results from the respondents who could not be reached or would not respond to the validation survey, and he eliminated the results of the respondents who provided non-affirming answers during the validation process. This resulted in 287 reported responses to the product study: seventy for the Wal*ocaust concept, seventy-eight for the Wal–Qaeda concept, sixty-nine for the Zal-ocaust concept, and seventy for the Zal–Qaeda concept.

[23] Jacoby reported that the survey reflected high levels of consumer confusion and dilution by tarnishment. He claimed that the post-purchase confusion "product study" indicated a likelihood of confusion in nearly forty-eight percent of the respondents and that the point-of-sale confusion "website" study indicated a likelihood of confusion in almost forty-one percent of the respondents.[7] Jacoby also claimed that the "dilution" study indicated that almost twelve percent of the respondents were less likely to shop at Wal–Mart after seeing Smith's designs.

b. Evidentiary Objections

[24] Smith moves to exclude Wal–Mart's expert report. He claims that Jacoby did not have the requisite Internet expertise to conduct the web-based "point-of-sale" portion of this particular study and that several aspects of Jacoby's methodology affecting both portions of the study were faulty; thus, he contends, Jacoby's study is "too deeply flawed to be considered...."

[25] Wal–Mart argues that the Jacoby test was performed by a competent expert according to industry standards and therefore is valid. Wal–Mart further

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[7] Jacoby arrived at these numbers by averaging the net survey results for the Walocaust and Wal–Qaeda t-shirts.

contends that the expert witnesses Smith presents in rebuttal are not experts in the area of consumer-goods "likelihood of confusion" trademark studies, and therefore *their* testimony is irrelevant and should be excluded.

[26] Whether a given survey constitutes acceptable evidence depends on the survey's ability to satisfy the demands of Federal Rule of Evidence 703, which requires consideration of the "validity of the techniques employed." 233–34 FED. JUD. CTR., REFERENCE MANUAL ON SCI. EVIDENCEE (2d ed.2002) (explaining that in the context of surveys for litigation purposes, "[t]he inquiry under Rule 703[, which] focuses on whether facts or data are 'of a type reasonably relied upon by experts in the particular field in forming opinions or inferences upon the subject' ... becomes, 'Was the ... survey conducted in accordance with generally accepted survey principles, and were the results used in a statistically correct way?'"). *See also BFI Waste Sys. of N. Am. v. Dekalb County,* 303 F.Supp.2d 1335,1346 (N.D.Ga.2004) (noting that the opposing party could have challenged an expert witness's reference to a recent survey by questioning whether the survey methodology satisfied Rule 703).

[27] The Eleventh Circuit has held that alleged technical deficiencies in a survey presented in a Lanham Act action affect the weight to be accorded to the survey and not its admissibility. *Jellibeans, Inc. v. Skating Clubs of Ga., Inc.,* 716 F.2d 833, 844 (11th Cir.1983). Other courts have held that a significantly flawed survey may be excludable as evidence under either Rule 403 (the rule barring evidence that is more prejudicial than probative) or Rule 702 (the rule barring unreliable expert testimony). *Citizens Fin. Group, Inc. v. Citizens Nat'l Bank,* 383 F.3d 110, 188–21 (3d Cir.2004) (finding that the district court properly excluded survey evidence under Rules 702 and 403 where the survey contained flaws that were not merely technical, but were so damaging to the reliability of the results as to be "fatal": the survey relied on an improper universe and its questions were imprecise); *Malletier v. Dooney & Bourke, Inc.,* 525 F.Supp.2d 558, 562–63 (S.D.N.Y.2007). Even when a party presents an admissible survey purporting to show consumer confusion, however, the survey "does not itself create a triable issue of fact." *Mattel, Inc. v. MCA Records, Inc.,* 28 F.Supp.2d 1120, 1133 (C.D.Cal.1998) (citing *Universal City Studios, Inc. v. Nintendo Co.,* 746 F.2d 112, 118 (2d Cir.1984), which found a survey "so badly flawed that it cannot be used to demonstrate the existence of a question of fact of the likelihood of consumer confusion"). *Accord Leelanau Wine Cellars, Ltd. v. Black & Red, Inc.,* 502 F.3d 504, 518 (6th Cir.2007); *Scott Fetzer Co. v. House of Vacuums, Inc.,* 381 F.3d 477, 488 (5th Cir.2004) (holding that a court may disregard survey evidence if the survey contains such serious flaws that any reliance on its results would be unreasonable).

[28] To ground a survey as trustworthy, its proponent must establish foundation evidence showing that

> (1) the 'universe' was properly defined, (2) a representative sample of that universe was selected, (3) the questions to be asked of

> interviewees were framed in a clear, precise and non-leading manner, (4) sound interview procedures were followed by competent interviewers who had no knowledge of the litigation or the purpose for which the survey was conducted, (5) the data gathered was accurately reported, (6) the data was analyzed in accordance with accepted statistical principles and (7) objectivity of the entire process was assured.

Toys R Us, Inc. v. Canarsie Kiddie Shop, 559 F.Supp. 1189, 1205 (D.C.N.Y.1983) (citing MANUAL FOR COMPLEX LITIG., 116 (5th ed.1981), 4 LOUISELL & MUELLER, FED. EVIDENCE § 472 (1979), and J. THOMAS MCCARTHY, TRADEMARKS & UNFAIR COMPETITION § 32:53 (1973)); *accord Rush Indus., Inc. v. Garnier LLC,* 496 F.Supp.2d 220, 227 (E.D.N.Y.2007). Failure to satisfy any of the listed criteria may seriously compromise the survey's impact on a court's likelihood of confusion evaluation. *Id.*

[29] Smith cites several grounds for excluding the Jacoby survey. He argues that the survey is inadmissible because it (1) failed to identify the relevant consumer universe or used a consumer universe that was substantially overbroad; (2) failed to replicate shopping conditions as consumers would encounter them in the marketplace; (3) was improperly leading; (4) violated the survey structure protocol necessary to comply with double-blind standards; and (5) failed to establish a relevant factual basis for Wal–Mart's dilution by tarnishment claims. Smith further argues that even if the Court admits the survey, its consideration should be limited to only the two tested designs, despite Jacoby's claim that they are representative of all the designs Wal–Mart seeks to enjoin.

[30] As an initial matter, the Court observes that Smith does not take issue with Jacoby's qualifications to design and conduct a consumer confusion survey and to analyze its results. It is undisputed that Jacoby is a nationally renowned trademark survey expert who has testified hundreds of times. Smith contends, however, that Jacoby was unqualified to conduct this particular survey because he "lacks knowledge, experience, [and] sophistication" with regard to products marketed exclusively over the Internet and that as a result Jacoby's survey protocol contained significant flaws.

[31] Based upon its own review of Jacoby's education and experience, the Court concludes that Jacoby is qualified to design and conduct a consumer survey and to testify about its results. To the extent that Jacoby's purported lack of experience with surveys concerning goods sold exclusively online may have led him to test the wrong universe or to fail to replicate the shopping experience, as Smith has alleged, these factors will be examined when the Court evaluates the trustworthiness of the survey.

i. Web–Related Challenges

[32] In undertaking to demonstrate likelihood of confusion in a trademark infringement case by use of survey evidence, the "appropriate universe should

include a fair sampling of those purchasers most likely to partake of the alleged infringer's goods or services." *Amstar Corp. v. Domino's Pizza, Inc.,* 615 F.2d 252, 264 (5th Cir.1980). Selection of the proper universe is one of the most important factors in assessing the validity of a survey and the weight that it should receive because "the persons interviewed must adequately represent the opinions which are relevant to the litigation." *Id.* "Selection of a proper universe is so critical that 'even if the proper questions are asked in a proper manner, if the wrong persons are asked, the results are likely to be irrelevant.'" *Wells Fargo & Co. v. WhenU.com, Inc.,* 293 F.Supp.2d 734, 767 (E.D.Mich.2003) (quoting 5 MCCARTHY, § 32:159). "A survey must use respondents from the appropriate universe because 'there may be systemic differences in the responses given ... by persons [with a particular] characteristic or preference and the responses given to those same questions ... by persons who do not have that ... characteristic or preference.'" *Id.* (quoting FED. EVIDENCE PRACTICE GUIDE (Matthew Bender 2003) § [4][6][i]).

[33] Similarly, "[a] survey that fails to adequately replicate market conditions is entitled to little weight, if any." *Leelanau Wine Cellars, Ltd. v. Black & Red, Inc.,* 452 F.Supp.2d 772, 783 (W.D.Mich.2006), *aff'd,* 502 F.3d 504 (6th Cir.2007) (quoting *Wells Fargo & Co.,* 293 F.Supp.2d at 766). Although "[n]o survey model is suitable for every case ... a survey to test likelihood of confusion must attempt to replicate the thought processes of consumers encountering the disputed mark or marks as they would in the marketplace." *Simon Prop. Group L.P. v. mySimon, Inc.,* 104 F.Supp.2d 1033, 1038 (S.D.Ind.2000) (citing MCCARTHY ON TRADEMARKS § 32:163 (4th ed.1999) for the principle that "the closer the survey methods mirror the situation in which the ordinary person would encounter the trademark, the greater the evidentiary weight of the survey results").

[34] Smith hired Dr. Alan Jay Rosenblatt as a rebuttal witness to point out Internet-related deficiencies in Jacoby's survey methodology—particularly deficiencies in universe selection and replication of marketplace conditions—that he claims resulted from Jacoby's erroneous assumptions about how people reach and interact with websites. Smith uses Rosenblatt's expertise on Internet user experience and navigation to support his *Daubert* argument that because Jacoby surveyed an improperly broad universe and his survey design did not approximate the actual consumer marketplace experience, the Jacoby studies are legally insufficient to prove consumer confusion or trademark dilution. Thus, Smith argues, the studies should be afforded little, if any, evidentiary value.

[35] Coming from an academic background in political science and survey methodology—subjects he taught at the university level for ten years—Rosenblatt is a professional in the area of Internet advocacy (the use of online tools to promote a cause). His experience includes helping organizations bring people to their websites, induce the visitors to read the portion of the website that contains the call to action, and encourage the visitors to take the suggested action. He also helps the organizations track visitor behavior in order to increase website effectiveness.

…

[36] It is true that Rosenblatt has no experience evaluating the merits of trademark infringement or dilution claims and that only one of the surveys he has designed involved a consumer product. The Court finds, however, that his extensive experience studying Internet user behavior and designing social science surveys qualifies him to provide testimony about (1) how Internet users interact with websites and how they search for content online, (2) whether Jacoby's survey methodology comported with those tendencies, and (3) how Jacoby's assumptions about Internet user behavior impacted the accuracy of the surveyed universe and the survey's replication of the online shopping experience. The Court finds Rosenblatt's testimony evaluating Jacoby's survey protocol to be both relevant and, because it is based on Rosenblatt's undisputed area of expertise, reliable.[8] Therefore, to the extent that Rosenblatt's testimony focuses on those issues, Wal–Mart's motion to exclude it is DENIED.

(a) Survey Universe

[37] … Wal–Mart maintains that Jacoby's universe selection was proper. Smith counters that it was overly broad.

[38] Although the universe Jacoby selected would include purchasers of Smith's Walocaust or Wal–Qaeda merchandise, the Court finds that it is significantly overbroad. Because Smith's merchandise was available only through his CafePress webstores and the links to his CafePress webstores from his Walocaust and Wal–Qaeda websites, it is likely that only a small percentage of the consumers in the universe selected by Jacoby would be potential purchasers of Smith's products. A survey respondent who purchases bumper stickers, t-shirts or coffee mugs with words, symbols or designs on them may buy such merchandise because the imprint represents his or her school, company, favorite sports team, cartoon character, social group, or any of hundreds of other interests or affiliations; he or she may have no interest at all in purchasing merchandise containing messages about Wal–Mart, pro or con. The respondent may buy from brick-and-mortar stores or well-known retailers with Internet storefronts without being aware of Smith's website or CafePress, or may have little interest in buying such merchandise over the Internet at all. Therefore, a respondent who clearly falls within Jacoby's survey universe may nevertheless have no potential to purchase Smith's imprinted products. *See Leelanau Wine Cellars,* 452 F.Supp.2d at 782.

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[8] Wal–Mart presents no authority supporting its argument that Rosenblatt was required to conduct his own study of Smith's websites, and the Court sees no reason why a specific study of Smith's websites would be necessary to make relevant or reliable Rosenblatt's testimony criticizing Jacoby's assumptions about how consumers generally navigate the Internet. *See Hill's Pet Nutrition, Inc. v. Nutro Prods., Inc*., 258 F.Supp.2d 1197, 1210 (D.Kan.2003) (rejecting a survey criticized by Jacoby even though Jacoby had not performed his own survey).

[39] Other courts have similarly criticized surveys—including surveys Jacoby conducted in other trademark infringement cases—that failed to properly screen the universe to ensure that it was limited to respondents who were potential purchasers of the alleged infringer's product.

[40] For example, in *Weight Watchers Int'l, Inc. v. Stouffer Corp.,* 744 F.Supp. 1259 (S.D.N.Y.1990), Weight Watchers sued Stouffer for trademark infringement after Stouffer launched an advertising campaign that suggested that new exchange listings on Stouffer's Lean Cuisine packages would allow adherents to the Weight Watchers program to use Lean Cuisine entrees in their diets. *Id.* at 1262. Stouffer's likelihood of confusion survey, also conducted by Jacoby, identified the universe as "women between the ages of 18 and 55 who have purchased frozen food entrees in the past six months and who have tried to lose weight through diet and/or exercise in the past year." *Id.* at 1272. The court found that the universe was overbroad because the screener had not limited it to dieters, but also had included respondents who may have tried to lose weight by exercise only. The court concluded that as a result the survey likely included respondents who were not potential consumers, and because "[r]espondents who are not potential consumers may well be less likely to be aware of and to make relevant distinctions when reading ads than those who are potential consumers," that portion of the survey universe may have failed to make "crucial" distinctions in the likelihood of confusion testing. *Id.* at 1273.

[41] Similarly, in *Leelanau Wine Cellars,* 452 F.Supp.2d 772, the court found that the universe in a survey designed to show a likelihood of confusion between a wine producer's wines and a competitor's wines was overbroad. The junior mark user's product, like Smith's, was distributed through limited channels; the challenged wines were sold only through the junior user's tasting room and website, while the senior mark holder sold its wines through mass retail channels. The survey expert defined the universe as Michigan consumers over twenty-one years of age who had either purchased a bottle of wine in the five-to-fourteen dollar price range in the last three months or who expected to purchase a bottle of wine in that price range in the next three months. The court held that a purchaser of a wine in that price range would, in general, be a potential consumer of the competitor's wine only if the purchaser planned to buy from some winery's tasting room or website and that the survey universe therefore was overbroad and entitled to little weight.

(b) Shopping Experience

[42] To be valid for the purposes of demonstrating actual confusion in a trademark infringement suit, it is necessary for a survey's protocol to take into account marketplace conditions and typical consumer behavior so that the survey may as accurately as possible measure the relevant "thought processes of consumers encountering the disputed mark ... as they would in the marketplace." *Simon Prop. Group,* 104 F.Supp.2d at 1038; *accord WE Media, Inc. v. Gen. Elec. Co.,* 218 F.Supp.2d 463, 474 (S.D.N.Y.2002).

[43] Smith contends that Jacoby's point-of-purchase study, which purported to measure consumer confusion over merchandise that Smith sold exclusively online, was improperly designed because it failed to take into account typical consumer Internet behavior. Wal–Mart does not contradict the expert testimony Smith proffers regarding consumer Internet behavior but instead maintains that it is irrelevant.

[44] Jacoby's point-of-purchase survey called for interviewers to provide each respondent with specific "search terms" that would take the respondent to a simulation of one of Smith's websites. The respondent was asked to pretend that the resulting web page was of interest and to act accordingly (looking at the page and scrolling through it as the respondent would "normally" do), and then was directed to scroll down the page, below the first screen, and click on a specific t-shirt link. The respondent was not asked what message he or she took from the website or whether the website was in fact of interest. The survey protocol also gave the respondent no choice but to scroll down to the next screen and click on the t-shirt link, the only live link in the simulation.

[45] In presenting Smith's website and directing the survey respondents to click on one specific t-shirt link, Jacoby's survey design presumed that all consumers who might be interested in a printed t-shirt, mug or bumper sticker would be equally likely to happen across Smith's designs, regardless of the respondent's level of interest in the messages on Smith's webpage.

[46] Although, as Wal–Mart points out, it is possible that some consumers may view web pages randomly and may scroll through and clink on links on pages that are not of interest to them, the Court finds that the survey protocol did not sufficiently reflect actual marketplace conditions or typical consumer shopping behavior and therefore was unlikely to have elicited a shopping mindset that would have allowed Jacoby to accurately gauge actual consumer confusion.

[47] Because Smith's merchandise was available only through his CafePress webstores and the links to his CafePress webstores from his Walocaust and Wal–Qaeda websites, it is unlikely that many consumers randomly happen across Smith's products. According to Rosenblatt's uncontroverted testimony, people do not come to websites randomly, and they do not move within websites randomly. A great majority of Internet users arrive at a particular website after searching specific terms via an Internet search engine or by following links from another website. The user makes a judgment based on contextual cues—what is shown about a prospective website from the text of a search result or what is said about a prospective website in the hyperlinked words and surrounding text of the website currently being viewed—in determining where to surf next. He moves from website to website, he moves within websites, and he performs actions such as signing a petition—or buying a product—by making choices based on what he sees and whether what he sees leads him to believe that going to the next page or following a

link to another website will bring him to something he is interested in seeing, doing or buying.

[48] In the marketplace, the visitor would be presented with a screen full of Smith's anti-Wal-Mart messages. Consumers who were interested in the messages on Smith's web pages would be motivated to choose the links that would eventually lead to his products, while those who were uninterested in Smith's messages would simply leave the page. Because the survey protocol directed the respondents to "pretend" to be interested in Smith's anti-Wal-Mart homepages and then directed them to click on a specific link, there is no assurance that the respondent actually read the homepage or would have been interested enough in it to be motivated to click on the t-shirt link. *See Gen. Motors Corp. v. Cadillac Marine & Boat Co.,* 226 F.Supp. 716, 737 (D.C.Mich.1964) (observing that because survey respondents had little interest the allegedly infringing product, it followed that their inspection of the advertisement shown to them as part of the survey protocol was "casual, cursory and careless" and therefore of little probative value).

[49] Other courts have similarly criticized surveys that failed to adequately replicate the shopping experience. In *Gen. Motors Corp.,* 226 F.Supp. at 737, the court criticized the proffered survey because it did not take into account typical consumer behavior:

> Actual purchasers of a boat would not hastily read an advertisement, nor would a potential purchaser read it carelessly. A reasonable man, anticipating the purchase of a boat, would peruse the material at least well enough to note the manufacturer as being "Cadillac Marine & Boat Company, 406 Seventh Street, Cadillac, Michigan." Also, most buyers would want to see the boat itself before making a purchase.

Although the purchase of a t-shirt obviously does not involve the same level of financial consideration a consumer typically makes when buying a boat, a consumer is likely to consider the meaning of an imprinted t-shirt such as Smith's before wearing it in public. A reasonable person who was considering buying a t-shirt that references Al–Qaeda or the Holocaust would likely read the associated webpage at least well enough to see the harsh criticism of Wal–Mart and the prominent disclaimer dispelling any notion of a possible association with the company.

(c) Impact of Internet–Related Flaws on Survey's Evidentiary Value

[50] For all of these reasons, the survey Jacoby conducted for Wal–Mart is of dubious value as proof of consumer confusion both because its survey universe was overinclusive and because its design failed to approximate real-world marketplace conditions. Jacoby's survey is subject to the same criticisms as his *Weight Watchers* survey and the survey in *Leelanau Wine Cellars:* Jacoby failed to screen the respondents to ensure that they would likely be aware of and make relevant distinctions concerning the specific product. *See Weight Watchers,* 744 F.Supp. at 1273; *Leelanau Wine Cellars,* 452 F.Supp.2d at 783. By failing to approximate actual market conditions, Jacoby further ensured that the survey would not "replicate the

thought processes of [likely] consumers [of the junior user's merchandise] encountering the disputed mark ... as they would in the marketplace." *See Simon Prop. Group,* 104 F.Supp.2d at 1038; *accord Gen. Motors Corp.,* 226 F.Supp. at 737. Therefore, the Court must consider these flaws in determining whether the survey is admissible and, if so, what evidentiary weight to afford it.

ii. Structural Flaws

[51] Smith further alleges that the Jacoby study suffers from several structural flaws that diminish the trustworthiness of the results of both the web-based point-of-sale portion and the post-purchase t-shirt portion of the survey. He contends that (1) both the structure of the survey and the wording of several questions suggested the answers Wal–Mart wanted, and (2) the survey results should not be presumed to represent consumer reaction to any of the challenged merchandise that was not actually tested.

[52] Smith hired Dr. Richard Teach as a rebuttal witness to point out deficiencies in Jacoby's website study survey methodology. Teach is an emeritus marketing professor and former dean at the Georgia Tech School of Business who has designed and conducted over one hundred surveys, including about fifty buyer surveys, and has taught survey methodology, statistics and related courses. Teach testifies that he agrees with Rosenblatt's testimony and also offers criticisms of his own. Smith uses Teach's survey expertise to support his *Daubert* argument that because the survey protocol contains multiple technical flaws, the results are unreliable and hence should be afforded very light evidentiary value if not completely excluded from evidence.

[53] Wal–Mart moves to exclude Teach's testimony, supporting its motion with arguments much like those it used in its motion to exclude Rosenblatt's testimony….

[54] The Court finds…that his extensive experience designing and evaluating surveys qualifies him to provide testimony about technical flaws in the design of Jacoby's study and the impact of those flaws on the trustworthiness of Jacoby's reported results.

[55] [T]o the extent that Teach's testimony focuses on general survey methodology, whether Jacoby's survey protocol deviated from standard methodology, and what impact any deviations may have had on the trustworthiness of Jacoby's reported results, Wal–Mart's motion to exclude it is DENIED.

(a) Leading Survey Structure and Questions

[56] Smith argues that both the structure of the survey and the wording of several questions suggested the answers Wal–Mart wanted. Wal–Mart, of course, contends that Jacoby's survey presented no such risk.

(i) Double–Blind Survey Design

[57] To ensure objectivity in the administration of the survey, it is standard practice to conduct survey interviews in such a way as to ensure that "both the interviewer and the respondent are blind to the sponsor of the survey and its

purpose." REFERENCE MANUAL at 266. The parties agree that double-blind conditions are essential because if the respondents know what the interviewer wants, they may try to please the interviewer by giving the desired answer, and if the interviewer knows what his employer wants, he may consciously or unconsciously bias the survey through variations in the wording or the tone of his questions. *See id.*

[58] Smith argues that the skip pattern included in Jacoby's survey hinted to the interviewers that Wal–Mart was the survey's sponsor. The survey protocol directed the interviewers to skip to the final tarnishment question, question five, if the respondent gave any one of four specific store names—Sears, Wal–Mart, K–Mart or Youngblood's—to any of the first three questions. Similarly, if the respondent did not give any of those four names in response to the first three questions, the interviewer was directed to ask "what other companies or stores" the stimulus t-shirt brought to mind, and only if the respondent answered with one of the four names was the interviewer to ask question five, the dilution question. The text on both of the tested t-shirts began with the prefix "Wal," and Wal–Mart was the only one of the four listed names that began with that prefix.

[59] Smith argues that this series of questions combined with the t-shirt stimulus subtly informed the interviewers not only that a store name was desired, but also that a particular store name—Wal-Mart—was sought. Thus, Smith contends, because the survey failed to meet the double-blind requirement, it was not conducted in an objective manner and must be excluded for what must therefore be biased results. *See* REFERENCE MANUAL at 248 (noting that poorly formed questions may lead to distorted responses and increased error and therefore may be the basis for rejecting a survey).

[60] Wal–Mart argues that the skip patterns followed proper protocol and that even if the interviewers guessed that Wal–Mart was involved, there could be no risk of bias because (1) interviewers are professionally trained and adhere to extremely high ethical standards, and (2) it was impossible to determine from the design of the study who sponsored the study and for which side of a dispute the survey evidence was to be proffered.

[61] Based on the facts that (1) both of the tested t-shirts include the prefix "Wal" and (2) the only store on the specified list of four that included that same prefix was Wal–Mart, it is safe to surmise that the interviewers at least suspected that Wal–Mart was involved in the survey in some manner. Aside from a common sense assumption that the party with deep pockets and reason to be insulted by the tested concepts was likely to have sponsored the research, however, the interviewers had no way to know who was the proponent of the research and who was the opponent. Thus, although the survey design may have breached generally accepted double-blind protocol to some degree, because the breach offered little risk of bias toward one party or the other the Court finds this issue to be of little import in its trustworthiness determination.

(ii) Leading Questions

[62] Smith also argues that the wording of Jacoby's confusion questions was improperly leading. Although the challenged t-shirts were created and offered for sale by Charles Smith, an individual, via his CafePress webstore, the survey asked about sponsorship only in the context of companies or stores, such as in the survey's lead question, which asked, "[W]hich company or store do you think puts out this shirt?" Smith contends that this wording suggested to the respondent that the interviewer was looking for the name of a company or store, which would lead the respondent away from the answer that the shirt was put out by an individual who was criticizing a company. Wal–Mart counters that because Smith's merchandise was sold through his CafePress webstores, the questions were accurately worded and thus not misleading.

[63] The Court agrees with Smith that the disputed questions improperly led respondents to limit their answers to companies or stores. Though Smith did offer his merchandise through his CafePress webstore, as Wal–Mart argues, the Court finds this characterization disingenuous; the party Wal–Mart sued for offering the Walocaust and Wal–Qaeda merchandise for sale is not a company or a store, but instead Charles Smith, an individual. Furthermore, Wal–Mart has failed to point to any authority supporting the use of the "company or store" language in a consumer "likelihood of confusion" apparel survey or any such surveys previously conducted by Jacoby. Thus, the Court must consider this weakness in determining the admissibility or evidentiary weight to be accorded the survey.

(b) Representativeness

(i) Testing Stimuli

[64] Smith also argues that the Jacoby survey results should not be presumed to represent consumer reaction to any of the challenged merchandise that was not actually tested. Jacoby limited his surveys to testing two specific t-shirts (the Wal*ocaust smiley eagle shirt and the "SUPPORT OUR TROOPS" Wal–Qaeda shirt), and the conclusions stated in his report were narrowly drawn to refer to the tested t-shirts. At his deposition, however, he stated that because the tested shirts were "reasonably representative" of all the shirts that included the prefix "Wal" and the star, as in Wal*ocaust, or the prefix "Wal" and a hyphen, as in Wal–Qaeda, his results could be extrapolated from the tested t-shirts to all of the challenged t-shirts that shared those features.

[65] Jacoby's own deposition testimony supplies a fitting framework for analyzing this issue. When declining to offer an opinion about whether consumers would also be confused over the sponsorship of Smith's Walocaust website, Jacoby stated that consumers respond differently to a given stimulus depending on the context in which is it presented, and because his survey tested only Smith's CafePress webstores, his survey provided him with no data upon which to answer the question about consumer confusion regarding Smith's website.

[66] Applying the same reasoning, the Court finds that test results from one Walocaust or Wal–Qaeda t-shirt provide no data upon which to estimate consumer confusion regarding another Walocaust or Wal–Qaeda t-shirt. A consumer confused about the sponsorship of a shirt that says "SUPPORT OUR TROOPS [.] BOYCOTT WAL–QAEDA" may easily grasp the commentary in the more straightforwardly derogatory "WAL–QAEDA[.] Freedom Haters ALWAYS" concept. Similarly, a consumer confused over the sponsorship of a "Walocaust" shirt paired with an eagle and a smiley face might have a crystal clear understanding of the word's meaning when it is superimposed over a drawing of a Wal–Mart–like building paired with a sign that advertises family values and discounted alcohol, firearms, and tobacco or when it is presented along with the additional text "The World is Our Labor Camp. Walmart Sucks." As a result, this weakness will also impact the Court's assessment of the survey's evidentiary value.

(ii) Sample Size and Selection

[67] Smith also challenges the survey's small sample size; the Court additionally notes that Jacoby's study employed mall-intercept methodology, which necessarily results in a non-random survey sample.

[68] It is true that the majority of surveys presented for litigation purposes do, in fact, include small and non-random samples that are not projectible to the general population or susceptible to evaluations of statistical significance. 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:165 (4th ed.2006). Courts have found that "nonprobability 'mall intercept' surveys are sufficiently reliable to be admitted into evidence," reasoning that because "nonprobability surveys are of a type often relied upon by marketing experts and social scientists in forming opinions on customer attitudes and perceptions," they may be admitted into evidence under Federal Rule of Evidence 703 as being "of a type reasonably relied upon by experts in the particular field in forming opinions or inferences upon the subject." *Id.*

[69] However, probability surveys are preferred to non-probability surveys. *Id.* (citing Jacob Jacoby, *Survey & Field Experimental Evidence,* in SAUL KASSIN & LAWRENCE S. WRIGHTSMAN, JR., 185–86 THE PSYCHOLOGY OF EVIDENCE AND TRIAL PROCEDURE (1985)). Jacoby himself has written that "behavioral science treatises on research methodology are in general agreement that, all other things being equal, probability sampling is preferred to non-probability sampling." Jacob Jacoby & Amy H. Handlin, *Non–Probability Sampling Designs for Litig. Surveys,* 81 TRADEMARK REP. 169, 170 (Mar.-Apr.1991) (citing KUL B. RAI AND JOHN C. BLYDENBURGH, POL. SCI. STATS.. 99 (Holbrook Press Inc.1973) and quoting its comment that "nonprobability samples do not represent the population truly, and the inapplicability of probability models as well as the impossibility of measuring or controlling random sampling error makes them even less attractive for scientific studies."). Jacoby has similarly noted that although the vast majority of in-person surveys conducted for marketing purposes employ non-probability design,

marketers more typically use telephone interviews, a "sizable proportion" of which employ probability designs. Jacoby & Handlin, 81 TRADEMARK REP. at 172 & Table 1 (estimating that sixty-nine percent of commercial marketing and advertising research is conducted by telephone).

[70] Although courts typically admit nonprobability surveys into evidence, many recognize that "the results of a nonprobability survey cannot be statistically extrapolated to the entire universe," and they consequently discount the evidentiary weight accorded to them. *Id.; accord Am. Home Prods. Corp. v. Barr Labs., Inc.,* 656 F.Supp. 1058, 1070 (D.N.J.1987) (criticizing a Jacoby survey and noting, "While non-probability survey results may be admissible, they are weak evidence of behavior patterns in the test universe.") Similarly, "[c]onducting a survey with a number of respondents too small to justify a reasonable extrapolation to the target group at large will lessen the weight of the survey." 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:171.

[71] This Court finds troubling the Jacoby survey's implicit assumption that a study protocol insufficient for many marketing purposes and heavily criticized for behavioral science purposes is nevertheless sufficient to aid a factfinder in a legal action challenging free speech. Therefore, this factor will also affect the Court's assessment of the survey's evidentiary value.

c. Admissibility

[72] Having identified numerous substantial flaws in Jacoby's survey, the Court must now determine whether the flaws limit the survey's evidentiary weight or are so substantial as to render the survey irrelevant or unreliable and therefore inadmissible under Federal Rule of Evidence 403, 702, or 703. *See Starter Corp. v. Converse, Inc.,* 170 F.3d 286, 297 (2d Cir.1999) (excluding a survey under Rule 403 because the probative value of the survey was outweighed by potential prejudice and further noting that "a survey may be kept from the jury's attention entirely by the trial judge if it is irrelevant to the issues") (citing *C.A. May Marine Supply Co. v. Brunswick Corp.,* 649 F.2d 1049 (5th Cir.1981)); *accord Ramdass v. Angelone,* 530 U.S. 156, 173, 120 S.Ct. 2113, 147 L.Ed.2d 125 (2000) (listing numerous cases in which courts have excluded or minimized survey evidence as unreliable).

[73] Courts in the Eleventh Circuit typically decline to exclude likelihood of confusion surveys and instead consider a survey's technical flaws when determining the amount of evidentiary weight to accord the survey. *See, e.g., Jellibeans,* 716 F.2d at 845; *Nightlight Sys., Inc. v. Nitelites Franchise Sys., Inc.,* 2007 WL 4563873 at *5 (N.D.Ga. Jul.17, 2007). Consequently, although this is a close case, the Court concludes that the better option is to admit the survey evidence and to consider the survey's flaws in determining the evidentiary weight to assign the survey in the likelihood of confusion analysis.

[74] The Court finds, however, that because the survey tested only the "SUPPORT OUR TROOPS[.] BOYCOTT WAL–QAEDA" t-shirt and the Walocaust eagle t-shirt, it has no relevance to any of Smith's other Wal–Mart–related concepts. The

Court agrees with Jacoby that context matters—a lot—and therefore will not consider Jacoby's survey as evidence of likelihood of confusion with regard to the words "Walocaust" and "Wal–Qaeda" in general; the study is admissible only as to the two concepts that Jacoby actually tested. *See* Fed.R.Evid. 702 (limiting expert testimony to that "based upon sufficient facts or data").

[75] Even with regard to the tested concepts, the Court finds that the survey was so flawed that it does not create a genuine issue of material fact. *See Spraying Sys. Co. v. Delavan, Inc.,* 975 F.2d 387, 394 (7th Cir.1992) (recognizing that if a proffered survey is severely and materially flawed, it may not be sufficient to establish a genuine issue of material fact even if it purports to show evidence of actual confusion). Jacoby surveyed an overbroad universe, failed to adequately replicate the shopping experience, and asked leading questions. He also surveyed a non-random sample that in any case was too small to allow the results to be projected upon the general market. Thus, the Court finds that the Jacoby survey is so flawed that it does not establish a genuine issue of material fact with regard to actual confusion, much less *prove* actual confusion.

[76] Lack of survey evidence showing consumer confusion is not dispositive, however; the Eleventh Circuit has moved away from relying on survey evidence. *Frehling Enters. v. Int'l Select Group, Inc.,* 192 F.3d 1330, 1341 n. 5 (11th Cir.1999). In fact, a court may find a likelihood of confusion in the absence of any evidence of actual confusion, even though actual confusion is the best evidence of likelihood of confusion. *E. Remy Martin & Co. v. Shaw–Ross Int'l Imps., Inc.,* 756 F.2d 1525, 1529 (11th Cir.1985). Accordingly, the Court will now consider the remaining likelihood of confusion factors.

[The court ultimately found no infringement or dilution].

Questions and Comments

1. *The Authorization or Permission Question*. You will recall that the third group of questions in the surveys at issue in *Smith v. Wal-Mart* asked respondents if they thought the company that "put out" the defendant's products needed permission from another company to do so, and if so, which company. Isn't this the very question that the judge is trying to decide in the case? Why should we ask survey respondents for their view on what is in essence a legal question?

2. *Alternative Survey Formats*. Two other methods of surveying for the likelihood of consumer confusion are of particular interest.

- The "*Squirt* format". In *Squirt Co. v. Seven-Up Co*., 628 F.2d 1086 (8th Cir. 1980), survey respondents were played radio advertisements for SQUIRT and QUIRST soft drinks and two other products. The respondents were then asked: (1) "Do you think SQUIRT and QUIRST are put out by the same company or by different companies?", and (2) "What makes you think that?" This method, consisting of either seriatim or simultaneous exposure to the plaintiff's and defendant's marks, is especially beneficial for a plaintiff whose mark may not be well-known to the survey respondents. However, some courts have rejected this survey method on the ground that it makes the respondents "artificially aware" of the plaintiff's mark and does not approximate market conditions. *See, e.g.*, *Kargo Global, Inc. v. Advance Magazine Publishers, Inc.*, No. 06 Civ. 550, 2007 WL 2258688, at *8 (S.D. N.Y. 2007).

- The "*Exxon* format". In *Exxon Corp. v. Texas Motor Exchange of Houston, Inc.*, 628 F2d 500 (5th Cir. 1980), survey respondents were shown a photograph of one of the defendant's signs bearing its Texon trademark. The respondents were then asked: "What is the first thing that comes to mind when looking at this sign?", and "What was there about the sign that made you say that?" If the respondents did not name a company in response to the first set of questions, they were then asked: "What is the first *company* that comes to mind when you look at this sign?" (emphasis in original survey script) and "What was there about the sign that made you mention (COMPANY)?" Courts have proven to be less receptive to this "word association" method of surveying for consumer confusion. *See, e.g.*, *Major League Baseball Properties v. Sed Non Olet Denarius, Ltd.*, 817 F. Supp. 1103, 1122 (S.D.N.Y. 1993) ("[T]he issue here is not whether defendants' name brings to mind any other name…. Rather, the issue here is one of actual confusion. Plaintiff's survey questions regarding association are irrelevant to the issue of actual confusion.").

In Itamar Simonson, *The Effect of Survey Method on Likelihood of Confusion Estimates: Conceptual Analyses and Empirical Test*, 83 TRADEMARK REP. 364 (1993), Simonson compared the results of five methods of surveying for the likelihood of confusion, including a simple form of the *Eveready* format, the *Squirt* format, and the *Exxon* format. He found that the *Exxon* format "tends to overestimate the likelihood of confusion, often by a significant amount," *id*. at 385, and that the *Squirt* format, as expected, "can have a significant effect on confusion estimates when the awareness level of the senior mark is low." *Id*. at 386.

3. *What Percentage of Confusion is Enough?* "Figures in the range of 25% to 50% have been viewed as solid support for a finding of a likelihood of confusion." MCCARTHY § 32:188. Still often cited by plaintiffs with especially weak cases, *Jockey International, Inc. v. Burkard*, No 74 Civ. 123, 1975 WL 21128 (S.D. Cal. 1975), found that survey evidence of 11.4 percent supported a likelihood of confusion. *But see Georgia-Pacific Consumer Product LP v. Myers Supply, Inc.*, No. 08 Civ. 6086, 2009 WL 2192721 (W.D. Ark. 2009) (survey evidence of 11.4 percent confusion does not support a likelihood of confusion).

4. "Sponsorship or Affiliation" Confusion

As the surveys at issue in *Smith v. Wal-Mart Stores* showed, trademark law generally recognizes forms of consumer confusion that may best be characterized as consumer confusion with respect to the plaintiff's "sponsorship" of the defendant or at least some form of "affiliation" between the plaintiff and the defendant. In this excerpt from *Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ*., LLC, 823 F.3d 153 (2d Cir. 2016), the Second Circuit recently very strongly endorsed this expansive understanding of the types of confusion that trademark law seeks to minimize.

Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC
823 F.3d 153, 161-163 (2d Cir. May 18, 2016)

[The plaintiff developed a certification program and the certification mark CISSP to denote a "Certified Information Systems Security Professional" who has passed the plaintiff's certification exam. The defendant offered various courses to prepare individuals for the plaintiff's exam. It was undisputed that the defendant could use the plaintiff's mark to indicate that these courses were directed towards preparing students to take the plaintiff's exam. However, the defendant advertised its courses as taught by "Master CISSP Clement Dupuis", allegedly suggesting that Mr. Dupuis had obtained some higher, "Master" level of certification from the plaintiff. Both parties moved for summary judgment. As discussed further in Part III.B, the district court found that the defendant engaged in nominative fair use of the plaintiff's mark.]

…

A. Types of Confusion Relevant to Infringement Claims

[1] The district court held that the only type of confusion relevant in determining infringement is confusion as to *source.* This is incorrect; protection is not exclusively limited for any type of mark to cases in which there may be confusion as to source. Rather, "[t]he modern test of infringement is whether the defendant's use [is] likely to cause confusion *not just as to source,* but also as to sponsorship, affiliation or connection." 4 McCarthy on Trademarks and Unfair Competition [hereinafter "McCarthy"] § 23:76 (4th ed.) (emphasis added). Indeed, our Court has previously observed that in 1962 Congress amended 15 U.S.C. § 1114, the Lanham Act provision that provides penalties for infringement, to "broaden liability" from the prior "statutory requirement [that] confusion, mistake, or deception applied only with respect to purchasers as to the source of origin of such goods or services." *Rescuecom Corp. v. Google Inc.,* 562 F.3d 123, 136 (2d Cir. 2009) (internal quotation marks omitted). That provision now penalizes a person who

> use[s] in commerce 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* ....

15 U.S.C. § 1114(1)(a) (emphasis added). As is plain from this statutory text, the Act's protection against infringement is not limited to any particular type of

consumer confusion, much less exclusively to confusion as to source. Rather, the Lanham Act protects against numerous types of confusion, including confusion regarding affiliation or sponsorship. *See … Dall. Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.,* 604 F.2d 200, 204–05 (2d Cir. 1979) ("Appellants read the confusion requirement too narrowly. In order to be confused, a consumer need not believe that the owner of the mark actually produced the item and placed it on the market. The public's belief that the mark's owner sponsored or otherwise approved the use of the trademark satisfies the confusion requirement." (citations omitted)); *see also Team Tires Plus, Ltd. v. Tires Plus, Inc.,* 394 F.3d 831, 835 (10th Cir. 2005) ("[T]he relevant confusion under trademark law is not limited to confusion of consumers as to the source of the goods, but also includes confusion as to sponsorship or affiliation, such as a consumer's mistaken belief that a retailer is part of a larger franchising operation.")….

[2] This broader prohibition on consumer confusion as to sponsorship or approval is also made explicit in Section 43 of the Lanham Act, which prohibits false advertising and false designation of origin by providing for civil penalties to a person injured by:

> Any person who, on or in connection with any goods or services, ... uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the *affiliation, connection, or association* of such person with another person, or as to the origin, *sponsorship, or approval* of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities....

15 U.S.C. § 1125(a)(1) (emphases added).

[3] Indeed, our case law demonstrates that consumer confusion is plainly not limited to source confusion. For example, in *Weight Watchers International, Inc. v. Luigino's, Inc.,* 423 F.3d 137 (2d Cir. 2005), we recognized that Weight Watchers was likely to succeed on its claim that a frozen food manufacturer had infringed its registered trademark in the term "Points" by prominently displaying the Weight Watchers points value on the packages of its frozen meals. In that case, it was clear from the packaging that Luigino's was the source of the actual goods—i.e. the frozen meals. Nonetheless, Weight Watchers could succeed on its claim for trademark infringement by showing "that the use of the term 'Points' on the front of the package was likely to confuse consumers into believing that Weight Watchers had determined the point values or *otherwise endorsed* the Luigino's products." *Id.* at 144 (emphasis added). Moreover, we have held that there may be consumer

confusion based on the misuse of a trademark, even where it is conceded that the plaintiff's mark accurately designated the source of goods. *See Original Appalachian Artworks, Inc. v. Granada Electronics, Inc.,* 816 F.2d 68, 73 (2d Cir.1987) (holding unauthorized importation and sale of Cabbage Patch dolls manufactured in Spain with the foreign language adoption papers and birth certificate infringed the plaintiff's trademark in Cabbage Patch dolls "even though the goods do bear [plaintiff's] trademark and were manufactured under license with [the plaintiff]," because plaintiff's "domestic good will is being damaged by consumer confusion caused by the importation of the [Spanish] dolls," which were materially different from American dolls). The district court therefore erred in applying its narrow conception of confusion relevant to infringement claims.

…

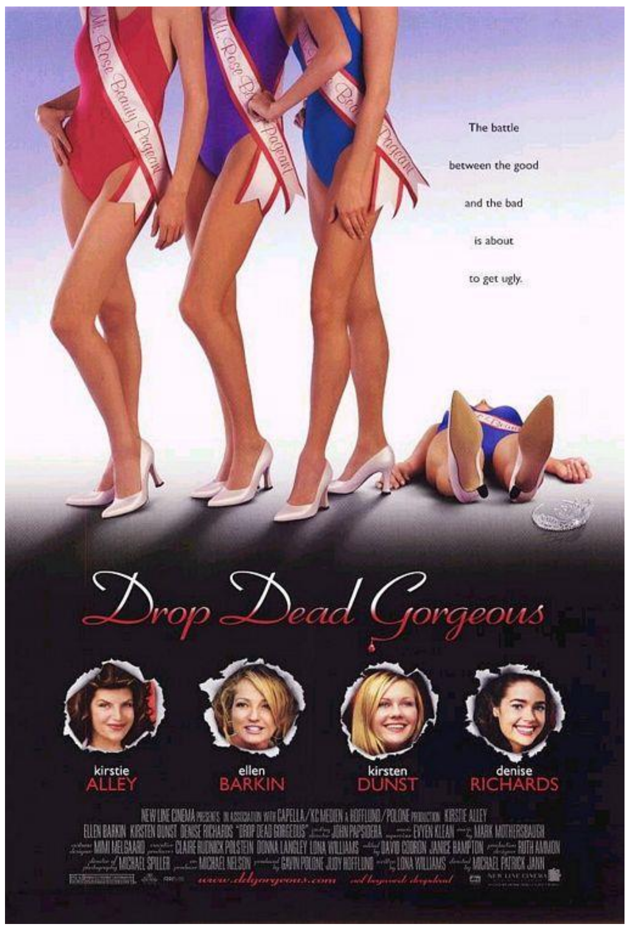
Questions and Comments

1. *"Signifier confusion" and "affiliation confusion."* Barton Beebe and Scott Hemphill propose the following:

> [I]t is helpful to distinguish between two fundamentally different and mutually exclusive forms of consumer confusion, which we term *signifier confusion* and *affiliation confusion*. Signifier confusion denotes those situations in which a consumer fails to detect the difference between two different marks and perceives each mark to be identical to the other. For example, a consumer may be exposed to the mark STARLUCKS and simply mistakenly read or hear the mark as STARBUCKS.
>
> By contrast, affiliation confusion denotes those situations in which a consumer detects the difference between two different marks (so there is no signifier confusion), but the consumer nevertheless concludes that due to the similarity of the marks, there must be some commercial connection between the users of the marks. For example, a consumer thinks STARLUCKS represents a brand extension, sponsorship or endorsement relationship, or some other form of commercial affiliation. The consumer perceives the plaintiff as the source of or somehow responsible for the defendant's goods.

Barton Beebe & C. Scott Hemphill, *The Scope of Strong Marks: Should Trademark Law Protect the Strong More Than the Weak?*, 93 N.Y.U. L. REV. __, __ (forthcoming 2017). Are these two forms of consumer confusion in fact mutually exclusive? Is this distinction helpful?

Trademark scholars have been highly critical of "sponsorship or affiliation" confusion. Presented below is an excerpt from Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 417-422 (2010), which collects some of the most egregious examples of plaintiffs' threats to sue and of courts' finding of "sponsorship or affiliation" confusion. Many of the unauthorized uses described in the excerpt could quite likely have qualified as "nominative fair uses", a form of trademark fair use that we will address in Part III on defenses to trademark infringement. Thus the student will have to endure a degree of suspense until we get there. But we consider "sponsorship or affiliation" confusion here because from the perspective of defendants (and from many of those who support free speech), defendants should never have to resort to this *defense* of nominative fair use because courts should not find confusion in the first place on the plaintiff's side of the case.



***From* Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 417-422 (2010)**

[1] In 2006, back when it was good, NBC's hit show *Heroes* depicted an indestructible cheerleader sticking her hand down a kitchen garbage disposal and mangling it (the hand quickly regenerated). It was an Insinkerator brand garbage disposal, though you might have had to watch the show in slow motion to notice; the

brand name was visible for only a couple of seconds. Emerson Electric, owner of the Insinkerator brand, sued NBC, alleging the depiction of its product in an unsavory light was both an act of trademark dilution and was likely to cause consumers to believe Emerson had permitted the use. NBC denied any wrongdoing, but it obscured the Insinkerator name when it released the DVD and Web versions of the episode.[1] And not just television shows but also movies have provoked the ire of trademark owners: Caterpillar sued the makers of the movie Tarzan on the theory that the use of Caterpillar tractors in the movie to bulldoze the forest would cause consumers to think Caterpillar was actually anti-environment,[2] and the makers of *Dickie Roberts: Former Child Star* were sued for trademark infringement for suggesting that the star of the absurdist comedy was injured in a Slip 'N Slide accident.[3] Even museums aren't immune: Pez recently sued the Museum of Pez Memorabilia for displaying an eight-foot Pez dispenser produced by the museum's owners.[4] And forget about using kazoos on your duck tours: Ride the Ducks, a tour company in San Francisco that gives out duck-call kazoos to clients on its ducks, sued Bay Quackers, a competing duck tour company that also facilitated quacking by its clients.[5]

[2] Most of these examples involve threats of suit, and they could be dismissed simply as overreaching by a few aggressive trademark owners. But these threats were not isolated incidents, and they shouldn't be quickly ignored. The recipients of all of these threats, like many others who receive similar objections,[6] knew well that

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[1] *See* Paul R. La Monica, *NBC Sued over 'Heroes' Scene by Garbage Disposal Maker*, CNNMoney.com, Oct. 17, 2006, http:// money.cnn.com/2006/10/17/commentary/mediabiz/index.htm.

[2] Caterpillar Inc. v. Walt Disney Co., 287 F. Supp. 2d 913, 917 (C.D. Ill. 2003)

[3] Wham-O, Inc. v. Paramount Pictures Corp., 286 F. Supp. 2d 1254, 1255-58 (N.D. Cal. 2003).

[4] *Museum Faces Legal Battle over Giant Pez Dispenser*, KTVU.com, July 1, 2009, http://www.ktvu.com/print/19911637/detail.html. The museum was originally called the Pez Museum, but the owners changed the name in response to a previous objection from Pez.

[5] Jesse McKinley, *A Quacking Kazoo Sets Off a Squabble*, N.Y. TIMES, June 3, 2009, at A16. Ducks are open-air amphibious vehicles that can be driven on streets and operated in the water.

[6] The Chilling Effects Clearinghouse collects letters from trademark owners that make aggressive assertions of trademark (and other intellectual property) rights. See Chilling Effects Clearinghouse, http:// www.chillingeffects.org (last visited Sept. 9, 2009). As of February 25, 2009, the Chilling Effects database contained 378 such letters. Among the many specious objections are an objection from the National Pork Board (owner of the trademark "THE OTHER WHITE MEAT") to the operator of a breastfeeding advocacy site called "The Lactivist" for selling T-shirts with the

they had to take the asserted claims seriously because courts have sometimes been persuaded to shut down very similar uses. In 1998, for instance, New Line Productions was set to release a comedy about a beauty pageant that took place at a farm-related fair in Minnesota. New Line called the movie *Dairy Queens* but was forced to change the name to *Drop Dead Gorgeous* after the franchisor of Dairy Queen restaurants obtained a preliminary injunction.[7] The owners of a restaurant called the "Velvet Elvis" were forced to change its name after the estate of Elvis Presley sued for trademark infringement.[8] A humor magazine called Snicker was forced to pull a parody "ad" for a mythical product called "Michelob Oily," not because people thought Michelob was actually selling such a beer (only six percent did[9]), but because a majority of consumers surveyed thought that the magazine needed to receive permission from Anheuser-Busch to run the ad.[10] And Snicker might face more trouble than that; another court enjoined a furniture delivery company from painting its truck to look like a famous candy bar.[11]

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slogan "The Other White Milk," *Pork Board Has a Cow over Slogan Parody*, Chilling Effects Clearinghouse, Jan. 30, 2007, http://www.chillingeffects.org/trademark/notice.cgi?NoticeID=6418; from Kellogg to the registrant of the domain name "evilpoptarts.com," *Kelloggs Poops on Evilpoptarts.com*, Chilling Effects Clearinghouse, June 5, 2006, http://www.chillingeffects.org/acpa/notice.cgi?NoticeID=4377; from Nextel to the registrants of the domain name "nextpimp.com," *Nextel Says "Don't Pimp My Mark"*, Chilling Effects Clearinghouse, June 22, 2005, http://www.chillingeffects.org/acpa/notice.cgi?NoticeID=2322; and from the owners of the Marco Beach Ocean Resort to the operators of "urinal.net," a website that collects pictures of urinals in various public places, for depicting urinals at the Resort and identifying them as such, *Mark Owner Pissed About Urinals*, Chilling Effects Clearinghouse, Jan. 4, 2005, http://www.chillingeffects.org/trademark/notice.cgi?NoticeID=1576.

[7] Am. Dairy Queen Corp. v. New Line Prods., Inc., 35 F. Supp. 2d 727, 728 (D. Minn. 1998).

[8] Elvis Presley Enters., Inc. v. Capece, 141 F.3d 188 (5th Cir. 1998)

[9] Anheuser-Busch, Inc. v. Balducci Publ'ns, 28 F.3d 769, 772-73 (8th Cir. 1994). That any consumers were confused was remarkable, and perhaps a statement about the reliability of consumer confusion surveys rather than the stupidity of 6% of the population.

[10] *Id*.

[11] Hershey Co. v. Art Van Furniture, Inc., No. 08-14463, 2008 WL 4724756 (E.D. Mich. Oct. 24, 2008). Hershey has also sued Reese's Nursery. Complaint at 1, Hershey Chocolate & Confectionery Corp. v. Reese's Nursery and Landscaping, No. 3:09-CV-00017-JPB (N.D. W. Va. Mar. 19, 2009).

[3] The Mutual of Omaha Insurance Company persuaded a court to stop Franklyn Novak from selling T-shirts and other merchandise bearing the phrase "Mutant of Omaha" and depicting a side view of a feather-bonneted, emaciated human head.[12] No one who saw Novak's shirts reasonably could have believed Mutual of Omaha sold the T-shirts, but the court was impressed by evidence that approximately ten percent of all the persons surveyed thought that Mutual of Omaha "[went] along" with Novak's products.[13] The creators of Godzilla successfully prevented the author of a book about Godzilla from titling the book *Godzilla*, despite clear indications on both the front and back covers that the book was not authorized by the creators.[14]

[4] The Heisman Trophy Trust prevented a T-shirt company called Smack Apparel from selling T-shirts that used variations of the word HEISMAN, such as "HE.IS.the.MAN," to promote particular players for the Heisman Trophy.[15] This was not Smack Apparel's first trademark lesson: a court previously ordered it to stop selling T-shirts that used university colors and made oblique references to those universities' football teams because the court believed the designs created "a link in the consumer's mind between the T-shirts and the Universities" and demonstrated that Smack Apparel "inten[ded] to directly profit [from that link]."[16] Respect Sportswear was denied registration of "RATED R SPORTSWEAR" for men's and women's clothing on the ground that consumers would be confused into thinking the Motion Picture Association of America sponsored the clothes.[17] A street musician who plays guitar in New York while (nearly) naked was permitted to pursue his claim against Mars on the theory consumers would assume he sponsored M&Ms candies, since Mars advertised M&Ms with a (naked) blue M&M playing a

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[12] Mutual of Omaha Ins. Co. v. Novak, 836 F.2d 397, 397 (8th Cir. 1987).

[13] *Id*. at 400.

[14] See Toho Co. v. William Morrow & Co., 33 F. Supp. 2d 1206, 1206, 1212 (C.D. Cal. 1998).

[15] Heisman Trophy Trust v. Smack Apparel Co., No. 08 Civ. 9153(VM), 2009 WL 2170352, at *5 (S.D.N.Y. July 17, 2009). Smack Apparel produced several such T-shirts, including one that substituted the number 15 for "IS" in the word HEISMAN and was printed in the colors of the University of Florida, clearly to promote Florida quarterback Tim Tebow's candidacy. *See* Smack Apparel Lawsuit, LSU Tiger Tailer Newsletter (LSU Trademark Licensing, Baton Rouge, La.), Jan. 30, 2009, at 6.

[16] Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co., 550 F.3d 465, 484 (5th Cir. 2008).

[17] Motion Picture Ass'n of Am. Inc. v. Respect Sportswear Inc., 83 U.S.P.Q.2d (BNA) 1555, 1564 (T.T.A.B. 2007).

guitar.[18] A legitimate reseller of dietary supplements lost its motion for summary judgment in a suit by the supplements' brand owner because the court concluded the reseller might have confused consumers into thinking it was affiliated with the brand owner when it purchased ad space on Google and truthfully advertised the availability of the supplements.[19] Amoco persuaded a court that consumers might believe it sponsored Rainbow Snow's sno-cones, mostly because Rainbow Snow's shops were located in the same area as some of Amoco's Rainbo gas stations.[20] The National Football League successfully sued the state of Delaware for running a lottery based on point spreads in NFL games, even though the Lottery never used the NFL name or any of its marks for the purpose of identifying or advertising its games.[21] The court was persuaded that the betting cards' references to NFL football games by the names of the cities whose teams were playing might cause consumers to believe the NFL sponsored the lottery game.[22] And the owners of a Texas golf

[18] Burck v. Mars, Inc., 571 F. Supp. 2d 446 (S.D.N.Y. 2008) (denying Mars' motion to dismiss plaintiff's false endorsement claim).

[19] Standard Process, Inc. v. Total Health Discount, Inc., 559 F. Supp. 2d 932, 941 (E.D. Wis. 2008).

[20] Amoco Oil Co. v. Rainbow Snow, 748 F.2d 556, 559 (10th Cir. 1984). Rainbow Snow sold its snow cones from fourteen round, ten-by-six-foot booths, which were blue with a 180-degree, red-orange-yellow-green rainbow appearing on the upper half of the face of the booth and prominently displayed the name "Rainbow Snow" in white letters below the rainbow. Id. at 557. Signs at Amoco's Rainbo gas stations displayed the word "Rainbo" in white, with the word appearing against a black background and below a red-orange-yellow-blue truncated rainbow logo. *Id*.

[21] NFL v. Governor of Del., 435 F. Supp. 1372, 1376, 1380-81 (D. Del. 1977). The lottery game was called "Scoreboard" and the individual games were identified as "Football Bonus," "Touchdown," and "Touchdown II." *Id*. at 1380.

[22] The cards on which the customers of the Delaware Lottery marked their betting choices identified the next week's NFL football games by the names of the cities whose NFL teams were scheduled to compete against each other (e.g., Washington v. Baltimore). *Id*. The parties stipulated that, in the context in which they appeared, these geographic names were intended to refer to, and consumers understood them to refer to, particular NFL football teams. Id. This was enough for the court to find sponsorship or affiliation confusion because, "[a]pparently, in this day and age when professional sports teams franchise pennants, teeshirts, helmets, drinking glasses and a wide range of other products, a substantial number of people believe, if not told otherwise, that one cannot conduct an enterprise of this kind without NFL approval." *Id*. at 1381. The court therefore entered a limited injunction "requiring the Lottery Director to include on Scoreboard tickets, advertising and any other materials prepared for public distribution a clear and conspicuous statement

course that replicated famous golf holes from around the world were forced to change their course because one of the holes was, in the view of the Fifth Circuit, too similar to the corresponding South Carolina golf hole it mimicked.[23]

[5] Whatever fraction of the total universe of trademark cases these cases constitute, there are enough of them that recipients of cease and desist letters from mark owners have to take the objections seriously. Indeed many simply cave in and change their practices rather than face the uncertainty of a lawsuit. The producers of the TV show *Felicity* changed the name of the university attended by characters on the show after New York University, the school originally referenced, objected to the depiction of those students as sexually active.[24] The producers of a movie originally titled *Stealing Stanford* changed the title of their movie after Stanford University objected to the movie's storyline, which centered on a student who stole money to pay tuition.[25] It's possible that the producers of the show and the movie would have had legitimate defenses had they decided to use the real universities' names despite the objections, but in light of the case law outlined above, neither was willing to defend its right to refer to real places in their fictional storylines.[26] And anecdotes like these are becoming depressingly common. Production of the film *Moneyball*, which was based on Michael Lewis's best-selling profile of Oakland Athletics General Manager Billy Beane, was halted just days before shooting was set to begin in part because Major League Baseball disapproved of the script's depiction of baseball and therefore objected to use of its trademarks in the film.[27] Apparently Major League Baseball believes it can control the content of any film that refers to real baseball teams.

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that Scoreboard [was] not associated with or authorized by the National Football League." *Id*.

[23] Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 526 (5th Cir. 1998).

[24] Sara Lipka, *PG-13? Not This College. Or That One. Or ...*, CHRON. HIGHER EDUC., June 26, 2009, at 1; William McGeveran, *Trademarks, Movies, and the Clearance Culture*, Info/Law, July 2, 2009, http://blogs.law.harvard.edu/infolaw/2009/07/02/tm-movie-clearance/.

[25] McGeveran, *supra*. Apparently Harvard was less troubled about a student being depicted as having stolen money to pay its tuition: the movie was retitled *Stealing Harvard*.

[26] *See also* Vince Horiuchi, *HBO Disputes Trademark Infringement in 'Big Love*,' SALT LAKE TRIB., July 8, 2009 (discussing a lawsuit filed by the University of Utah over the three-second depiction of a fictional research report bearing the University of Utah logo).

[27] Michael Cieply, *Despite Big Names, Prestige Film Falls Through*, N.Y. TIMES, July 2, 2009, at B1.

[6] What unifies all the cases that have given these creators such pause is that courts found actionable confusion notwithstanding the fact that consumers couldn't possibly have been confused about the actual source of the defendants' products….

Though many of the examples provided in the Lemley & McKenna excerpt evidence severe overreach by trademark owners, there are of course counterexamples in which most would agree that trademark owners should have every right to seek to prevent association or affiliation confusion. For example, consumers might care strongly about whether a company is truthfully declaring itself to be an "Official Sponsor of the U.S. Olympic Team" or an "Official Sponsor of the United States Women's National Team".

In the following case, *Board of Supervisors for Louisiana State University Agricultural & Mechanical College v. Smack Apparel Co*., 550 F.3d 465 (5th Cir. 2008), parts of which were excerpted in Part I.A.1.b, the Fifth Circuit addressed the argument that consumers do not care if the merchandise they purchase is authorized. The plaintiffs Louisiana State University, the University of Oklahoma, Ohio State University, the University of Southern California, and Collegiate Licensing Company (the official licensing agent for the universities) brought suit against defendant Smack Apparel for its unauthorized sale of apparel bearing the universities' colors and various printed messages associated with the universities. The Eastern District of Louisiana granted the plaintiffs' motion for summary judgment on the issue of trademark infringement. The Fifth Circuit affirmed. Excerpted here is the Fifth Circuit's discussion of consumers' preference, in certain situations, for authorized merchandise.

Note that the apparel at issue, examples of which are given below, did not bear the universities' full names or mascots.

Board of Supervisors for Louisiana State University Agricultural & Mechanical College v. Smack Apparel Co.
550 F.3d 465, 484-485 (5th Cir. 2008)

REAVLEY, Circuit Judge:

…

[1] Smack contends that there is no evidence that consumers care one way or the other whether t-shirts purchased for wear at a football game are officially licensed and that, absent evidence that consumers prefer licensed merchandise, it was error for the district court to conclude there was a likelihood of confusion. Smack relies in part on our decision in *Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Company,* 676 F.2d 1079 (5th Cir.1982).The context of that case is different from the instant case.

[2] In *Rainbow for Girls,* a fraternal organization and its official jeweler sued a retailer for trademark infringement based on the retailer's sale of jewelry bearing the organization's registered mark. Purchasers in the fraternal-organization jewelry market bought jewelry to show membership and status in the organization. *Id.* at 1084. We upheld the district court's finding of no likelihood of confusion, concluding that "[t]he fact that purchasers purchased Rainbow jewelry as a direct result of the presence of the Rainbow emblem does not compel the conclusion that they did so believing that the jewelry was in any way endorsed, sponsored, approved or otherwise associated with Rainbow, *given the court's findings.*" *Id.* (emphasis added). The district court had held that there was no historic custom or practice specific to Rainbow jewelry or to the fraternal jewelry industry that Rainbow jewelry could be manufactured only with Rainbow's sponsorship or approval. *Id.* at 1083. Instead, the court noted that fraternal organizations exercised little control over the manufacture of jewelry bearing their emblems. *Id*. Furthermore, the court had held that because Rainbow's "official jeweler" was itself well-advertised and used its own distinctive mark on the jewelry, any jewelry without that distinctive mark could not cause confusion. *Id*. We noted that the district court's findings distinguished the case from our decision in *Boston Professional Hockey Association v. Dallas Cap & Emblem Manufacturing. Id.*

[3] In *Boston Hockey,* we held that the defendant infringed the plaintiff's trademark rights by selling embroidered patches containing the emblems of professional hockey teams. 510 F.2d 1004 (5th Cir.1975). There, the emblems were sold for use by the public to show "allegiance to or identification with the teams." *Id.* at 1011. We held that the likelihood of confusion requirement was met because the defendant duplicated and sold the emblems "knowing that the public would identify them as being the teams' trademarks" and because the public's "certain knowledge

... that the source and origin of the trademark symbols were in plaintiffs satisfies the requirements of the act." *Id.* at 1012.

[4] Subsequently, in *Kentucky Fried Chicken Corporation v. Diversified Packaging Corporation*, we recognized that *Boston Hockey* might be read to dispose of the confusion issue when buyers undoubtedly know that the plaintiff is the source and origin of a mark. 549 F.2d 368, 389 (5th Cir.1977). We reiterated that a showing of likelihood of confusion was still required. *Id*. But we noted that the circumstances in *Boston Hockey* supported the likelihood of confusion there insofar as the sale of products "universally associated" with the hockey team "supported the inescapable inference that many would believe that the product itself originated with or was somehow endorsed by Boston Hockey." *Id*. In *Rainbow for Girls,* the district court opinion, which we upheld, also recognized in reference to *Boston Hockey* that "'(i)t is not unreasonable to conclude, given the degree to which sports emblems are used to advertise teams and endorse products, that a consumer seeing the emblem or name of a team on or associated with a good or service would assume some sort of sponsorship or association between the product's seller and the team.'" *Rainbow for Girls*, 676 F.2d at 1085.

[5] We agree with this reasoning as applied to this case, which is more like *Boston Hockey* than *Rainbow for Girls.* We hold that given the record in this case and the digits of confusion analysis discussed above—including the overwhelming similarity between the defendant's t-shirts and the Universities' licensed products, and the defendant's admitted intent to create an association with the plaintiffs and to influence consumers in calling the plaintiffs to mind—that the inescapable conclusion is that many consumers would likely be confused and believe that Smack's t-shirts were sponsored or endorsed by the Universities. The Universities exercise stringent control over the use of their marks on apparel through their licensing program. It is also undisputed that the Universities annually sell millions of dollars worth of licensed apparel. We further recognize the public's indisputable desire to associate with college sports teams by wearing team-related apparel. We are not persuaded that simply because some consumers might not care whether Smack's shirts are officially licensed the likelihood of confusion is negated. Whether or not a consumer *cares* about official sponsorship is a different question from whether that consumer would likely *believe* the product is officially sponsored. For the foregoing reasons, we conclude that a likelihood of confusion connecting the presence of the Universities' marks and the Universities' themselves was demonstrated in this case.

Questions and Comments

1. *Materiality and Consumer Confusion*. How might courts constrain the enormous expansion of "sponsorship or affiliation" confusion? Lemley & McKenna:

> [W]e argue that courts can begin to rein in some of these excesses by focusing their attention on confusion that is actually relevant to

> purchasing decisions. Uses of a trademark that cause confusion about actual source or about responsibility for quality will often impact purchasing decisions, so courts should presume materiality and impose liability when there is evidence such confusion is likely. Uses alleged to cause confusion about more nebulous relationships, on the other hand, are more analogous to false advertising claims, and those uses should be actionable only when a plaintiff can prove the alleged confusion is material to consumers' decision making.

Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 416.

2. *The "Circularity" Problem in Trademark Law*. Trademark commentators have long identified a fundamental problem with basing the subject matter and scope of trademark rights on consumer perception. The problem is that consumer perception is itself based at least in part on what the law allows to occur in the marketplace—and even more problematically, on what consumers *think* the law allows to occur in the marketplace. McCarthy explains:

> Th[e] reality of modern brand extensions raises the "circularity" question. If consumers think that most uses of a trademark require authorization, then in fact they will require authorization because the owner can enjoin consumer confusion caused by unpermitted uses or charge for licenses. And if owners can sue to stop unauthorized uses, then only authorized uses will be seen by consumers, creating or reinforcing their perception that authorization is necessary. This is a "chicken and the egg" conundrum. Which comes first? The trademark right on far-flung items or the license? Licensing itself may affect consumer perception if consumers see a plethora of items with the mark perhaps accompanied by an "authorized by" label.

MCCARTHY § 24:9. *See also* Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1708 (1999) ("Ironically, having accepted the merchandising rationale for certain sorts of trademarks, we may find it hard to undo. It is possible that consumers have come to expect that "Dallas Cowboys" caps are licensed by the Cowboys, not because they serve a trademark function, but simply because the law has recently required such a relationship. If this expectation exits, consumers may be confused if the law changes."); Robert C. Denicola, *Freedom to Copy*, 108 YALE L.J. 1661, 1668 (1999).

5. Initial Interest Confusion

Virgin Enterprises focused on "point of sale" confusion, i.e., consumer confusion as to source at the moment when the consumer purchases the defendant's goods or services. We turn now to other modes of confusion. We consider first "initial interest confusion," which describes consumer confusion as to source *before* the consumer makes a purchasing decision. We do so in the context of online shopping on Amazon.com's website.

In reading through the majority opinion and dissent below, consider the extent to which trademark law should be not merely reactive to consumer conduct (i.e., merely *descriptive* of actual consumer conduct), but also normative with respect to consumer conduct (i.e., affirmatively *prescriptive* of proper consumer conduct). In other words, on the following facts, should trademark law allow some degree of confusion in the short term so that consumers can learn in the long term not to be confused by Amazon.com's conduct? Should trademark law seek over time to change consumers' habits in how they might interpret shopping websites or other shopping venues? Are federal judges and federal trademark litigation properly suited to this task?

Note also that in the following case, the dissenter, Judge Bea, originally authored the majority opinion, which was issued on July 6, 2015, with Judge Silverman dissenting. The third panelist, Judge Quist, then switched his vote. The panel issued a superseding opinion, with Judge Silverman writing for the majority. Did Judge Quist make the right decision?

Multi Time Machine v. Amazon.com
804 F.3d 930 (9th Cir. Oct. 21, 2015), *superseding* 792 F.3d 1070 (9th Cir. July 6, 2015)

SILVERMAN, Circuit Judge:

[1] In the present appeal, we must decide whether the following scenario constitutes trademark infringement: A customer goes online to Amazon.com looking for a certain military-style wristwatch—specifically the "MTM Special Ops"—marketed and manufactured by Plaintiff Multi Time Machine, Inc. The customer types "mtm special ops" in the search box and presses "enter." Because Amazon does not sell the MTM Special Ops watch, what the search produces is a list, with photographs, of several other brands of military style watches that Amazon *does* carry, specifically identified by their brand names—Luminox, Chase–Durer, TAWATEC, and Modus.

[2] MTM brought suit alleging that Amazon's response to a search for the MTM Special Ops watch on its website is trademark infringement in violation of the Lanham Act. MTM contends that Amazon's search results page creates a likelihood of confusion, even though there is no evidence of any actual confusion and even though the other brands are clearly identified by name. The district court granted summary judgment in favor of Amazon, and MTM now appeals.

[3] We affirm. "The core element of trademark infringement" is whether the defendant's conduct "is likely to confuse customers about the source of the products." *E. & J. Gallo Winery v. Gallo Cattle Co.,* 967 F.2d 1280, 1290 (9th Cir.1992). Because Amazon's search results page clearly labels the name and manufacturer of each product offered for sale and even includes photographs of the items, no reasonably prudent consumer accustomed to shopping online would likely be

confused as to the source of the products. Thus, summary judgment of MTM's trademark claims was proper.

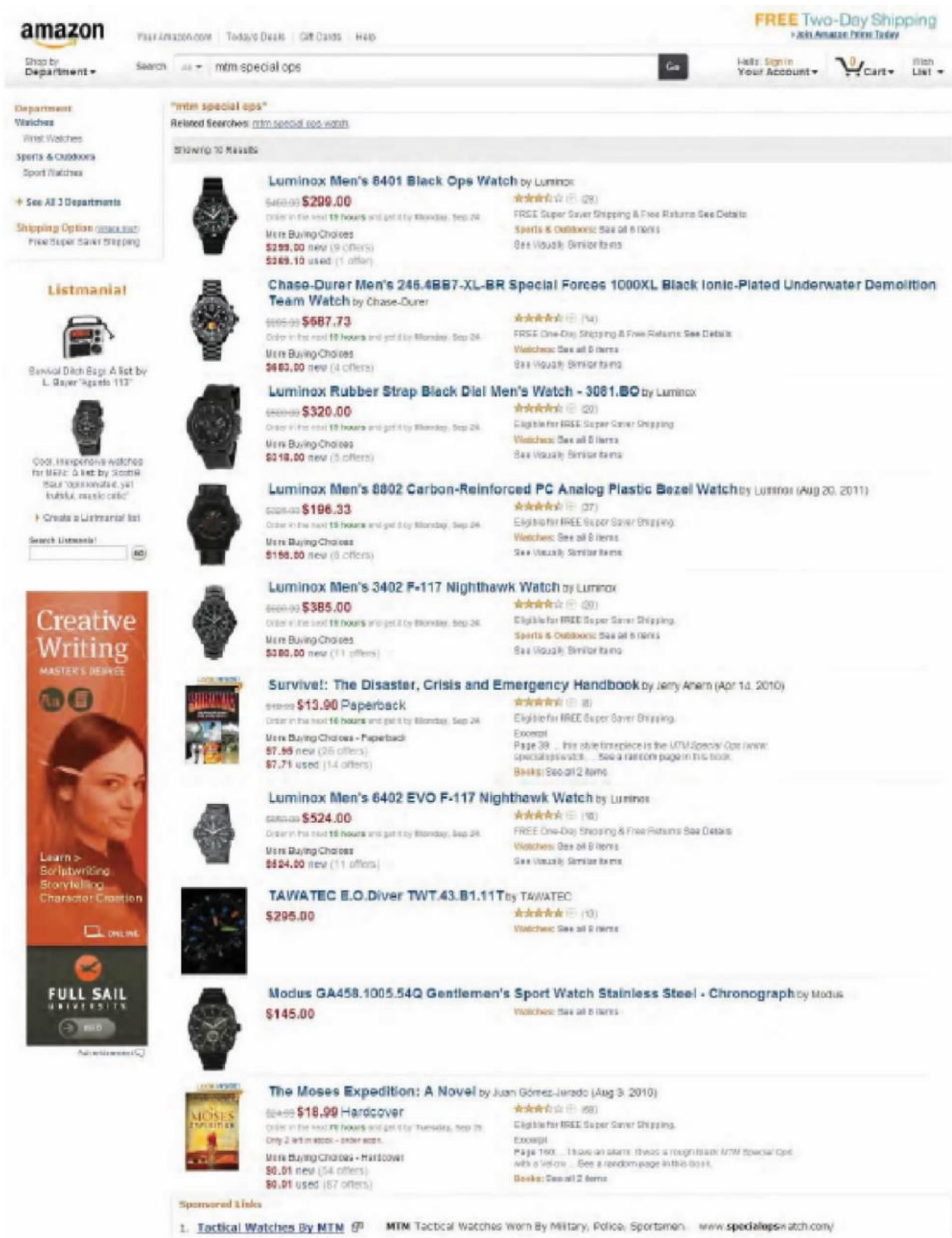
I. Factual and Procedural Background

[4] MTM manufactures and markets watches under various brand names including MTM, MTM Special Ops, and MTM Military Ops. MTM holds the federally registered trademark "MTM Special Ops" for timepieces. MTM sells its watches directly to its customers and through various retailers. To cultivate and maintain an image as a high-end, exclusive brand, MTM does not sell its watches through Amazon.com. Further, MTM does not authorize its distributors, whose agreements require them to seek MTM's permission to sell MTM's products anywhere but their own retail sites, to sell MTM watches on Amazon.com. Therefore, MTM watches have never been available for sale on Amazon.com.

[5] Amazon is an online retailer that purports to offer "Earth's Biggest Selection of products." Amazon has designed its website to enable millions of unique products to be sold by both Amazon and third party sellers across dozens of product categories.

[6] Consumers who wish to shop for products on Amazon's website can utilize Amazon's search function…. In order to provide search results in which the consumer is most likely to be interested, Amazon's search function does not simply match the words in the user's query to words in a document, such as a product description in Amazon.com's catalog. Rather, Amazon's search function—like general purpose web search engines such as Google or Bing—employs a variety of techniques, including some that rely on user behavior, to produce relevant results. By going beyond exactly matching a user's query to text describing a product, Amazon's search function can provide consumers with relevant results that would otherwise be overlooked.

[7] Consumers who go onto Amazon.com and search for the term "mtm special ops" are directed to a search results page. On the search results page, the search query used—here, "mtm special ops"—is displayed twice: in the search query box and directly below the search query box in what is termed a "breadcrumb." The breadcrumb displays the original query, "mtm special ops," in quotation marks to provide a trail for the consumer to follow back to the original search. Directly below the breadcrumb, is a "Related Searches" field, which provides the consumer with alternative search queries in case the consumer is dissatisfied with the results of the original search. Here, the Related Search that is suggested to the consumer is: "mtm special ops watch." Directly below the "Related Searches" field is a gray bar containing the text "Showing 10 Results." Then, directly below the gray bar is Amazon's product listings. The gray bar separates the product listings from the breadcrumb and the "Related Searches" field. The particular search results page at issue is displayed below:



MTM watches are not listed on the page for the simple reason that neither Amazon nor MTM sells MTM watches on Amazon.

[8] MTM filed a complaint against Amazon, alleging that Amazon's search results page infringes MTM's trademarks in violation of the Lanham Act. Amazon filed a motion for summary judgment, arguing that (1) it is not using MTM's mark in commerce and (2) there is no likelihood of consumer confusion. In ruling on Amazon's motion for summary judgment, the district court declined to resolve the issue of whether Amazon is using MTM's mark in commerce, and, instead, addressed the issue of likelihood of confusion. In evaluating likelihood of confusion, the district

court utilized the eight-factor test set forth in *AMF Inc. v. Sleekcraft Boats,* 599 F.2d 341 (9th Cir.1979). Relying on our recent decision in *Network Automation, Inc. v. Advanced Systems Concepts,* 638 F.3d 1137 (9th Cir.2011), the district court focused in particular on the following factors: (1) the strength of MTM's mark; (2) the evidence of actual confusion and the evidence of no confusion; (3) the type of goods and degree of care likely to be exercised by the purchaser; and (4) the appearance of the product listings and the surrounding context on the screen displaying the results page. Upon reviewing the factors, the district court concluded that the relevant *Sleekcraft* factors established "that there is no likelihood of confusion in Amazon's use of MTM's trademarks in its search engine or display of search results." Therefore, the district court granted Amazon's motion for summary judgment.

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III. Discussion

…

[9] Here, the district court was correct in ruling that there is no likelihood of confusion. Amazon is responding to a customer's inquiry about a brand it does not carry by doing no more than stating clearly (and showing pictures of) what brands it does carry. To whatever extent the *Sleekcraft* factors apply in a case such as this—a merchant responding to a request for a particular brand it does not sell by offering other brands clearly identified as such—the undisputed evidence shows that confusion on the part of the inquiring buyer is not at all likely. Not only are the other brands clearly labeled and accompanied by photographs, there is no evidence of actual confusion by anyone.

[10] To analyze likelihood of confusion, we utilize the eight-factor test set forth in *Sleekcraft*…. [T]he *Sleekcraft* factors are not exhaustive and other variables may come into play depending on the particular facts presented. *Network Automation,* 638 F.3d at 1145–46. This is particularly true in the Internet context. *See Brookfield,* 174 F.3d at 1054 ("We must be acutely aware of excessive rigidity when applying the law in the Internet context; emerging technologies require a flexible approach."). Indeed, in evaluating claims of trademark infringement in cases involving Internet search engines, we have found particularly important an additional factor that is outside of the eight-factor *Sleekcraft* test: "the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page." *Network Automation,* 638 F.3d at 1154.

[11] In the present case, the eight-factor *Sleekcraft* test is not particularly apt. This is not surprising as the *Sleekcraft* test was developed for a different problem—i.e., for analyzing whether two competing brands' *marks* are sufficiently similar to cause consumer confusion. *See Sleekcraft,* 599 F.2d at 348. Although the present case involves *brands* that compete with MTM, such as Luminox, Chase–Durer, TAWATEC, and Modus, MTM does not contend that the *marks* for these competing brands are similar to its trademarks. Rather, MTM argues that the design of

Amazon's search results page creates a likelihood of initial interest confusion[1] because when a customer searches for MTM Special Ops watches on Amazon.com, the search results page displays the search term used—here, "mtm special ops"—followed by a display of numerous watches manufactured by MTM's competitors and offered for sale by Amazon, without explicitly informing the customer that Amazon does not carry MTM watches.

[12] Thus, the present case focuses on a different type of confusion than was at issue in *Sleekcraft.* Here, the confusion is not caused by the design of the competitor's mark, but by the design of the web page that is displaying the competing mark and offering the competing products for sale. *Sleekcraft* aside, the ultimate test for determining likelihood of confusion is whether a "reasonably prudent consumer" in the marketplace is likely to be confused as to the origin of the goods. *Dreamwerks,* 142 F.3d at 1129. Our case can be resolved simply by a evaluation of the web page at issue and the relevant consumer. *Cf. Brookfield,* 174 F.3d at 1054 ("[I]t is often possible to reach a conclusion with respect to likelihood of confusion after considering only a subset of the factors."). Indeed, we have previously noted that "[i]n the keyword advertising context [i.e., where a user performs a search on the internet, and based on the keywords contained in the search, the resulting web page displays certain advertisements containing products or services for sale,] the 'likelihood of confusion will ultimately turn on what the consumer saw on the screen and reasonably believed, given the context.'" *Network Automation,* 638 F.3d at 1153. In other words, the case will turn on the answers to the following two questions: (1) Who is the relevant reasonable consumer?; and (2) What would he reasonably believe based on what he saw on the screen?

[13] Turning to the first question, we have explained that "[t]he nature of the goods and the type of consumer is highly relevant to determining the likelihood of confusion in the keyword advertising context." *Network Automation,* 638 F.3d at 1152. "In evaluating this factor, we consider 'the typical buyer exercising ordinary caution.'" *Au–Tomotive Gold, Inc. v. Volkswagen of Am., Inc.,* 457 F.3d 1062, 1076 (9th

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[1] "Initial interest confusion is customer confusion that creates initial interest in a competitor's product. Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement." *Playboy Enters. v. Netscape Commc'ns Corp.,* 354 F.3d 1020, 1025 (9th Cir.2004).

Following the issuance of the original opinion in this action, several amici filed briefs questioning the validity of the doctrine of initial interest confusion in the context of the Internet. However, in the present appeal, the parties did not dispute the application of the doctrine of initial interest confusion, and we as a three-judge panel are bound by the precedent of our court. *See Miller v. Gammie,* 335 F.3d 889, 899 (9th Cir.2003) ("[A] three-judge panel may not overrule a prior decision of the court.").

Cir.2006) (quoting *Sleekcraft,* 599 F.2d at 353). "Confusion is less likely where buyers exercise care and precision in their purchases, such as for expensive or sophisticated items." *Id.* Moreover, "the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace." *Network Automation,* 638 F.3d at 1152.

[14] The goods in the present case are expensive. It is undisputed that the watches at issue sell for several hundred dollars. Therefore, the relevant consumer in the present case "is a reasonably prudent consumer accustomed to shopping online." *Toyota Motor Sales, U.S.A., Inc. v. Tabari,* 610 F.3d 1171, 1176 (9th Cir.2010).

[15] Turning to the second question, as MTM itself asserts, the labeling and appearance of the products for sale on Amazon's web page is the most important factor in this case. This is because we have previously noted that clear labeling can eliminate the likelihood of initial interest confusion in cases involving Internet search terms… MTM agrees that summary judgment of its trademark claims is appropriate if there is clear labeling that avoids likely confusion.

[16] Here, the products at issue are clearly labeled by Amazon to avoid any likelihood of initial interest confusion by a reasonably prudent consumer accustomed to online shopping. When a shopper goes to Amazon's website and searches for a product using MTM's trademark "mtm special ops," the resulting page displays several products, all of which are clearly labeled with the product's name and manufacturer in large, bright, bold letters and includes a photograph of the item. In fact, the manufacturer's name is listed twice. For example, the first result is "**Luminox Men's 8401 Black Ops Watch** by Luminox." The second result is "**Chase–Durer Men's 246.4BB7–XL–BR Special Forces 1000XL Black Ionic–Plated Underwater Demolition Team Watch** by Chase–Durer." Because Amazon clearly labels each of the products for sale by brand name and model number accompanied by a photograph of the item, it is unreasonable to suppose that the reasonably prudent consumer accustomed to shopping online would be confused about the source of the goods.

[17] MTM argues that initial interest confusion might occur because Amazon lists the search term used—here the trademarked phrase "mtm special ops"—three times at the top of the search page. MTM argues that because Amazon lists the search term "mtm special ops" at the top of the page, a consumer might conclude that the products displayed are types of MTM watches. But, merely looking at Amazon's search results page shows that such consumer confusion is highly unlikely. None of these watches is labeled with the word "MTM" or the phrase "Special Ops," let alone the specific phrase "MTM Special Ops." Further, some of the products listed are not even watches. The sixth result is a book entitled "**Survive!: The Disaster, Crisis and Emergency Handbook** by Jerry Ahem." The tenth result is a book entitled "**The Moses Expedition: A Novel** by Juan Gómez–Jurado." No reasonably prudent consumer, accustomed to shopping online or not, would assume that a book entitled "The Moses Expedition" is a type of MTM watch or is in any way

affiliated with MTM watches. Likewise, no reasonably prudent consumer accustomed to shopping online would view Amazon's search results page and conclude that the products offered are MTM watches. It is possible that someone, somewhere might be confused by the search results page. But, "[u]nreasonable, imprudent and inexperienced web-shoppers are not relevant." *Tabari,* 610 F.3d at 1176; *see also Network Automation,* 638 F.3d at 1153 ("[W]e expect consumers searching for expensive products online to be even more sophisticated."). To establish likelihood of confusion, MTM must show that confusion is *likely,* not just *possible. See Murray,* 86 F.3d at 861.

[18] MTM argues that in order to eliminate the likelihood of confusion, Amazon must change its search results page so that it explains to customers that it does not offer MTM watches for sale before suggesting alternative watches to the customer. We disagree. The search results page makes clear to anyone who can read English that Amazon carries only the brands that are clearly and explicitly listed on the web page. The search results page is unambiguous—not unlike when someone walks into a diner, asks for a Coke, and is told "No Coke. Pepsi." *See Multi Time Mach., Inc. v. Amazon.com, Inc.,* 792 F.3d 1070, 1080–81 (9th Cir.2015) (Silverman, J., dissenting).

…

[19] The likelihood of confusion is often a question of fact, but not always. In a case such as this, where a court can conclude that the consumer confusion alleged by the trademark holder is highly unlikely by simply reviewing the product listing/advertisement at issue, summary judgment is appropriate.

[20] Further, we are able to conclude that summary judgment is appropriate in the present case without delving into any factors other than: (1) the type of goods and the degree of care likely to be exercised by the purchaser; and (2) the labeling and appearance of the products for sale and the surrounding context on the screen displaying the results page… However, if we were to evaluate each of the remaining *Sleekcraft factors,* those factors would not change our conclusion, here, because those factors are either neutral or unimportant….

IV. Conclusion

[21] In light of Amazon's clear labeling of the products it carries, by brand name and model, accompanied by a photograph of the item, no rational trier of fact could find that a reasonably prudent consumer accustomed to shopping online would likely be confused by the Amazon search results. Accordingly, we affirm the district court's grant of summary judgment in favor of Amazon.

BEA, Circuit Judge, dissenting:

[1] Today the panel holds that when it comes to internet commerce, judges, not jurors, decide what labeling may confuse shoppers. In so doing, the court departs from our own trademark precedent and from our summary judgment jurisprudence. Because I believe that an Amazon shopper seeking an MTM watch

might well initially think that the watches Amazon offers for sale when he searches "MTM Special Ops" are affiliated with MTM, I must dissent.

[2] If her brother mentioned MTM Special Ops watches, a frequent internet shopper might try to purchase one for him through her usual internet retail sites, perhaps Overstock.com, Buy.com, and Amazon.com. At Overstock's site, if she typed "MTM special ops," the site would respond "Sorry, your search: 'mtm special ops' returned no results." Similarly, at Buy.com, she would be informed "0 results found. Sorry. Your search for **mtm special ops** did not return an exact match. Please try your search again."

[3] Things are a little different over at "Earth's most customer-centric company," as Amazon styles itself. There, if she were to enter "MTM Special Ops" as her search request on the Amazon website, Amazon would respond with its page showing (1) MTM Special Ops in the search field (2) "MTM Specials Ops" again—in quotation marks—immediately below the search field and (3) yet again in the phrase "Related Searches: *MTM special ops watch,*" (emphasis in original) all before stating "Showing 10 Results." What the website's response will not state is the truth recognized by its competitors: that Amazon does not carry MTM products any more than do Overstock.com or Buy.com. Rather, below the search field, and below the second and third mentions of "MTM Special Ops" noted above, the site will display aesthetically similar, multi-function watches manufactured by MTM's competitors. The shopper will see that Luminox and Chase–Durer watches are offered for sale, in response to her MTM query.[2]

[4] MTM asserts the shopper might be confused into thinking a relationship exists between Luminox and MTM; she may think that MTM was acquired by Luminox, or that MTM manufactures component parts of Luminox watches, for instance. As a result of this initial confusion, MTM asserts, she might look into buying a Luminox watch, rather than junk the quest altogether and seek to buy an MTM watch elsewhere. MTM asserts that Amazon's use of MTM's trademarked name is likely to confuse buyers, who may ultimately buy a competitor's goods.

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[2] As of June 17, 2015, the shopper might be subject to even more confusion if she began her search of Amazon's wares through Google. If she searched Google for "Amazon MTM special ops watch," one of the search results would be a static page on Amazon's website. Amazon's static webpage stated that "At Amazon.com, we not only have a large collection of mtm special ops watch products [which, of course, is flatly untrue], but also a comprehensive set of reviews from our customers. Below we've selected a subset of mtm special ops watch products [a repetition of the untruth] and the corresponding reviews to help you do better research, and choose the product that best suits your needs." Amazon, http://www.amazon.com/gp/feature.html?ie=UTF8&docId=1001909381. Amazon has since removed the page.

[5] MTM may be mistaken. But whether MTM is mistaken is a question that requires a factual determination, one this court does not have authority to make.

[6] By usurping the jury function, the majority today makes new trademark law. When we allow a jury to determine whether there is a likelihood of confusion, as I would, we do not *make* trademark law, because we announce no new principle by which to adjudicate trademark disputes. Today's brief majority opinion accomplishes a great deal: the majority announces a new rule of law, resolves whether "clear labeling" favors Amazon using its own judgment, and, sub silentio, overrules this court's "initial interest confusion" doctrine.

[7] Capturing initial consumer attention has been recognized by our court to be a grounds for finding of infringement of the Lanham Act since 1997…. It may not apply where the competing goods or services are "clearly labeled" such that they cause only mere diversion, but whether such goods or services are clearly labeled so as to prevent a prudent internet shopper's initial confusion depends on the overall function and presentation of the web page. The issue is whether a prudent internet shopper who made the search request and saw the Amazon result—top to bottom—would more likely than not be affected by that "initial interest confusion." That is, an impression—when first shown the results of the requested MTM Special Ops search—that Amazon carries watches that have some connection to MTM, and that those watches are sold under the name Luminox or Chase–Durer. Whether there is likelihood of such initial interest confusion, I submit, is a jury question. Intimations in our case law that initial interest confusion is bad doctrine notwithstanding, it is the law of our circuit, and, I submit, the most fair reading of the Lanham Act.

[8] Tellingly, the majority does not cite to the statutory text, which provides that the nonconsensual use of a registered trademark will infringe where "such use is likely to cause confusion, or cause mistake, or deceive." 15 U.S.C. § 1114(1)(a). The majority reads the statute to contain language that it does not, essentially reading the clause "at point of sale" into the end of § 1114(1)(a). Similarly, the majority reads 15 U.S.C. § 1125 to apply only at point of sale—the majority writes that it is unreasonable to suppose that a reasonably prudent consumer accustomed to shopping online would be confused about the source of the goods where Luminox and Chase–Durer watches are labeled as such, but does not address the possibility that a reasonably prudent consumer might initially assume that those brands enjoyed some affiliation with MTM which, in turn, could cause such a shopper to investigate brands which otherwise would not have been of interest to her.

…

[9] On this record, a jury could infer that users who are confused by the search results are confused as to why MTM products are not listed. There is a question of fact whether users who are confused by the search result will wonder whether a competitor has acquired MTM or is otherwise affiliated with or approved by MTM. *See Brookfield Communications,* 174 F.3d at 1057. This is especially true as to a brand like MTM, as many luxury brands with distinct marks are produced by

manufacturers of lower-priced, better-known brands—just as Honda manufactures Acura automobiles but sells Acura automobiles under a distinct mark that is marketed to wealthier purchasers, and Timex manufactures watches for luxury fashion houses Versace and Salvatore Ferragamo. Like MTM, Luminox manufactures luxury watches, and a customer might think that MTM and Luminox are manufactured by the same parent company. The possibility of initial interest confusion here is likely much higher than if, for instance, a customer using an online grocery website typed "Coke" and only Pepsi products were returned as results. No shopper would think that Pepsi was simply a higher end version of Coke, or that Pepsi had acquired Coke's secret recipe and started selling it under the Pepsi mark.

[10] In any event, even as to expensive goods—for instance, pianos sold under a mark very similar to the famous Steinway and Sons brand's mark—the issue is not that a buyer might buy a piano manufactured by someone other than Steinway thinking that it was a Steinway. The issue is that the defendant's use of the mark would cause initial interest confusion by attracting potential customers' attention to buy the infringing goods because of the trademark holder's hard-won reputation. *Brookfield,* 174 F.3d at 1063 (citing *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons,* 523 F.2d 1331, 1341–42 (2d Cir.1975)).

[11] Assuming arguendo that the majority properly found that Amazon's search results are clearly labeled, the majority extends its factual determinations further by determining that in this case, clear labeling outweighs the other eight factors considered in trademark suits, factors that remain the law of this circuit… [W]here the *Sleekcraft* factors could tip in either direction, there is a jury question…. Simply stating that the *Sleekcraft* factors do not favor the plaintiff, or don't bear on the clarity of the labeling, does not resolve the underlying factual question.

Questions and Comments

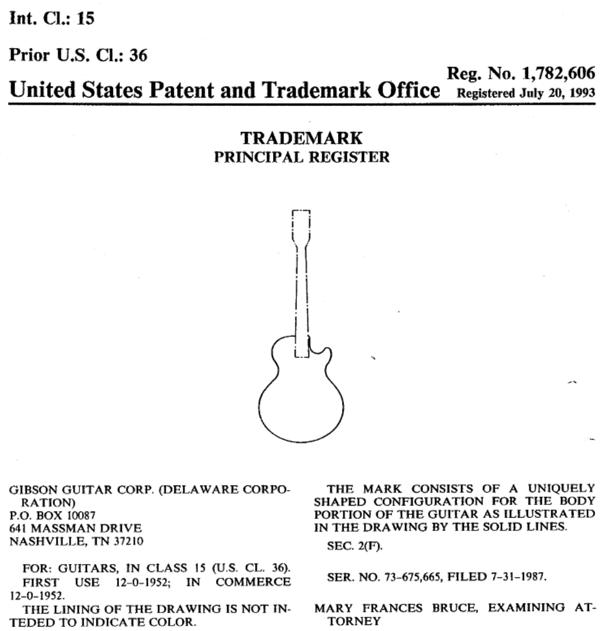
1. *Initial Interest Confusion and Trade Dress*. In *Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP*, 423 F.3d 539 (6th Cir. 2005), Gibson and Paul Reed Smith both manufactured single cutaway guitars, the shape of which is shown below in Gibson's trademark registration for its product configuration. Gibson conceded that there was no likelihood of point-of-sale confusion due to Paul Reed Smith's prominent labelling, but argued that there was a likelihood of initial interest confusion in that consumers would see a PRS single cutaway guitar from across a store and believe it to be a Gibson guitar. The Sixth Circuit declined to apply initial interest confusion to trade dress. It reasoned:

> The potential ramifications of applying this judicially created doctrine to product-shape trademarks are different from the ramifications of applying the doctrine to trademarks on a product's name, a company's name, or a company's logo. *Cf. Versa Prods. Co. v. Bifold Co*., 50 F.3d 189, 201–03, 207, 209, 212–13, 215 (3rd Cir.1995) (discussing the related context of product-configuration trade dress). Specifically, there are

> only a limited number of shapes in which many products can be made. A product may have a shape which is neither functional nor generic (and hence which can be trademarked) but nonetheless is still likely to resemble a competing product when viewed from the far end of a store aisle. Thus, many legitimately competing product shapes are likely to create some initial interest in the competing product due to the competing product's resemblance to the better-known product when viewed from afar. In other words, application of the initial-interest-confusion doctrine to product shapes would allow trademark holders to protect not only the actual product shapes they have trademarked, but also a "penumbra" of more or less similar shapes that would not otherwise qualify for trademark protection.

Id. at 551.

(In ruling in favor of Paul Reed Smith on all surviving claims brought against it, the court ruled that Paul Reed Smith's functionality objection to the validity of Gibson's mark was moot).



Int. Cl.: 15

Prior U.S. Cl.: 36

United States Patent and Trademark Office — **Reg. No. 1,782,606**, Registered July 20, 1993

TRADEMARK
PRINCIPAL REGISTER

GIBSON GUITAR CORP. (DELAWARE CORPORATION)
P.O. BOX 10087
641 MASSMAN DRIVE
NASHVILLE, TN 37210

FOR: GUITARS, IN CLASS 15 (U.S. CL. 36).
FIRST USE 12-0-1952; IN COMMERCE 12-0-1952.
THE LINING OF THE DRAWING IS NOT INTEDED TO INDICATE COLOR.

THE MARK CONSISTS OF A UNIQUELY SHAPED CONFIGURATION FOR THE BODY PORTION OF THE GUITAR AS ILLUSTRATED IN THE DRAWING BY THE SOLID LINES.

SEC. 2(F).

SER. NO. 73-675,665, FILED 7-31-1987.

MARY FRANCES BRUCE, EXAMINING ATTORNEY

2. *Critiquing Initial Interest Confusion*. For a thorough critique of current initial interest confusion doctrine, see Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105 (2005). Rothman observes: "The courts' initial motivation for adopting initial interest confusion was a legitimate effort to prevent baiting and switching practices. However, since then courts have unreasonably stretched the doctrine to cover many

circumstances which should be considered fair competition or which are better addressed by other existing statutes." *Id.* at 113.

6. Post-Sale Confusion

While initial interest confusion addresses the likelihood of confusion before the point of sale, post-sale confusion, as its name suggests, addresses confusion after the point of sale. One of the first cases the recognize some form of post-sale confusion was *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-LeCoultre Watches, Inc.*, 221 F.2d 464 (2d Cir. 1955). In *Mastercrafters*, the declaratory plaintiff Mastercrafters produced an electric clock made to look like the declaratory defendant's prestigious and expensive Atmos table clock, a non-electric clock that wound itself from changes in atmospheric pressure. Mastercrafters sold its clock for about $30; Vacheron sold the Atmos clock for not less than $175 (about $1,500 in today's money). Mastercrafters sought a declaration that its conduct did not constitute unfair competition. Judge Frank held in favor of Vacheron. Though there was no point-of-sale confusion, there was nevertheless unfair competition:

> True, a customer examining plaintiff's clock would see from the electric cord, that it was not an 'atmospheric' clock. But, as the [district] judge found, plaintiff copied the design of the Atmos clock because plaintiff intended to, and did, attract purchasers who wanted a "luxury design" clock. This goes to show at least that some customers would buy plaintiff's cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers' homes would regard as a prestigious article. Plaintiff's wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock. Neither the electric cord attached to, nor the plaintiff's name on, its clock would be likely to come to the attention of such a visitor; the likelihood of such confusion suffices to render plaintiff's conduct actionable.

Id. at 464.

The post-sale confusion theory has been controversial, as the dissent in the following case suggests. In reading through *Ferrari S.P.A. v. Roberts*, 944 F.2d 1235 (6th Cir. 1991), which involves the unauthorized production of "Faurraris", consider the following questions:

- Should courts take into account the confusion as to source of consumers who would never actually purchase the plaintiff's goods (or the defendant's goods for that matter)?
- Should trademark law be used to protect status goods? If not, is it possible to design trademark law in such a way that it will not protect status goods?

Ferrari S.P.A. v. Roberts
944 F.2d 1235 (6th Cir. 1991)

1971 Ferrari 365 GTS4 Daytona Spyder[3]

Ferrari Testarossa

RYAN, Circuit Judge.

[1] This is a trademark infringement action brought pursuant to the Lanham Act, 15 U.S.C. § 1051, *et seq.* The principal issue is whether the district court correctly concluded that plaintiff Ferrari enjoyed unregistered trademark protection in the exterior shape and appearance of two of its automobiles and, if so, whether defendant Roberts' replicas of Ferrari's designs infringed that protection, in violation of section 43(a) of the Lanham Act….

[2] We hold that the district court properly decided all of the issues and, therefore, we shall affirm.

[3] http://blog.hemmings.com/index.php/tag/ferrari-365-gts4-daytona-spyder/

I. The Facts

[3] Ferrari is the world famous designer and manufacturer of racing automobiles and upscale sports cars. Between 1969 and 1973, Ferrari produced the 365 GTB/4 Daytona. Because Ferrari intentionally limits production of its cars in order to create an image of exclusivity, only 1400 Daytonas were built; of these, only 100 were originally built as Spyders, soft-top convertibles. Daytona Spyders currently sell for one to two million dollars. Although Ferrari no longer makes Daytona Spyders, they have continuously produced mechanical parts and body panels, and provided repair service for the cars.

[4] Ferrari began producing a car called the Testarossa in 1984. To date, Ferrari has produced approximately 5000 Testarossas. Production of these cars is also intentionally limited to preserve exclusivity: the entire anticipated production is sold out for the next several years and the waiting period to purchase a Testarossa is approximately five years. A new Testarossa sells for approximately $230,000.

[5] Roberts is engaged in a number of business ventures related to the automobile industry. One enterprise is the manufacture of fiberglass kits that replicate the exterior features of Ferrari's Daytona Spyder and Testarossa automobiles. Roberts' copies are called the Miami Spyder and the Miami Coupe, respectively. The kit is a one-piece body shell molded from reinforced fiberglass. It is usually bolted onto the undercarriage of another automobile such as a Chevrolet Corvette or a Pontiac Fiero, called the donor car. Roberts marketed the Miami Spyder primarily through advertising in kit-car magazines. Most of the replicas were sold as kits for about $8,500, although a fully accessorized “turnkey” version was available for about $50,000.

[6] At the time of trial, Roberts had not yet completed a kit-car version of the Miami Coupe, the replica of Ferrari's Testarossa, although he already has two orders for them. He originally built the Miami Coupe for the producers of the television program “Miami Vice” to be used as a stunt car in place of the more expensive Ferrari Testarossa.

[7] The district court found, and it is not disputed, that Ferrari's automobiles and Roberts' replicas are virtually identical in appearance.

[8] Ferrari brought suit against Roberts in March 1988 alleging trademark infringement, in violation of section 43(a) of the Lanham Act, and obtained a preliminary injunction enjoining Roberts from manufacturing the replica cars. The injunction was later amended to permit Roberts to recommence production of the two models.

[9] Five months later, Roberts filed a voluntary petition in bankruptcy. Despite the Chapter 11 proceedings, the bankruptcy court, in a carefully limited order, lifted the automatic stay and permitted Ferrari to continue to prosecute this action. Prior to trial, the district court denied Roberts' request for a jury, and the case was tried to the court resulting in a verdict for Ferrari and a permanent injunction enjoining Roberts from producing the Miami Spyder and the Miami Coupe.

II.

[10] Section 43(a) of the Lanham Act creates a civil cause of action for trademark infringement. In relevant part, section 43(a) provides:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which-
>
> (1) 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....
>
> ....
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

[11] The protection against infringement provided by section 43(a) is not limited to "goods, services or commercial activities" protected by registered trademarks. It extends as well, in certain circumstances, to the unregistered "trade dress" of an article. "Trade dress" refers to "the image and overall appearance of a product." *Allied Mktg. Group, Inc. v. CDL Mktg., Inc.,* 878 F.2d 806, 812 (5th Cir.1989)….

[12] Ferrari's Lanham Act claim in this case is a "trade dress" claim. Ferrari charges, and the district court found, that the unique and distinctive exterior shape and design of the Daytona Spyder and the Testarossa are protected trade dress which Roberts has infringed by copying them and marketing his replicas.

[13] Roberts asserts that there has been no infringement under section 43(a) for a number of reasons: (1) the design of Ferrari's vehicles are protected only under design patent law, *see* 35 U.S.C. § 171, and not the Lanham Act; (2) there is no actionable likelihood of confusion between Ferrari's vehicles and Roberts' replicas at the point of sale; and (3) the "aesthetic functionality doctrine" precludes recovery.

[14] We shall take up each argument in turn.

III.

[15] To prove a violation of section 43(a), Ferrari's burden is to show, by a preponderance of the evidence:

> 1) that the trade dress of Ferrari's vehicles has acquired a "secondary meaning,"
>
> 2) that there is a likelihood of confusion based on the similarity of the exterior shape and design of Ferrari's vehicles and Roberts' replicas, and

> 3) that the appropriated features of Ferrari's trade dress are primarily nonfunctional.

See Kwik-Site Corp. v. Clear View Mfg. Co., Inc., 758 F.2d 167, 178 (6th Cir.1985).

A. Secondary Meaning

…

[16] Ferrari's vehicles would not acquire secondary meaning merely because they are unique designs or because they are aesthetically beautiful. The design must be one that is instantly identified in the mind of the informed viewer as a Ferrari design. The district court found, and we agree, that the unique exterior design and shape of the Ferrari vehicles are their "mark" or "trade dress" which distinguish the vehicles' exterior shapes not simply as distinctively attractive designs, but as Ferrari creations.

[17] We also agree with the district court that Roberts' admission that he intentionally copied Ferrari's design, the survey evidence introduced by Ferrari, and the testimony of [various witnesses] amount to abundant evidence that the exterior design features of the Ferrari vehicles are "trade dress" which have acquired secondary meaning.

…

B. Likelihood of Confusion

1. District Court's Findings

…

[18] The district court found, based upon an evaluation of the eight *Frisch* factors, that the similarity of the exterior design of the Ferrari vehicles and the Roberts replicas was likely to confuse the public. The court noted that while no evidence was offered on two of the factors, evidence of actual confusion and likelihood of expansion of the product lines, two others, marketing channels and purchaser care, favored Roberts and the remaining factors "radically favor[ed] Ferrari." Summarized, the district court's findings on the *Frisch* "likelihood of confusion" factors are as follows:

	Factors	Favor
1.	Strength of the mark	Ferrari
2.	Relatedness of the goods	Ferrari
3.	Similarity of the marks	Ferrari
4.	Evidence of actual confusion	No evidence
5.	Marketing channels used	Roberts
6.	Likely degree of purchaser care	Roberts
7.	Roberts' intent in selecting "mark"	Ferrari

8.	Likelihood of expansion of product lines.	No evidence

[19] Recalling that the claimed mark involved here is the trade dress—the exterior shape and design of the Ferrari vehicles—it is clear that Ferrari's mark is very strong. The strength of the mark is its distinctiveness and Ferrari's designs are unquestionably distinctive. The survey evidence we have discussed, as well as the testimony that the shape of the plaintiff's vehicles "says Ferrari," is evidence of that distinctiveness. Indeed, Roberts' purposeful effort to copy the Ferrari designs is strong circumstantial evidence of the distinctiveness of the originals.

[20] There is no dispute about the relatedness of the goods factor. The products produced by both parties are sports cars.

[21] Likewise, the similarity of the marks—the exterior designs of the vehicles—is indisputable. Ferrari offered survey evidence which showed that 68% of the respondents could not distinguish a photograph of the McBurnie replica, upon which Roberts' Miami Spyder is based, from a photograph of the genuine Ferrari Daytona Spyder. In these photographs, the cars were shown without identifying insignia. Drawings for Roberts' cars show identifying insignia, an "R" on the parking lens and vent window, but the cars produced at the time of trial did not include the "R". Because the survey respondents saw photographs of the McBurnie cars, and because all of the identifying insignia were removed, the survey has limited value in showing the likelihood of confusion between the Roberts and Ferrari vehicles if displayed with identifying emblems. The survey, however, does show that the trade dress of the two car designs, the shapes and exteriors, were quite similar. An examination of the photographs of the cars which are in evidence confirms the striking similarity of the dress of the originals and the replicas. They are virtually indistinguishable.

[22] Finally, Roberts conceded that his intent in replicating the exterior design of Ferrari's vehicles was to market a product that looked as much as possible like a Ferrari original, although Roberts made no claim to his customers that his replicas were Ferraris. "'[The] intent of [a party] in adopting [another's mark] is a critical factor, since if the mark was adopted with the intent of deriving benefit from the reputation of [the plaintiff,] *that fact alone may be sufficient to justify the inference that there is confusing similarity.*'" *Frisch's Restaurants,* 670 F.2d at 648 (emphasis in original) (quoting *Amstar Corp. v. Domino's Pizza, Inc.,* 615 F.2d 252, 263 (5th Cir.), *cert. denied,* 449 U.S. 899, 101 S.Ct. 268, 66 L.Ed.2d 129 (1980)); *see also Mastercrafters,* 221 F.2d at 467. This is especially true in cases, such as this one, where the defendant sold a comparatively cheap imitation of an expensive, exclusive item. As the court in *Rolex Watch* explained:

> By selling the bogus watches, only one inference may be drawn: the Defendants intended to derive benefit from the Plaintiff's reputation. This inference is no less reasonable when weighed against the

> Defendants' assertion that in selling these watches, they did not fail to inform the recipients that they were counterfeits.

Rolex Watch, U.S.A., Inc. v. Canner, 645 F.Supp. 484, 492 (S.D.Fla.1986). Intentional copying, however, is not actionable under the Lanham Act "absent evidence that the copying was done with the intent to derive a benefit from the reputation of another." *Zin-Plas Corp. v. Plumbing Quality AGF Co.,* 622 F.Supp. 415, 420 (W.D.Mich.1985). "Where the copying by one party of another's product is not done to deceive purchasers and thus derive a benefit from another's name and reputation, but rather to avail oneself of a design which is attractive and desirable, a case of unfair competition is not made out." *West Point Mfg.,* 222 F.2d at 586. In this case, where Ferrari's design enjoyed strong secondary meaning and Roberts admitted that he designed his cars to look like Ferrari's, the intent to copy was clear.

[23] We conclude that aside from the presumption of likelihood of confusion that follows from intentional copying, Ferrari produced strong evidence that the public is likely to be confused by the similarity of the exterior design of Ferrari's vehicles and Roberts' replicas.

2. Roberts' Objections

[24] Roberts disagrees with the legal significance of the district court's findings of likelihood of confusion. He argues that for purposes of the Lanham Act, the requisite likelihood of confusion must be confusion at the point of sale—purchaser confusion—and not the confusion of nonpurchasing, casual observers. The evidence is clear that Roberts assured purchasers of his replicas that they were not purchasing Ferraris and that his customers were not confused about what they were buying.

…

b. Confusion at Point of Sale

[25] Roberts argues that his replicas do not violate the Lanham Act because he informed his purchasers that his significantly cheaper cars and kits were not genuine Ferraris and thus there was no confusion at the point of sale. The Lanham Act, however, was intended to do more than protect consumers at the point of sale. When the Lanham Act was enacted in 1946, its protection was limited to the use of marks "likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services." In 1967, Congress deleted this language and broadened the Act's protection to include the use of marks "likely to cause confusion or mistake or to deceive." Thus, Congress intended "to regulate commerce within [its control] by making actionable the deceptive and misleading use of marks in such commerce; [and] ... to protect persons engaged in such commerce against unfair competition...." 15 U.S.C. § 1127. Although, as the dissent points out, Congress rejected an anti-dilution provision when recently amending the Lanham Act, it made no effort to amend or delete this language clearly protecting the confusion of goods *in commerce.* The court in *Rolex Watch* explicitly recognized this concern with regulating commerce:

> The real question before this Court is whether the alleged infringer has placed a product *in commerce* that is "likely to cause confusion, or to cause mistake, or to deceive." ... The fact that an immediate buyer of a $25 counterfeit watch does not entertain any notions that it is the real thing has no place in this analysis. Once a product is injected into commerce, there is no bar to confusion, mistake, or deception occurring at some future point in time.

Rolex Watch, 645 F.Supp. at 492-93 (emphasis in original). The *Rolex Watch* court noted that this interpretation was necessary to protect against the cheapening and dilution of the genuine product, and to protect the manufacturer's reputation. *Id.* at 495; *see also Mastercrafters,* 221 F.2d at 466. As the court explained:

> Individuals examining the counterfeits, believing them to be genuine Rolex watches, might find themselves unimpressed with the quality of the item and consequently be inhibited from purchasing the real time piece. Others who see the watches bearing the Rolex trademarks on so many wrists might find themselves discouraged from acquiring a genuine because the items have become too common place and no longer possess the prestige once associated with them.

Rolex Watch, 645 F.Supp. at 495; *see also Mastercrafters,* 221 F.2d at 466. Such is the damage which could occur here. As the district court explained when deciding whether Roberts' former partner's Ferrari replicas would be confused with Ferrari's cars:

> Ferrari has gained a well-earned reputation for making uniquely designed automobiles of quality and rarity. The DAYTONA SPYDER design is well-known among the relevant public and exclusively and positively associated with Ferrari. If the country is populated with hundreds, if not thousands, of replicas of rare, distinct, and unique vintage cars, obviously they are no longer unique. Even if a person seeing one of these replicas driving down the road is not confused, Ferrari's exclusive association with this design has been diluted and eroded. If the replica Daytona looks cheap or in disrepair, Ferrari's reputation for rarity and quality could be damaged....

Ferrari, 11 U.S.P.Q.2d at 1848. The dissent argues that the Lanham Act requires proof of confusion at the point of sale because the eight factor test used to determine likelihood of confusion focuses on the confusion of the purchaser, not the public. The dissent submits that three of the factors, marketing channels used, likely degree of purchaser care and sophistication, and evidence of actual confusion, specifically relate to purchasers. However, evidence of actual confusion is not limited to purchasers. The survey evidence in this case showed that members of the public, but not necessarily purchasers, were actually confused by the similarity of the products. Moreover, the other five factors, strength of the mark, relatedness of the goods, similarity of the marks, defendant's intent in selecting the mark, and likelihood of product expansion, do not limit the likelihood of confusion test to purchasers.

[26] Since Congress intended to protect the reputation of the manufacturer as well as to protect purchasers, the Act's protection is not limited to confusion at the point of sale. Because Ferrari's reputation in the field could be damaged by the marketing of Roberts' replicas, the district court did not err in permitting recovery despite the absence of point of sale confusion.

…

KENNEDY, Circuit Judge, dissenting.

[27] I respectfully dissent because the majority opinion does more than protect consumers against a likelihood of confusion as to the source of goods; it protects the source of the goods, Ferrari, against plaintiff's copying of its design even if the replication is accompanied by adequate labelling so as to prevent consumer confusion. I believe the majority commits two errors in reaching this result. The majority first misconstrues the scope of protection afforded by the Lanham Act by misapplying the "likelihood of confusion" test and reading an anti-dilution provision into the language of section 43(a). The majority then affirms an injunction that is overbroad….

I. Section 43(a) and Trade Dress Protection

[28] The majority invokes the appropriate test to determine whether protection is available for an unregistered trademark pursuant to section 43(a) of the Lanham Act. *Kwik-Site Corp. v. Clear View Mfg. Co.,* 758 F.2d 167 (6th Cir.1985) (secondary meaning; likelihood of confusion; and nonfunctionality of trade dress). While I agree that Ferrari's designs have acquired secondary meaning and are primarily nonfunctional, I disagree with the majority's construction and application of the likelihood of confusion test and their conclusion that the Lanham Act protects against dilution of a manufacturer's goods.

[29] This Circuit applies an eight-factor test to determine whether relevant consumers in the marketplace will confuse one item with another item. *Frisch's Restaurants, Inc. v. Elby's Big Boy, Inc.,* 670 F.2d 642 (6th Cir.), *cert. denied,* 459 U.S. 916 (1982). The majority correctly points out one purpose this test is *not* designed to accomplish: "Where the copying by one party of another's product is not done to *deceive purchasers* and thus derive a benefit from another's name and reputation, but rather to avail oneself of a design which is attractive and desirable, a case of unfair competition is not made out." *West Point Mfg. v. Detroit Stamping Co.,* 222 F.2d 581, 586 (6th Cir.) (emphasis added), *cert. denied,* 350 U.S. 840 (1955). This passage properly notes that the statute is triggered when a copier attempts to "palm off" his replica as an original. In other words, the protection afforded by the Lanham Act is primarily to potential purchasers. The protection accruing to a producer is derivative of and only incidental to this primary protection: a producer can market his goods with the assurance that another may not market a replica in a manner that

will allow potential purchasers to associate the replica with the producer of the original. Unfortunately, the majority merely pays lip service to this fundamental tenet in its application of the eight-factor test.

[30] The majority never clearly defines the target group that is likely to be confused. Although *West Point* counsels that purchasers must be deceived, the majority concludes that the target group is the "public." The majority errs to the extent that its analysis shifts from potential purchasers to the broader more indefinite group of the "public."

[31] The eight-factor test contemplates that the target group is comprised of potential purchasers. For example, the importance of one factor—evidence of actual confusion—is determined by the kinds of persons confused and degree of confusion. "Short-lived confusion or confusion of individuals casually acquainted with a business is worthy of little weight...." *Homeowners Group, Inc. v. Home Marketing Specialists, Inc.,* 931 F.2d 1100, 1110 (6th Cir.1991) (quoting *Safeway Stores, Inc. v. Safeway Discount Drugs, Inc.,* 675 F.2d 1160, 1167 (11th Cir.1982)). Two other factors obviously refer to potential purchasers: the marketing channels used and the likely degree of purchaser care and sophistication. Thus, three of the eight factors expressly focus on the likelihood of confusion as to potential purchasers.

[32] Other courts have made clear that section 43(a) is concerned with the welfare of potential purchasers in the marketplace. *See Kwik-Site,* 758 F.2d at 178 (referring to "intending purchasers" when discussing likelihood of confusion); *see also Coach Leatherware Co. v. AnnTaylor, Inc.,* 933 F.2d 162, 168 (2d Cir.1991) (stating that plaintiff must prove that "purchasers are likely to confuse the imitating goods with the originals"); *West Point,* 222 F.2d at 592 (referring to "purchasers exercising ordinary care to discover whose products they are buying...." (quoting *Reynolds & Reynolds Co. v. Norick,* 114 F.2d 278 (10th Cir.1940))).

[33] Plaintiff's replicas are not likely to confuse potential purchasers. Plaintiff's vehicles display an "R" on the parking lenses and vent windows. No symbols or logos affiliated with Ferrari are displayed. Roberts informs all purchasers that his product is not affiliated with Ferrari. In light of these distinctions, and the high degree of customer care and sophistication that normally accompanies such a purchase—defendant's vehicles at issue sell for a minimum of $230,000, as well as the distinctly different marketing channels employed by the parties, I find the evidence insufficient to prove a likelihood of confusion by potential purchasers in the marketplace.

[34] To be sure, some courts have expanded the application of the likelihood of confusion test to include individuals other than point-of-sale purchasers. These courts have included potential purchasers who may contemplate a purchase in the future, reasoning that in the pre-sale context an "observer would identify the [product] with the [original manufacturer], and the [original manufacturer]'s reputation would suffer damage if the [product] appeared to be of poor quality." *Polo Fashions, Inc. v. Craftex, Inc.,* 816 F.2d 145, 148 (4th Cir.1987); *see*

Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc., 221 F.2d 464 (2d Cir.), *cert. denied,* 350 U.S. 832 (1955); *Rolex Watch, U.S.A., Inc. v. Canner,* 645 F.Supp. 484 (S.D.Fla.1986).

[35] In applying the test in this manner, these courts appear to recognize that the deception of a consumer under these circumstances could dissuade such a consumer from choosing to buy a particular product, thereby foreclosing the possibility of point-of-sale confusion but nevertheless injuring the consumer based on this confusion. The injury stems from the consumer's erroneous conclusion that the "original" product is poor quality based on his perception of a replica that he thinks is the original. These cases protect a potential purchaser against confusion as to the source of a particular product. Hence, even when expanding the scope of this test, these courts did not lose sight of the focus of section 43(a): the potential purchaser. The majority applies the likelihood of confusion test in a manner which departs from this focus.

[36] The cases which have expanded the scope of the target group are distinguishable from the instant case, however. In *Rolex,* the counterfeit watches were labelled "ROLEX" on their face. Similarly, the *Mastercrafters* court found that the clock was labelled in a manner that was not likely to come to the attention of an individual. It is also noteworthy that the Second Circuit has limited *Mastercrafters* "by pointing out that '[i]n that case there was abundant evidence of actual confusion, palming off and an intent to deceive.'" *Bose Corp. v. Linear Design Labs, Inc.,* 467 F.2d 304, 310 n. 8 (2d Cir.1972) (quoting *Norwich Pharmacal Co. v. Sterling Drug, Inc.,* 271 F.2d 569 (2d Cir.1959), *cert. denied,* 362 U.S. 919 (1960)). No evidence was introduced in the instant case to show actual confusion, palming off or an intent to deceive and, as previously noted, plaintiff does not use any name or logo affiliated with Ferrari on its replicas.

[37] Further, these cases conclude that the proper remedy is to require identification of the source of the replica, not prohibit copying of the product. *See West Point,* 222 F.2d at 589 (stating that under such circumstances "the only obligation of the copier is to identify its product lest the public be mistaken into believing that it was made by the prior patentee"); *see also Coach Leatherware,* 933 F.2d at 173 (Winter, J., dissenting in part) (stating that "[a copier] thus has every right to copy [a product] so long as consumers know they are buying [the copied product]"). Accordingly, even if I were to conclude that plaintiff's copies created confusion in the pre-sale context, I would tailor the remedy to protect only against such confusion; this would best be accomplished through adequate labelling. The majority's remedy goes well beyond protection of consumers against confusion as to a product's source. It protects the design itself from being copied. *See supra* at 1239.

[38] In sum, the relevant focus of the eight-factor test should be upon potential purchasers in the marketplace. Plaintiff's replicas present no likelihood of confusion because plaintiff provides adequate labelling so as to prevent potential purchasers, whether in the pre-sale or point-of-sale context, from confusing its replicas with

Ferrari's automobiles. The majority errs by expanding the target group to include the "public," an expansion unsupported by the language and purpose of the Lanham Act. To the extent that the majority expands the target group, the test increasingly protects the design from replication and the producer from dilution, rather than the potential purchaser from confusion.[4]

[39] The majority does more than implicitly recognize a dilution cause of action by its misapplication of the eight-factor test; it expressly reads such a cause of action into the statute. To justify this interpretation, the majority points out that Congress deleted the word "purchasers" from the statutory language in 1967. According to the majority, this congressional act demonstrates that Congress intended "to protect against the cheapening and dilution of the genuine product, and to protect the manufacturer's reputation." I fail to see how this one congressional act leads to such a conclusion.

[40] As an initial matter, the majority's method of reasoning should compel it to reach a different conclusion. In 1989, Congress specifically considered and rejected adding an anti-dilution provision to the Lanham Act.[5] This action, it can be asserted,

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[4] I also note that the survey relied upon by the majority to prove a likelihood of confusion is fatally flawed. Generally, "[i]n assessing the likelihood of confusion, a court's concern is 'the performance of the marks in the commercial context.'" *Homeowners Group, Inc. v. Home Marketing Specialists, Inc.*, 931 F.2d 1100, 1106 (6th Cir.1991) (quoting *Frisch's Restaurants, Inc. v. Shoney's, Inc.,* 759 F.2d 1261, 1266 (6th Cir.1985)). "It is the overall impression of the mark, not an individual feature, that counts." *Id.* at 1109. Applied to the instant case, this means that the analysis must be based on the products as they appear in the marketplace. The ultimate question is "whether relevant consumers are likely to believe that the products or services offered by the parties are affiliated in some way." *Id.* at 1107.

The survey lacks any probative value on the issue of consumer confusion because of the manner in which it was conducted. The survey was conducted by showing photographs of Ferrari's cars and Roberts' replicas *stripped of their identifying badges.* By conducting the survey in this manner, no assessment could be made of the likelihood of confusion in the "commercial context." Purchasers of plaintiff's cars are not purchasing from photographs. Accordingly, the survey is meaningless as to the likelihood of confusion.

[5] The most recent amendment to the Lanham Act, the Trademark Law Revision Act of 1988, Pub.L. No. 100-667, 102 Stat. 3935 (1988) (effective Nov. 16, 1989), as originally introduced in both houses of Congress, permitted separate causes of action for dilution, disparagement and tarnishment. All of these provisions were deleted from the legislation which eventually was enacted. House Rep. 100-1028 (Oct. 3, 1988), *reprinted in* United States Trademark Ass'n, The Trademark Law Revision Act of 1988, The Legislative History, Reports, Testimony, and Annotated Statutory Text 277, 278 (1989); Cong.Rec. H10411, H10421 (Oct. 19, 1988). [As Part

demonstrates that Congress does not now consider the protection of the Lanham Act to encompass injuries to a manufacturer based on dilution. The majority cannot look to one action of Congress to bolster its position, but ignore other actions which undercut its position.

[41] More importantly, the language of the Lanham Act does not afford such protection to producers of goods. As noted in the previous section, the Lanham Act's protection runs to relevant consumers in the marketplace; its protection to producers is incidental to this primary protection. Requiring adequate labelling ensures that a producer will not have the poor quality of a replica imputed to its product by a confused potential purchaser. This is the only benefit accruing to a producer. Trademark dilution is not a cause of action under the Lanham Act. *See Eveready Battery Co. v. Adolph Coors Co.,* 765 F.Supp. 440 (N.D.Ill.1991).

…

Questions and Comments

1. *Are the Ferrari exterior designs functional*? The district court found that they were not and the Sixth Circuit affirmed:

> The district court found that Ferrari proved, by a preponderance of the evidence, that the exterior shapes and features of the Daytona Spyder and Testarossa were nonfunctional. The court based this conclusion on the uncontroverted testimony of Angelo Bellei, who developed Ferrari's grand touring cars from 1964-75, that the company chose the exterior designs for beauty and distinctiveness, not utility.

Ferrari S.P.A., 944 F.2d at 1246.

7. Reverse Confusion

Consider a quick example of a claim of "reverse confusion." In *Dreamwerks Production, Inc. v. SKG Studio*, 142 F.3d 1127 (9th Cir. 1998), the plaintiff had been using the mark DREAMWERKS since 1984 in connection with services for organizing science fiction conventions in the Northeast and Midwest of the U.S. In 1994, Steven Spielberg, Jeffrey Katzenberg and David Geffen established the massive Hollywood studio known as DreamWorks SKG. The plaintiff sued for "reverse confusion." It argued that consumers would now believe that the plaintiff's services somehow originated in the defendant. In the *Dreamwerks* case, the Ninth Circuit reversed the district court's summary judgment in favor of the defendant and held that the matter should go to trial. The court observed: "Dreamwerks notes that whatever goodwill it has built now rests in the hands of DreamWorks; if the latter should take

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II.C discusses, Congress eventually created Lanham Act § 43(c) in 1995 to provide for federal antidilution protection and amended § 43(c) in 2006].

a major misstep and tarnish its reputation with the public, Dreamwerks too would be pulled down." *Id*. at 1130. The case eventually settled.

In many typical "forward confusion" cases, such as in the *Virgin Wireless* case above, the senior user of the mark is a much larger company than the junior user of the mark. Thus, the senior Goliath claims that the junior David's use of the mark will likely confuse consumers into believing that the junior's goods are coming from the senior user, the company with which consumers are much more familiar.

By contrast, reverse confusion typically involves a situation in which the junior user of the mark is an enormous company with the resources extensively to advertise its use of the mark. The risk is that the junior Goliath will overwhelm the meaning of the senior David's mark, so that consumers will believe that the senior users goods are coming from the junior user. This was exactly the claim the plaintiff made in the following opinion, *Uber Promotions, Inc. v. Uber Technologies, Inc*.

Note, importantly, how certain of the factors in the multifactor test for the likelihood of consumer confusion change in a reverse confusion analysis.

Uber Promotions, Inc. v. Uber Technologies, Inc.
No. 15 Civ. 206, 2016 WL 617450 (N.D. Fla. Feb. 16, 2016)

I. INTRODUCTION

[1] You live in Gainesville and need to book a party bus, or perhaps a non-party bus or a limo to take a number of people to an event. You run a Google search for "Gainesville party bus" and, not satisfied with any of the offerings on page one of the results, turn to page two. There is a listing there for "Uber Promotions." Thinking that perhaps this is somehow affiliated with Uber, a nationally known taxi-like service that has recently come to town, you click on the link. You are taken to a webpage with a bright green and purple "über PROMOTIONS" logo. The crux of this trademark infringement case is (roughly speaking) whether you could reasonably

conclude that Uber Promotions and Uber the taxi-like service are in some way connected.

[2] Plaintiff Uber Promotions, Inc. ("Promotions") is a Gainesville, Florida company that provides a variety of services, including "promotional and event planning services, ... graphic, web design and print media photography services, ... modelling and talent agency services, [and] ... private venue rental services." It also provides "passenger transportation services, including through limousine and charter services." Promotions claims that it has been using "UBER," "ÜBER," "UBER PROMOTIONS," and "ÜBER PROMOTIONS" since at least 2006. Promotions is run by its President, Joey Friedman, and its Vice-President, Michael Farzad.

[3] Defendant Uber Technologies, Inc. ("Tech") is a San Francisco-based corporation (though it's incorporated in Delaware) that puts out a well-known software app allowing people to "get a ride on demand from a nearby driver registered with the UBER [Technologies] service." Tech refers to these drivers—who use their own cars to transport passengers—as "driver partners." Tech launched its service in 2010 as UBERCAB and received a federal registration for that trademark on August 31 of that year. Later in 2010, Tech began using the mark "UBER" and registered that trademark on June 14, 2011. *Id.* at 10.

[4] At first, Tech operated in just a few select cities, but it has expanded rapidly over the past few years. Tech first operated in Florida during the 2012 Republican National Convention in Tampa. Tech's first permanent entry into the Florida market came in November 2013 when it launched UberBLACK [featuring higher-end vehicles from driver partners who are professional drivers] in Jacksonville. Tech expanded further into Florida throughout 2014; in August of that year, Tech started operating in Gainesville.

[5] Apparently alarmed by Tech's expansion into Florida—and in particular by the use of "Uber Promotions" on one of Tech's Twitter accounts—Promotions sent Tech a letter in April 2014 demanding that Tech "discontinue the use of the terms 'Uber Promotions' in connection with [Tech's] marketing and advertising campaigns ... and undertake in writing that [Tech] will not at any time in the future use any of Uber Promotions name [sic] in any future marking [sic] or advertising campaigns, Twitter Accounts, or apply for registration of any trademarks/service mark that may be confusingly similar to Uber Promotions." Tech responded by (1) removing the term "Uber" from the title of a page on its website that had previously been titled "Uber Promotions" and (2) responding (through counsel) to Promotions' letter as follows:

Re: UBER PROMOTIONS

Dear Ms.[redacted]

Thank you for your April 18th letter.

Uber disagrees that there is any potential for confusion regarding its use of the "Uber Promotions" heading on Twitter. However, to resolve the matter amicably, and without admission, Uber has removed the "Uber Promotions" reference.

Very truly yours,

Tech apparently did not hear from Promotions again until this suit was filed.

[6] Shortly after this suit was filed, Tech unveiled a new service called UberEVENTS. This service allows customers to purchase rides for others that can be used at a particular time in the future. So, if a customer is hosting a large birthday party at a local park, that customer can purchase rides in advance with Tech driver partners for guests to use to go from their homes to the park and back again. Technically, the customer purchases a single code or a set of codes which are then sent to guests; the guests then use Tech's app as they normally would to request rides and use the code to pay for those rides. This service "has been a popular option for corporate events." A customer wishing to purchase rides for their guests can do so through Tech's website.

[7] In this suit, Promotions brings various claims against Tech under the Lanham Act and Florida state law alleging trademark infringement and unfair competition. Promotions seeks preliminary injunctive relief to keep Tech from continuing to use its "UBER" marks in connection with its services throughout Florida.

III. Likelihood of Success on the Merits

[Following doctrine discussed above in Part I.E, the court found that Promotions enjoyed priority in the UBER mark in the Gainsville area by virtue of its common law use in that area prior to Tech's federal registration.]

C. Likelihood of Confusion in the Gainesville Area

1. Type of Confusion?

[8] Promotions argues that both forward and reverse confusion are occurring and are likely to occur, but admits that reverse confusion seems like a much larger threat. That is an understatement. This is, in many ways, a classic reverse confusion case, and there is scant evidence that would support a finding that Promotions is substantially likely to prevail on anything other than a reverse confusion theory.[6]

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[6] "[A]llegations of forward confusion and reverse confusion do not form distinct claims—they are alternative theories that can be used separately or together in a trademark infringement claim under the Lanham Act." *Troublé v. Wet Seal, Inc.*, 179 F.Supp.2d 291, 297 (S.D.N.Y.2001).

[9] "[R]everse confusion occurs when 'the junior user saturates the market with a similar trademark and overwhelms the senior user.'" *A&H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 228 (3d Cir. 2000) (quoting *Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 475 (3d Cir. 1994)). "The harm flowing from reverse confusion is that '[t]he public comes to assume the senior user's products are really the junior user's or that the former has become somehow connected to the latter. ... [T]he senior user loses the value of the trademark—its product identity, corporate identity, control over its goodwill and reputation, and ability to move into new markets.'" *Id.* (quoting *Ameritech, Inc. v. Am. Info. Tech. Corp.*, 811 F.2d 960, 964 (6th Cir.1987)). "As in a direct confusion claim, the ultimate question in a reverse confusion claim is whether there is a likelihood of consumer confusion as to the source or sponsorship of a product." *Id.* at 229.

2. Factors to Consider

[10] Before jumping in, it is important to note four things…

[11] Second, it is vital to always keep in mind the "actual market conditions and the type of confusion alleged" when conducting the analysis. *Malletier v. Burlington Coat Factory Warehouse Corp.*, 426 F.3d 532, 534 (2d Cir.2005) (Calabresi, J.)…. Here, reverse confusion is at issue, which means the "market conditions" we should be concerned with are the conditions under which a consumer encounters the senior user's (Promotions') mark.

[12] Third, it is also vital to keep in mind "the persons who are (or are not) likely to be confused." *See John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 979 n.22 (11th Cir.1983). This is a reverse confusion case, which means that the largest class of people who might be confused are people familiar with Tech's marks who then encounter Promotions' marks. *See Banff, Ltd. v. Federated Dep't Stores, Inc.*, 841 F.2d 486, 490 (2d Cir.1988) (tying reverse confusion to "consumers initially aware of [the junior user's mark who] may believe that [the senior user's] mark they later encounter originates with [the junior user]"). Certainly confusion could occur with consumers initially aware of Promotions' mark who then encounter Tech's mark—this has apparently actually happened, in fact—but this is less likely given the relative commercial strength of the companies and their marks. Promotions primarily serves and advertises to college students and others in the same age range—young people, roughly speaking. Thus, when assessing likelihood of confusion, the key demographic to keep in mind is young people, particularly college students, in the Gainesville area.[7]

[13] Fourth, when an alleged infringer's marks are used in connection with multiple goods or services, it may be that the use of those marks in connection with

[7] This is not to say that other demographics don't matter at all. Of course some older people may come across Promotions' marks, and even if they aren't likely to use Promotions' services, their confusion may ultimately do harm to Promotions.

some goods or services—but not others—creates a likelihood of consumer confusion. *See, e.g.*, *H. Lubovsky, Inc. v. Esprit de Corp.*, 627 F.Supp. 483, 492–93 (S.D.N.Y.1986) (finding no likelihood of confusion as to the defendant's use of its marks on sportswear, but a likelihood of confusion as to the use of its marks on shoes). In this case, Tech uses its "UBER" mark in connection with a number of services: UberX, UberXL, UberBLACK, UberEVENTS, and so on. As explained more fully below in Part III.C.11, the UberEVENTS service is different from Tech's other services in that it is more closely related to Promotions' transportation services. For that reason, it will be treated separately. In what follows, the seven factors are analyzed without taking into account Tech's UberEVENTS service.

3. Strength of the Mark

[14] The first factor to be considered is the strength of Promotions' marks. *Dana v. Dantanna's*, 611 F.3d 767, 774-75 (11th Cir.2010). However, because this is a reverse-confusion case, it is the conceptual and not the commercial strength of Promotions' marks that matters. *See A&H Sportswear*, 237 F.3d at 231–32.[8] The parties disagree on this point, with Promotions claiming that "UBER" and "ÜBER" are arbitrary or fanciful in nature, and thus "strong" marks, and Tech claiming that they are descriptive (at least when combined with "PROMOTIONS") and thus weaker. Furthermore, Tech points out that many companies have registered marks with "UBER" in them, thus reducing the conceptual strength of Promotions' marks.

[15] It seems clear that Promotions' use of "UBER" by itself is at least suggestive, if not arbitrary. Although Promotions' founders may have chosen the name of their company because it means "the best," their motivation or intent behind picking the name is irrelevant; what matters is what impression the mark leaves on consumers…. Clearly "UBER" by itself is not descriptive….

[16] "UBER PROMOTIONS" or "ÜBER PROMOTIONS" is a closer call, not least because of the "self-laudatory mark" principle. This principle is simply the idea that, generally speaking, a term such as "best" or "super" that "extol[s] some feature or attribute of ... goods or services" is descriptive in nature and likely to be too weak to be trademarked. 2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11:17, Westlaw (4th ed., database updated Dec. 2015) [hereinafter MCCARTHY]. The German term "über" means "above" or "over" or "beyond," and can also be combined with other German terms to form compound nouns such as "Übermensch" ("Superman") and adverbs such as "überaus" ("extremely" or "exceedingly"). The English term "über" or "uber"—which of course is just an Anglicized version of "über"—means "being a superlative example of its kind or class." Tech argues that "ÜBER PROMOTIONS" is "conceptually weak" because, like "Super Promotions" or "Best Promotions," it is self-laudatory and descriptive.

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[8] [See Note 1 following the opinion excerpt for further discussion of the roles that conceptual and commercial strength play in the reverse confusion context.]

[17] This argument is not very convincing. A term such as "uber" "may slide along the continuum between suggestiveness and descriptiveness depending on usage, context, and other factors that affect the relevant public's perception of the term." *In re Nett Designs, Inc.*, 236 F.3d 1339, 1341 (Fed.Cir.2001) (discussing the term "ultimate"). "Uber," while not an extremely uncommon term, is less frequently encountered—and thus less likely to be perceived by the relevant public as merely self-laudatory—than a term like "super" or even "ultimate." Simply put, Promotions would likely be able to convince a factfinder that "ÜBER PROMOTIONS" is more suggestive than descriptive, and deserving of trademark protection even without any secondary meaning. That said, "UBER" and especially "UBER PROMOTIONS" are not especially strong marks conceptually, and so this factor tips in favor of Tech—that is, slightly against a finding of likelihood of confusion.

4. Similarity of the Marks

[18] The second factor is the similarity of Promotions' and Tech's marks. In assessing similarity, it is important to view the marks as an ordinary consumer would, and not in an artificial context. *See Sun–Maid Raisin Growers of Cal. v. Sunaid Food Prods., Inc.*, 356 F.2d 467, 469 (5th Cir.1966); *see also A&H Sportswear*, 237 F.3d at 216 (noting that when comparing marks, "an effort must be made to move into the mind of the roving consumer"). This means, among other things, remembering that memory is imperfect, and that a consumer encountering one mark after exposure to another mark may be confused even when the marks differ greatly in some important respects….

[19] Promotions can only hope to prevail on a reverse-confusion theory, so our typical consumer is someone who is familiar with Tech and who then encounters Promotions. But there are many classes of consumers "familiar with" Tech—there are those who have used Tech's services by accessing them through Tech's app; those who have perhaps been along for an Uber ride with someone else who but who have not themselves downloaded or used Tech's app; and those who have heard of Tech and have a general idea of what services it provides, but who have never used Tech's app or been along for a ride with a Tech driver partner. And there are many ways in which a consumer might "encounter" Promotions—through its website; by seeing a flyer; through its Facebook page; or by finding it through a Google search. In assessing the similarity of the marks, each type of familiarity and each type of encounter must be kept in mind.

[20] Tech is probably correct that for Tech users/customers, the visual differences between Tech's app and Promotions' logo, together with the fact that Promotions usually includes "Promotions" in its name, suggest that confusion is relatively unlikely. But the visual differences are much less significant for those consumers less familiar with Tech. The examples of Tech's advertising and promotional materials provided in the record suggest that the most important

feature of Tech's mark is the word "Uber" and not any particular design element.[9] Moreover, many consumers may have just *heard* of Tech or read a news story referencing it, in which case the visual differences are quite unimportant. Similarly, the use of "Promotions" by Promotions is not very important in assessing similarity in the eyes of consumers relatively less familiar with Tech. Those consumers will simply remember "Uber" and will recognize that relatively uncommon word in Promotions' advertisements. *Cf. A&H Sportswear*, 237 F.3d at 216 ("the general rule that marks should be viewed in their entirety does not undermine the common-sense precept that the more forceful and distinctive aspects of a mark should be given more weight [in assessing mark similarity], and the other aspects less weight"). In addition, Tech often uses "Uber Promotions" in connection with various promotional campaigns, which could easily create confusion.

[21] In sum, Tech's and Promotions' marks are fairly similar, at least to a certain portion of the public. Tech may be quite correct that "anyone who uses [Tech's] services and comes across [Promotions'] advertising will know the difference," but there are many who have come across Tech but have not used its services. For that group, the marks may be quite similar*….* This factor tilts slightly in favor of Promotions.

5. Similarity of Services

[22] The third factor is the "similarity between the goods and services offered under the two marks." *Dantanna's*, 611 F.3d at 775. Because the ultimate "likelihood of confusion" question is whether consumers may come to believe that Promotions' services are in some way affiliated with Tech's services, it is not necessary that the services offered by the two companies be precisely the *same*, or even that they be competitive with one another; rather, confusion may result where the services are so related that a single entity is likely to be behind both.

[23] Despite the fact that both Tech's and Promotions' services involve passenger transportation, there is no doubt that the services differ in many important respects. Tech's services all involve driver partners using their own vehicles to transport customers. Promotions, in contrast, arranges for or provides

9 In the time between the hearing and this Order, Tech "rebranded" with a new logo and graphic scheme. *See, e.g.*, Brian Mastroianni, *Uber re-brands itself with a new logo*, CBS News (Feb. 2, 2016), www.cbsnews.com/news/uber-rebrands-itself-with-new-app-logo/. The new "look," while still conservative compared to Promotions' graphic presentation, is slightly more colorful. This new look in and of itself doesn't affect the "similarity of marks" analysis in any significant way given that the people most likely to be confused have probably only *heard* of Tech. The *fact* of the change—and the fact that it was so well-publicized—might tend to increase reverse confusion by creating doubt among those familiar with Tech about what its "look" really is, but such an effect would not change this Court's conclusion that the "similarity of marks" factor weighs slightly in favor of Promotions.

transportation via more traditional passenger transportation vehicles such as charter buses, party buses, and limos. Tech's focus is on the transportation of individuals or small groups, whereas Promotions focuses more on group transportation.

[24] These differences are not so great that they weigh heavily against confusion, particularly in light of Tech's expanding roster of transportation options. Around August 2015, for instance, Tech introduced UberXL to the Gainesville market. This option allows customers to request larger cars such as SUVs or minivans. UberPOOL, a service that allows customers traveling in similar directions to share a car and save money, is not yet available in Gainesville, but it very well could be soon. This growing family of Tech services and options makes it more likely that a consumer might mistake Promotions' services as being in some way affiliated with Tech.

[25] Those more familiar with Tech will likely be saved from confusion by the fact that Promotions' services lack the most salient (or perhaps infamous) feature of Tech's services: the use of driver partners, many of whom are moonlighting as drivers, using their own vehicles as taxis. On the other hand, those who only know that Tech has something to do with transportation or that it provides something like a taxi service could very well think that Promotions and Tech are affiliated based on Promotions' services. Ultimately, this factor doesn't weigh heavily in favor of either party, though it tilts slightly in favor of Tech.

6. Similarity of Sales Methods

[26] The fourth factor is the "similarity of the actual sales methods used by the holders of the marks, such as their sales outlets and customer base." *Dantanna's*, 611 F.3d at 775. "This factor takes into consideration where, how, and to whom the parties' products [or services] are sold." *Frehling Enters., Inc. v. Int'l Select Grp., Inc.*, 192 F.3d 1330, 1339 (11th Cir.1999).

[27] This factor weighs heavily in favor of Tech. Tech's services are accessed through an app on a smartphone or other mobile device, whereas one must call, e-mail, text, or send a Facebook message to Promotions in order to set up a ride. Anyone who has used Tech's services has necessarily downloaded and used its app, and it seems relatively unlikely that such users would think that Promotions was affiliated with Tech. And even people who have only heard of Tech may very well know that its services have something to do with an app, and may therefore be less likely to be confused when confronted with Promotions' services, which are accessed via quite different mechanisms.

7. Similarity of Advertising Methods

[28] The fifth factor is the "similarity of advertising methods" used by Tech and Promotions. *Dantanna's*, 611 F.3d at 775. Both Tech and Promotions make extensive use of social media to advertise. In fact, there is evidence that some of Tech's "affiliates"—people who advertise Tech's services via social media in exchange for a commission—have placed advertisements for Tech's services *on Promotions'*

Facebook page. While Tech is correct that the look of Promotions' advertisements is quite different from the look of Tech's advertisements, the fact remains that both companies' extensive use of social media—and especially Tech's affiliates' use of Promotions' own Facebook page to post advertisements—raises the likelihood that consumers will come into contact with both marks, which in turn raises the likelihood of confusion.

[29] Furthermore, Tech has apparently used Google AdWords to ensure that certain searches conducted using Google will lead to an ad for Tech being displayed above the search results.[10] Tech is of course allowed to advertise, but advertising in this way will increase the likelihood of consumer confusion. Overall, this factor weighs slightly in favor of Promotions.

8. Intent to Infringe

[30] The sixth factor is the "intent of the alleged infringer to misappropriate the proprietor's good will." *Dantanna's*, 611 F.3d at 775. This factor needs to be tweaked in a reverse-confusion case, since the concern is not that an alleged infringer will try to use a plaintiff's good name to gain business, but rather that it will "push[ ] its [smaller] rival out of the market," thus "usurp[ing] [the rival's] business identity." *A&H Sportswear*, 237 F.3d at 232. Furthermore, only intent to "usurp identity" *through confusion* is relevant; there is nothing unlawful about intending to compete. *Id.*

[31] It is difficult to believe that Tech acted with the intent to push Promotions out of the Gainesville market by using a confusingly similar mark. Elephants don't look out for gerbils when they plow through the bush. Tech adopted its mark before it ever knew of Promotions and expanded nationally thereafter. Surely it *knew* that it would collide with Promotions once it entered Gainesville, but that doesn't mean it *intended* to confuse consumers and thereby hurt Promotions. This factor is not particularly relevant to the analysis in this case.

9. Actual Confusion

[32] The final factor is "the existence and extent of actual confusion in the consuming public." *Dantanna's*, 611 F.3d at 775. Evidence of actual confusion "is the most persuasive evidence in assessing likelihood of confusion." *Id.* at 779. Clearly understanding this, the parties vigorously dispute how to interpret the numerous phone calls received by Promotions from customers looking for Tech. Promotions claims that these phone calls constitute "extraordinary" evidence of actual confusion, while Tech argues that these calls are the result of "inattention and indifference," not confusion.

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[10] This Court confirmed Promotions' allegations to that effect by conducting a Google search using the search terms "gainesville uber." The results page features an ad for Tech above the search results.

[33] Each party overstates its case. Undoubtedly some of the people who called Promotions looking for Tech were indeed "confused" within the meaning of the Lanham Act—that is, they understood they were calling Promotions and thought Promotions was affiliated with Tech. But Tech doesn't have an easy-to-find phone number,[11] so it is likely that many of the callers *thought they were calling Tech.* This is supported by the large number of callers inquiring about becoming driver partners—a key feature of Tech's business model completely missing from Promotions' business model. This theory is further bolstered by the fact that if one searches "Uber Gainesville phone number" or "Uber Gainesville phone" using Google, it is Promotions' phone number that comes up. Given what's in the record, it's likely that a large fraction of the callers didn't even grasp that they were calling something called Uber Promotions, but instead thought they were calling Uber Technologies. This is akin to being given a wrong number by a telephone operator.[12]

[34] If this is confusion at all, it is not the type of confusion that's important in a trademark-infringement case.[13] "Not all conceivable forms of confusion are relevant to trademark infringement. Confusion is relevant when it exists in the minds of

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[11] Tech does have an emergency phone number that can be found using its app.

[12] During Michael Farzad's deposition, he received two phone calls from "confused" customers. After he mentioned this to Tech's counsel, the following exchange took place:

> Q. With respect to the calls that you received today, were either of those individuals confused at the point in which they were using your services?
>
> A. No. They're calling me because they think I'm Uber Technologies and they want to reserve services and ask questions.
>
> Q. So those individuals were looking for Uber Technologies?
>
> A. Right, and they left messages on my phone and they—they're thinking that they're speaking to Uber Technologies.

This doesn't prove anything, of course, but it tends to support the conclusion that many of the callers to Promotions don't even realize they're talking to Promotions.

[13] At least not in this case. If Tech were the senior user and Promotions the junior user, the fact that consumers were being diverted to Promotions—even if they initially thought they were dealing with Tech and were in fact trying to reach Tech—would be highly relevant on an "initial interest confusion" theory in a suit brought by Tech. *See Axiom Worldwide*, 522 F.3d at 1221–22. But such confusion is not very important to this case, because such callers are not confused as to source, just misdirected. There is not, to this Court's knowledge, a "reverse initial interest confusion" theory of trademark infringement, nor would one make sense; the plaintiff proceeding under such a theory would be hard-pressed to articulate what harm it was suffering.

persons in a position to influence the purchasing decision or persons whose confusion presents a significant risk to the sales, goodwill, or reputation of the trademark owner." *Hotel Meliá*, 728 F.3d at 64–65 (quotations and citations omitted). A person who does not even grasp that he is talking to Promotions on the phone, or that Promotions even exists separate and apart from Tech, is obviously not going to form a bad opinion of Promotions based on his "confusion," nor is Promotions going to lose any business. And that's assuming that the caller can even be termed "confused"—as Tech points out, courts in similar factual situations have suggested that such misdirected communications can be attributed to inattentiveness or carelessness. *See Therma–Scan, Inc. v. Thermoscan, Inc.*, 295 F.3d 623, 636 (6th Cir.2002).

[35] The e-mails received by Promotions from customers looking for Tech are slightly more helpful to Promotions' case, but some of them again suggest carelessness as much as, if not more than, confusion. The e-mail from a customer in Vietnam is clearly intended for Tech—the e-mailer followed up with an "oops" e-mail almost immediately. The Los Angeles customer appears to be someone so easily confused that even trademark law cannot protect her.

[36] The two instances of confusion on the part of former customers of Promotions are more helpful to Promotions' case. These customers clearly understood what Promotions is, understood what Tech is, and thought they were affiliated. Similarly, the evidence in the record of a few Tech customers—and even some driver partners and others affiliated with Tech—thinking that Tech and Promotions were somehow related is evidence of actual confusion within the meaning of the Lanham Act.[14]

[37] In sum, there is definitely evidence of actual confusion in the record, though not as much as Promotions claims or as little as Tech claims. The evidence of customers calling and e-mailing Promotions looking for Tech is in many ways the least important subset of this evidence. The types of requests being made by the callers, the fact that Tech doesn't have an easy-to-find phone number, the fact that someone conducting a Google search for a local Gainesville number for Tech would get Promotions' number, the relative commercial strength of the two companies—all of these facts strongly suggest that most of the callers were not confused within the meaning of the Lanham Act, but were either misdirected, careless, or both. As for the e-mails, there are only five of them presented in the record, at least two of which

[14] Some of this confusion might be "forward" or "direct" confusion—people encountering Tech and thinking it's related to Promotions. Evidence of such confusion is relevant even in a case relying on a reverse-confusion theory. *See A&H Sportswear*, 237 F.3d at 233 ("[T]he manifestation of consumer confusion as 'direct' or 'reverse' may merely be a function of the context in which the consumer first encountered the mark. Isolated instances of 'direct' confusion may occur in a reverse confusion case, and vice-versa.").

could easily be chalked up to carelessness. Furthermore, many of the callers and e-mailers who were confused were likely quickly put straight, and "[s]hort-lived confusion or confusion of individuals casually acquainted with a business is worthy of little weight." *Safeway Stores, Inc. v. Safeway Discount Drugs, Inc.*, 675 F.2d 1160, 1167 (11th Cir.1982). That said, it strains credulity to think that at least *some* of the many dozens of callers were not actually confused, and certainly two of the e-mailers were. The evidence of confusion on the part of former Promotions customers and current Tech customers and driver partners is worth more weight than the phone call and e-mail evidence, *see id.* but there are only a few such instances. Still, even a few instances of actual confusion on the part of customers is "worthy of some consideration." *Id.* Putting all of this together, the actual confusion factor weighs in favor of Promotions, but it by no means weighs so heavily that a finding of a likelihood of confusion is inevitable.

10. Likelihood of Confusion?

[38] The "intent to infringe" factor is unimportant, the "strength of the mark" factor does not really favor a finding of confusion, and the "similarity of marks" and the "similarity of advertising methods" factors together favor a finding of confusion. The remaining three factors—actual confusion, similarity of services, and similarity of sales methods—deserve more discussion.

[39] The one factor that weighs most heavily against Promotions is the dissimilarity in the sales methods of the two companies. Tech's services are accessed through a smartphone app.[15] One cannot call for a ride with one of Tech's driver partners, nor can one go to a website and reserve a ride. This is in stark contrast to the manner in which Promotions' services are accessed. This difference is critically important for the following reason: anyone who has used Tech's services necessarily understands that those services are accessed via a smartphone app, and is unlikely to think that Tech has all of a sudden started to make its services accessible via other means. The analysis of the "similarity of services" factor (see Part III.C.5 above) also suggests that people who have used Tech's services are unlikely to be confused when they encounter Promotions' marks.

[40] What this means is that the group of people who might be likely to be confused are people who have heard of, *but not used*, Tech's services. But the people who matter most in this group are those who will actually encounter Promotions' mark, and that subgroup is likely largely comprised of college-aged (and slightly older) people. This subgroup is relatively tech-savvy and therefore likely to be sensitive to the differences between the sales methods of Tech and Promotions, even if all they know about Tech is that it provides transportation services through an app. Moreover, if a person in this subgroup has heard of Tech, she might be aware that Tech is available in many locations, not just Gainesville, and the local focus of Promotions' advertising will not tend to create confusion.

[15] With the exception of the UberEVENTS service, which will be discussed later.

[41] Were there no evidence of actual confusion, the foregoing analysis based on the other factors would counsel against finding that Promotions had shown a substantial likelihood of success on the issue of likelihood of confusion, though it would be a close call. But there *is* evidence of actual confusion, and the Eleventh Circuit has repeatedly emphasized the importance of such evidence. *See, e.g.*, *Caliber Auto. Liquidators, Inc. v. Premier Chrysler, Jeep, Dodge, LLC*, 605 F.3d 931, 936 (11th Cir.2010) ("evidence of actual confusion is the most weighty consideration" in the likelihood of confusion analysis). Great weight is given to this factor for two reasons. First, actual confusion is direct evidence of precisely the occurrence that the "likelihood of confusion" inquiry is trying to assess the probability of. Second, giving great weight to evidence of actual confusion helps ensure that a judge doesn't rely (perhaps subconsciously) too heavily on his *own* subjective view of the likelihood of confusion. *Cf. Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 633 (9th Cir.2008) (holding that a finding of no likelihood of confusion based solely on dissimilarity of marks was improper because it created "the potential for a judge to elevate his or her own subjective impressions of the relative dissimilarity of the marks over evidence of, for example, actual confusion"). In analyzing the other factors, this Court has of course tried to put itself into the shoes of an average consumer, and has tried to avoid giving too much weight to its own subjective impressions, but such efforts are perhaps doomed. *See Societe Anonyme de la Grande Distillerie E. Cusenier Fils Aine & Cie. v. Julius Wile Sons & Co.*, 161 F.Supp. 545, 547 (S.D.N.Y.1958) ("[A] finding on infringement is by necessity a subjective determination by the trial judge based on his visceral reactions as to the likelihood of confusion the allegedly infringing mark will create in the minds of the public."). Giving serious weight to evidence of actual confusion helps counteract the empathetic deficiencies that necessarily distort the analysis of the remaining factors.

[42] It is true that there is not a huge amount of evidence of actual confusion in the record—perhaps five or so instances of people who truly thought that Promotions and Tech were related despite having a more-than-casual relationship with the two entities, plus some fraction of the callers. But the Eleventh Circuit's case law makes clear that even a few instances of consumer confusion can be sufficient to establish actual confusion….

[43] It's a close call, but Promotions has established a substantial likelihood of success on the merits of the "likelihood of confusion" element of its claims. Because it has also established that it's substantially likely to succeed in showing that it has enforceable trademark rights in the Gainesville area in the "UBER PROMOTIONS" mark, Promotions is substantially likely to succeed in showing that Tech has infringed on its mark by using its "UBER" marks in the Gainesville area.

11. UberEVENTS

[44] Everything that has been said so far has not taken into account Tech's new "UberEVENTS" service. That service, if allowed to grow in the Gainesville area pending trial, would substantially increase the risk of consumer confusion for three

independent reasons. First, the more "Uber____" services there are, the more likely it is that a consumer might think that Promotions is just another branch on the Uber Technologies tree. Second, UberEVENTS is accessed through a webpage, thus eliminating one of the key differences between Tech and Promotions. Third, the service allows users to coordinate transportation at a set time in the future for a large number of people, just like Promotions. Granted, the method by which people are transported is quite different from Promotions—one imagines that most driver partners' vehicles are less lively than a party bus—but the nature of the service is far closer to the services offered by Promotions than any of Tech's other offerings.

To put this in terms of the factors, the "similarity of sales methods" factor is less tilted towards Tech and the "similarity of services" factor tips in favor of Promotions when assessing Tech's use of its UBER marks in connection with its UberEVENTS service. While the question of whether Promotions is substantially likely to succeed on the merits of its claim vis-à-vis UberX, etc. is a close call, these minor adjustments to the factors push Promotions' claim vis-à-vis UberEVENTS well past the edge. Promotions has easily met its burden of showing that it is substantially likely to succeed on the merits of its claim that Tech's use of its UBER marks in connection with the UberEVENTS service creates a likelihood of consumer confusion.

Comments and Questions

1. *Trademark Strength and Reverse Confusion*. The *Uber Promotions* court asserted that "because this is a reverse-confusion case, it is the conceptual and not the commercial strength of Promotions' marks that matters." The court cited *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 231-32 (3d Cir. 2000). The A & H Sportswear discussion of the issue is excerpted below. Is this reasoning persuasive?

> a. Commercial Strength
>
> Where the greater advertising originates from the senior user, we are more likely to see a case of direct confusion; if the greater advertising originates from the junior user, reverse confusion is more likely....
>
> Logically, then, in a direct confusion claim, a plaintiff with a commercially strong mark is more likely to prevail than a plaintiff with a commercially weak mark. Conversely, in a reverse confusion claim, a plaintiff with a commercially weak mark is more likely to prevail than a plaintiff with a stronger mark, and this is particularly true when the plaintiff's weaker mark is pitted against a defendant with a far stronger mark…. "[T]he lack of commercial strength of the smaller senior user's mark is to be given less weight in the analysis because it is the strength of the larger, junior user's mark which results in reverse confusion."

Commerce Nat'l Ins. Servs., Inc. v. Commerce Ins. Agency, Inc., 214 F.3d 432, 444 (3d Cir.2000)….

Therefore, in a reverse confusion claim, a court should analyze the "commercial strength" factor in terms of (1) the commercial strength of the junior user as compared to the senior user; and (2) any advertising or marketing campaign by the junior user that has resulted in a saturation in the public awareness of the junior user's mark.

b. Distinctiveness or Conceptual Strength

…

As stated above, in the paradigmatic reverse confusion case, the senior user has a commercially weak mark when compared with the junior user's commercially strong mark. When it comes to conceptual strength, however, we believe that, just as in direct confusion cases, a strong mark should weigh in favor of a senior user….

In *H. Lubovsky, Inc. v. Esprit de Corp.*, 627 F.Supp. 483 (S.D.N.Y.1986), the court explained that conceptual distinctiveness was relevant in the same way for a reverse confusion claim because "if a customer saw a doll in a toy store bearing a strong familiar trademark like 'Exxon,' he might well assume that the oil company had gone into the toy business; if, on the other hand, he saw a doll bearing a familiar but weak laudatory trademark like Merit, he would be unlikely to assume that it is connected with the similarly named gasoline or cigarettes." *Id.* at 487; *see also* Long & Marks, *supra*, at 22.

The *H. Lubovsky* logic resonates, for it makes more sense to hold that conceptual strength, unlike commercial strength, works in the plaintiff's favor. That is, if we were to apply the rule stated above for commercial strength, i.e., weighing weakness in the plaintiff's favor, we would bring about the perverse result that less imaginative marks would be more likely to win reverse confusion claims than arbitrary or fanciful ones. We therefore hold that, as in direct confusion claims, a district court should weigh a conceptually strong mark in the plaintiff's favor, particularly when the mark is of such a distinctive character that, coupled with the relative similarity of the plaintiff's and defendant's marks, a consumer viewing the plaintiff's product is likely to assume that such a mark would only have been adopted by a single source—i.e., the defendant.

2. *Other Examples of Reverse Confusion Found*. *See, e.g.*, *H. Lubovsky, Inc. v. Esprit De Corp.*, 627 F. Supp. 483, 228 U.S.P.Q. (BNA) 814 (S.D. N.Y. 1986) (defendant's extension of ESPRIT brand to women's shoes created reverse confusion

with plaintiff's prior use of same mark for same products); *Tanel Corp. v. Reebok Intern., Ltd.*, 774 F. Supp. 49 (D. Mass. 1990) (defendant's junior use of 360 DEGREES for shoes created reverse confusion with small company's senior use of same mark for same products).

3. *Examples of Reverse Confusion Not Found*. *See, e.g*, *Surfvivor Media, Inc. v. Survivor Productions*, 406 F.3d 625 (9th Cir. 2005) (SURVIVOR television show did not create reverse confusion with SURFVIVOR for beach-themed products); *Harlem Wizards Entertainment Basketball, Inc. v. NBA Properties, Inc.*, 952 F. Supp. 1084 (D.N.J. 1997) (NBA team's adoption of name WASHINGTON WIZARDS would not create reverse confusion with HARLEM WIZARDS trick basketball team); *Pump, Inc. v. Collins Management, Inc.*, 746 F. Supp. 1159 (D. Mass. 1990) (Rock band Aerosmith's album entitled "Pump" did not create confusion with little-known rock band by same name where visual displays of marks and contexts in which they were used were different); *Lobo Enterprises, Inc. v. Tunnel, Inc.*, 693 F. Supp. 71 (S.D.N.Y. 1988) (Large nightclub TUNNEL did not create reverse confusion with small gay bar TUNNEL BAR where clienteles of club and bar were sufficiently different to preclude reverse confusion); *Andy Warhol Enterprises, Inc. v. Time Inc.*, 700 F. Supp. 760 (S.D.N.Y. 1988) (*People Magazine*'s use of "Interview" as the descriptive heading of its interview section did not create reverse confusion with magazine of same name where consumers would not believe that defendant published plaintiff's magazine).

8. Reverse Passing Off

"Reverse passing off" generally involves situations in which a "defendant falsely takes credit for another's goods or services," MCCARTHY § 25.6. More specifically, reverse passing off occurs when the defendant passes off as its own product (or service) what was in fact made (or performed) by the plaintiff, perhaps to gain the goodwill that the plaintiff's product might generate for the defendant, perhaps simply to meet a production deadline.

Reverse passing off is an exceedingly rare cause of action, even more so after the case below, *Dastar Corp. v. Twentieth Century Fox Film Corp*., 539 U.S. 23 (2003). We consider reverse passing off and the *Dastar* case because of the profound policy questions implicated by the cause of action and the facts of the *Dastar* case. Recall that one advantage trademark protection enjoys over copyright or patent protection is that trademark protection is unlimited in time, provided that the trademark owner continue to use the mark in commerce. Thus, when patent or copyright protection of a product feature expires, the patent or copyright owner may continue to exert control over that feature through trademark law (provided that the feature satisfies the various requirements of trademark protection). This raises significant concerns. Consider the example of the Mickey Mouse image mark, whose registration is shown below:

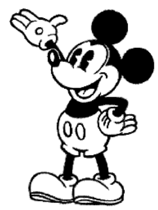
Int. Cl.: 28

Prior U.S. Cls.: 22, 23, 38, and 50

Reg. No. 3,619,662

United States Patent and Trademark Office **Registered May 12, 2009**

TRADEMARK
PRINCIPAL REGISTER



DISNEY ENTERPRISES, INC. (DELAWARE CORPORATION)
500 SOUTH BUENA VISTA STREET
BURBANK, CA 91521

FOR: GAMES, NAMELY, ACTION SKILL GAMES, BOARD GAMES, MANIPULATIVE GAMES; PLAYTHINGS, NAMELY, ACTION FIGURES AND ACCESSORIES THEREFOR, BEAN BAG DOLLS, PLUSH TOYS, BATH TOYS, BUILDING BLOCKS, DOLLS AND DOLL CLOTHING, DOLL PLAYSETS, CRIB TOYS, ELECTRIC ACTION TOYS, PARTY FAVORS IN THE NATURE OF SMALL TOYS, MULTIPLE ACTIVITY TOYS, WIND-UP TOYS, TOY VEHICLES, TOY CARS, TOY TRUCKS, TOY ROCKETS, MUSICAL TOYS, TOY FIGURINES, PUPPETS, FACE MASKS, HAND-HELD UNITS FOR PLAYING ELECTRONIC GAMES, IN CLASS 28 (U.S. CLS. 22, 23, 38 AND 50).

FIRST USE 3-28-2008; IN COMMERCE 3-28-2008.

OWNER OF U.S. REG. NOS. 2,461,981, 2,781,641, AND OTHERS.

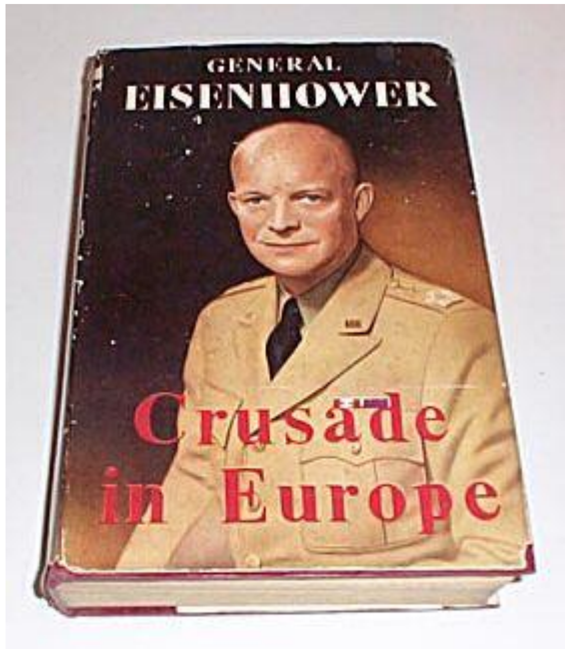
SN 76-588,173, FILED 4-19-2004.

TEJBIR SINGH, EXAMINING ATTORNEY

At some point, Disney's copyright rights in the countless cartoons in which Mickey Mouse is depicted will begin to expire. But can Disney then use its trademark rights in the image of the character to prevent others from reproducing these cartoons? With copyright law, the public agrees to grant short-term exclusive rights to the author of a work in order to incentivize authorship, but an exceedingly important part of that bargain is that these rights will eventually expire and the work will be dedicated to the public domain, free for anyone to use in any way. Should trademark rights be allowed to trump this basic bargain?

In *Dastar*, the respondent sought to assert, through trademark law, continued control over expression in which it had lost its copyright rights. As you read through *Dastar*, consider the following questions:

- Does *Dastar* resolve the question of whether Disney may continue to assert exclusive rights through trademark law after its copyright claims have expired?
- Should trademark law and specifically the concept of "reverse passing off" provide a cause of action for plagiarism of someone else's ideas? More specifically, if I take someone else's product, merely re-label it with my own trademark, and sell that product as my own, then I would likely be liable for the "reverse passing off" of someone else's product as my own. Should the same principle apply if I take someone else's original expression or ideas and pass them off as my own original expression or ideas? If not, why are expression and ideas different?



Dastar Corp. v. Twentieth Century Fox Film Corp.
539 U.S. 23 (2003)

Justice SCALIA delivered the opinion of the Court.

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

I

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

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

[4] Enter petitioner Dastar. In 1995, Dastar decided to expand its product line from music compact discs to videos. Anticipating renewed interest in World War II on the 50th anniversary of the war's end, Dastar released a video set entitled World War II Campaigns in Europe. To make Campaigns, Dastar purchased eight beta cam tapes of the *original* version of the Crusade television series, which is in the public domain, copied them, and then edited the series. Dastar's Campaigns series is slightly more than half as long as the original Crusade television series. Dastar substituted a new opening sequence, credit page, and final closing for those of the Crusade television series; inserted new chapter-title sequences and narrated chapter introductions; moved the "recap" in the Crusade television series to the beginning and retitled it as a "preview"; and removed references to and images of the book. Dastar created new packaging for its Campaigns series and (as already noted) a new title.

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

[6] In 1998, respondents Fox, SFM, and New Line brought this action alleging that Dastar's sale of its Campaigns video set infringes Doubleday's copyright in General Eisenhower's book and, thus, their exclusive television rights in the book. Respondents later amended their complaint to add claims that Dastar's sale of Campaigns "without proper credit" to the Crusade television series constitutes "reverse passing off"[1] in violation of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a),

[1] Passing off (or palming off, as it is sometimes called) occurs when a producer misrepresents his own goods or services as someone else's. See, *e.g., O. & W. Thum Co. v. Dickinson,* 245 F. 609, 621 (C.A.6 1917). "Reverse passing off," as its name implies, is the opposite: The producer misrepresents someone else's goods or services as his own. See, *e.g., Williams v. Curtiss–Wright Corp.,* 691 F.2d 168, 172 (C.A.3 1982).

and in violation of state unfair-competition law. App. to Pet. for Cert. 31a. On cross-motions for summary judgment, the District Court found for respondents on all three counts, *id.,* at 54a–55a, treating its resolution of the Lanham Act claim as controlling on the state-law unfair-competition claim because "the ultimate test under both is whether the public is likely to be deceived or confused," *id.,* at 54a. The court awarded Dastar's profits to respondents and doubled them pursuant to § 35 of the Lanham Act, 15 U.S.C. § 1117(a), to deter future infringing conduct by petitioner.

[7] The Court of Appeals for the Ninth Circuit affirmed the judgment for respondents on the Lanham Act claim, but reversed as to the copyright claim and remanded. 34 Fed.Appx. 312, 316 (2002). (It said nothing with regard to the state-law claim.) With respect to the Lanham Act claim, the Court of Appeals reasoned that "Dastar copied substantially the entire *Crusade in Europe* series created by Twentieth Century Fox, labeled the resulting product with a different name and marketed it without attribution to Fox[, and] therefore committed a 'bodily appropriation' of Fox's series." *Id.,* at 314. It concluded that "Dastar's 'bodily appropriation' of Fox's original [television] series is sufficient to establish the reverse passing off." *Ibid*.[2] The court also affirmed the District Court's award under the Lanham Act of twice Dastar's profits. We granted certiorari. 537 U.S. 1099 (2003).

II

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

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

27–14 (4th ed. 2002) (McCarthy), but can apply only to certain unfair trade practices prohibited by its text.

[9] Although a case can be made that a proper reading of § 43(a), as originally enacted, would treat the word "origin" as referring only "to the geographic location in which the goods originated," *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 777, (1992) (STEVENS, J., concurring in judgment),[3] the Courts of Appeals considering the issue, beginning with the Sixth Circuit, unanimously concluded that it "does not merely refer to geographical origin, but also to origin of source or manufacture," *Federal–Mogul–Bower Bearings, Inc. v. Azoff,* 313 F.2d 405, 408 (C.A.6 1963), thereby creating a federal cause of action for traditional trademark infringement of unregistered marks. See 4 McCarthy § 27:14; *Two Pesos, supra,* at 768, 112 S.Ct. 2753. Moreover, every Circuit to consider the issue found § 43(a) broad enough to encompass reverse passing off. See, *e.g., Williams v. Curtiss–Wright Corp.,* 691 F.2d 168, 172 (C.A.3 1982); *Arrow United Indus., Inc. v. Hugh Richards, Inc.,* 678 F.2d 410, 415 (C.A.2 1982); *F.E.L. Publications, Ltd. v. Catholic Bishop of Chicago,* 214 USPQ 409, 416, 1982 WL 19198 (C.A.7 1982); *Smith v. Montoro,* 648 F.2d 602, 603 (C.A.9 1981); *Bangor Punta Operations, Inc. v. Universal Marine Co.,* 543 F.2d 1107, 1109 (C.A.5 1976). The Trademark Law Revision Act of 1988 made clear that § 43(a) covers origin of production as well as geographic origin.[4] Its language is

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

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

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

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

"(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to amply inclusive, moreover, of reverse passing off—if indeed it does not implicitly adopt the unanimous court-of-appeals jurisprudence on that subject. See, *e.g., ALPO Petfoods, Inc. v. Ralston Purina Co.,* 913 F.2d 958, 963–964, n. 6 (C.A.D.C.1990) (Thomas, J.).

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

III

[11] The dictionary definition of "origin" is "[t]he fact or process of coming into being from a source," and "[t]hat from which anything primarily proceeds; source." Webster's New International Dictionary 1720–1721 (2d ed.1949). And the dictionary definition of "goods" (as relevant here) is "[w]ares; merchandise." *Id.,* at 1079. We think the most natural understanding of the "origin" of "goods"—the source of wares—is the producer of the tangible product sold in the marketplace, in this case the physical Campaigns videotape sold by Dastar. The concept might be stretched (as it was under the original version of § 43(a))[5] to include not only the

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the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

"(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act." 15 U.S.C. § 1125(a)(1).

[5] Under the 1946 version of the Act, § 43(a) was read as providing a cause of action for trademark infringement even where the trademark owner had not itself produced the goods sold under its mark, but had licensed others to sell under its name goods produced by them—the typical franchise arrangement. See, *e.g., My Pie Int'l, Inc. v. Debould, Inc.,* 687 F.2d 919 (C.A.7 1982). This stretching of the concept

actual producer, but also the trademark owner who commissioned or assumed responsibility for ("stood behind") production of the physical product. But as used in the Lanham Act, the phrase "origin of goods" is in our view incapable of connoting the person or entity that originated the ideas or communications that "goods" embody or contain. Such an extension would not only stretch the text, but it would be out of accord with the history and purpose of the Lanham Act and inconsistent with precedent.

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

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

[14] The problem with this argument according special treatment to communicative products is that it causes the Lanham Act to conflict with the law of copyright, which addresses that subject specifically. The right to copy, and to copy

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"origin of goods" is seemingly no longer needed: The 1988 amendments to § 43(a) now expressly prohibit the use of any "word, term, name, symbol, or device," or "false or misleading description of fact" that is likely to cause confusion as to "affiliation, connection, or association ... with another person," or as to "sponsorship, or approval" of goods. 15 U.S.C. § 1125(a).

without attribution, once a copyright has expired, like "the right to make [an article whose patent has expired]—including the right to make it in precisely the shape it carried when patented—passes to the public." *Sears, Roebuck & Co. v. Stiffel Co.,* 376 U.S. 225, 230 (1964); see also *Kellogg Co. v. National Biscuit Co.,* 305 U.S. 111, 121–122 (1938). "In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying." *TrafFix Devices, Inc. v. Marketing Displays, Inc.,* 532 U.S. 23, 29 (2001). The rights of a patentee or copyright holder are part of a "carefully crafted bargain," *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.,* 489 U.S. 141, 150–151 (1989), under which, once the patent or copyright monopoly has expired, the public may use the invention or work at will and without attribution. Thus, in construing the Lanham Act, we have been "careful to caution against misuse or over-extension" of trademark and related protections into areas traditionally occupied by patent or copyright. *TrafFix,* 532 U.S., at 29. "The Lanham Act," we have said, "does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity." *Id.,* at 34. Federal trademark law "has no necessary relation to invention or discovery," *In re Trade–Mark Cases,* 100 U.S. 82, 94 (1879), but rather, by preventing competitors from copying "a source-identifying mark," "reduce[s] the customer's costs of shopping and making purchasing decisions," and "helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product," *Qualitex Co. v. Jacobson Products Co.,* 514 U.S. 159, 163–164 (1995) (internal quotation marks and citation omitted). Assuming for the sake of argument that Dastar's representation of itself as the "Producer" of its videos amounted to a representation that it originated the creative work conveyed by the videos, allowing a cause of action under § 43(a) for that representation would create a species of mutant copyright law that limits the public's "federal right to 'copy and to use'" expired copyrights, *Bonito Boats, supra,* at 165, 109 S.Ct. 971.

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

[16] Reading "origin" in § 43(a) to require attribution of uncopyrighted materials would pose serious practical problems. Without a copyrighted work as the basepoint, the word "origin" has no discernable limits. A video of the MGM film

Carmen Jones, after its copyright has expired, would presumably require attribution not just to MGM, but to Oscar Hammerstein II (who wrote the musical on which the film was based), to Georges Bizet (who wrote the opera on which the musical was based), and to Prosper Merimee (who wrote the novel on which the opera was based). In many cases, figuring out who is in the line of "origin" would be no simple task. Indeed, in the present case it is far from clear that respondents have that status. Neither SFM nor New Line had anything to do with the production of the Crusade television series—they merely were licensed to distribute the video version. While Fox might have a claim to being in the line of origin, its involvement with the creation of the television series was limited at best. Time, Inc., was the principal, if not the exclusive, creator, albeit under arrangement with Fox. And of course it was neither Fox nor Time, Inc., that shot the film used in the Crusade television series. Rather, that footage came from the United States Army, Navy, and Coast Guard, the British Ministry of Information and War Office, the National Film Board of Canada, and unidentified "Newsreel Pool Cameramen." If anyone has a claim to being the *original* creator of the material used in both the Crusade television series and the Campaigns videotapes, it would be those groups, rather than Fox. We do not think the Lanham Act requires this search for the source of the Nile and all its tributaries.

[17] Another practical difficulty of adopting a special definition of "origin" for communicative products is that it places the manufacturers of those products in a difficult position. On the one hand, they would face Lanham Act liability for *failing* to credit the creator of a work on which their lawful copies are based; and on the other hand they could face Lanham Act liability for *crediting* the creator if that should be regarded as implying the creator's "sponsorship or approval" of the copy, 15 U.S.C. § 1125(a)(1)(A). In this case, for example, if Dastar had simply "copied [the television series] as Crusade in Europe and sold it as Crusade in Europe," without changing the title or packaging (including the original credits to Fox), it is hard to have confidence in respondents' assurance that they "would not be here on a Lanham Act cause of action," Tr. of Oral Arg. 35.

[18] Finally, reading § 43(a) of the Lanham Act as creating a cause of action for, in effect, plagiarism—the use of otherwise unprotected works and inventions without attribution—would be hard to reconcile with our previous decisions. For example, in *Wal–Mart Stores, Inc. v. Samara Brothers, Inc.,* 529 U.S. 205 (2000), we considered whether product-design trade dress can ever be inherently distinctive. Wal–Mart produced "knockoffs" of children's clothes designed and manufactured by Samara Brothers, containing only "minor modifications" of the original designs. *Id.,* at 208. We concluded that the designs could not be protected under § 43(a) without a showing that they had acquired "secondary meaning," *id.,* at 214, so that they "'identify the source of the product rather than the product itself,'" *id.,* at 211 (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,* 456 U.S. 844, 851, n. 11 (1982)). This carefully considered limitation would be entirely pointless if the "original" producer could turn around and pursue a reverse-passing-off claim under

exactly the same provision of the Lanham Act. Samara would merely have had to argue that it was the "origin" of the designs that Wal–Mart was selling as its own line. It was not, because "origin of goods" in the Lanham Act referred to the producer of the clothes, and not the producer of the (potentially) copyrightable or patentable designs that the clothes embodied.

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

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

[21] The creative talent of the sort that lay behind the Campaigns videos is not left without protection. The original film footage used in the Crusade television series could have been copyrighted, see 17 U.S.C. § 102(a)(6), as was copyrighted (as a compilation) the Crusade television series, even though it included material from the public domain, see § 103(a). Had Fox renewed the copyright in the Crusade television series, it would have had an easy claim of copyright infringement. And respondents' contention that Campaigns infringes Doubleday's copyright in General Eisenhower's book is still a live question on remand. If, moreover, the producer of a video that substantially copied the Crusade series were, in advertising or promotion, to give purchasers the impression that the video was quite different from that series, then one or more of the respondents might have a cause of action—not for reverse passing off under the "confusion ... as to the origin" provision of § 43(a)(1)(A), but for misrepresentation under the "misrepresents the nature, characteristics [or] qualities" provision of § 43(a)(1)(B). For merely saying it is the producer of the video, however, no Lanham Act liability attaches to Dastar.

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[22] Because we conclude that Dastar was the "origin" of the products it sold as its own, respondents cannot prevail on their Lanham Act claim. We thus have no occasion to consider whether the Lanham Act permitted an award of double

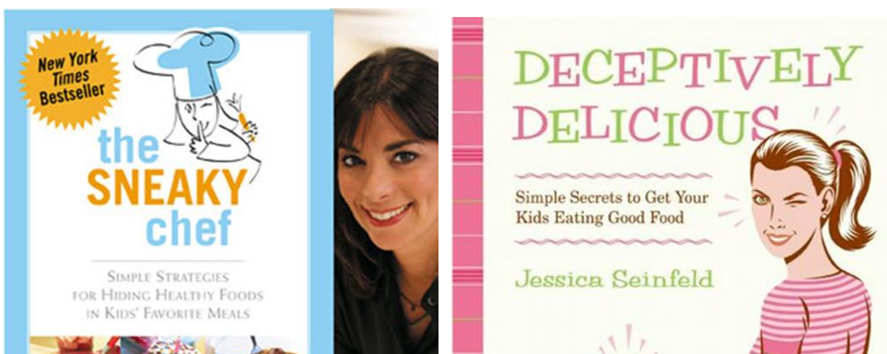
petitioner's profits. The judgment of the Court of Appeals for the Ninth Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

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

Comments and Questions

1. Dastar *and the reverse passing off of "any idea, concept, or communication"*. In the wake of *Dastar*, courts have uniformly held that the "origin of goods" provision of Lanham Act § 43(a) cannot prevent the unattributed use of someone else's ideas or expression. Consider, for example, *LaPine v. Seinfeld*, 92 U.S.P.Q.2d 1428, 2009 WL 2902584 (S.D.N.Y. 2009), judgment aff'd, 375 Fed. Appx. 81, 96 U.S.P.Q.2d 1130 (2d Cir. 2010). The plaintiff Missy Chase Lapine, a trained chef, wrote a cook book entitled *The Sneaky Chef: Simple Strategies for Hiding Healthy Food in Kids' Favorite Meals*, which was published in April 2007 to mild success. The defendant Jessica Seinfeld, wife of Jerry Seinfeld, subsequently authored—or was credited as the author of—the book *Deceptively Delicious: Simple Secrets to Get Your Kids Eating Good Food*, which was published in October 2007 and reached number one on the *New York Times* bestseller list.



Lapine sued for, among other things, copyright infringement and reverse passing off. The court found no copyright infringement on the ground that the "total concept and feel" of the two cookbooks was dissimilar. *Id*. at *12. On the reverse passing off claim, the court explained:

> Plaintiffs' third claim for relief alleges unfair competition in violation of section 43(a) of the Lanham Act. Section 43(a)(1) prohibits any

> "misleading representation of fact which (A) is likely to cause confusion ... as to the origin ... of ... goods ... or (B) in commercial advertising or promotion, misrepresents the nature, characteristics, [or] qualities ... of his or her or another person's goods." 15 U.S.C.A. § 1125(a)(1) (West 1998). This claim, too, fails as a matter of law.

In *Dastar Corp. v. Twentieth Century Fox Film Corp.,* 539 U.S. 23, 123 S.Ct. 2041, 156 L.Ed.2d 18 (2003), the Supreme Court defined the "origin of goods" for section 43(a) purposes, holding that the phrase "refers to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods." *Id.* at 37.[6] To do otherwise would place the Lanham Act in conflict with the copyright [and patent] law and "be akin to finding that § 43(a) created a species of perpetual patent and copyright, which Congress may not do." *Id.* The Court recognized that the Lanham Act was not intended to protect originality or creativity. *Id.*

Following *Dastar,* a plaintiff may be able to bring a section 43(a) violation based on a defendant's repackaging of plaintiff's material as its own. *Id.* at 31 (the claim "would undoubtedly be sustained if Dastar had bought some of New Line's Crusade videotapes and merely repackaged them as its own"); *see also Flaherty v. Filardi,* No. 03 Civ. 2167, 2009 WL 749570, at *9 (S.D.N.Y. Mar. 20, 2009) ("Had [Defendant] merely changed the cover page of the script to list himself as author and provide a new title, Plaintiff might have had a Lanham Act claim."). However, "the mere act of publishing a written work without proper attribution to its creative source is not actionable under the Lanham Act." *Wellnx Life Sciences Inc. v. Iovate Health Sciences Research Inc.,* 516 F.Supp.2d 270, 285 (S.D.N.Y.2007). Plaintiffs have not alleged that Defendants took Plaintiffs' cookbook and repackaged it as their own, nor could the evidentiary record sustain such a claim because, as explained above, the works are not substantially similar.

Although Plaintiffs did not identify in the Complaint the Section 43 subdivision under which they assert their Lanham Act unfair competition claim, Plaintiffs argue that they are asserting a claim under Section 43(a)(1)(B), the false advertising subsection, and that *Dastar* does not foreclose that claim. This argument is unavailing. Plaintiffs' Lanham Act unfair competition claim is, at its core, the same as Plaintiffs' copyright claim—that Defendants took Plaintiff Lapine's ideas and used them in *Deceptively Delicious* without Plaintiffs' permission and without any attribution as to the source of the ideas and the work.

Plaintiffs' Section 43(a) claim is premised on their allegations that Seinfeld misappropriated Lapine's work in preparing *Deceptively Delicious* and that,

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[6] Although *Dastar* involved copying of uncopyrighted work, subsequent decisions have recognized its applicability to copyrighted work as well. *See, e.g., Atrium Group De Ediciones Y Publicaciones, S.L. v. Harry N. Abrams, Inc.,* 565 F.Supp.2d 505, 512–13 (S.D.N.Y.2008) (discussing cases).

consequently, Seinfeld's statements that *Deceptively Delicious* is the product of her own work and Defendants' claim of a copyright in that work constitute falsities because they "assign the entire credit for [*Deceptively Delicious*] and Lapine's property contained therein, to themselves, and fail to credit Lapine or her Book." (Compl.¶¶ 73–75.) Plaintiffs assert that the alleged misrepresentations that are likely to cause confusion or deception *"as to the origin* of [*Deceptively Delicious*] and Lapine's property contained therein." (*Id.* ¶ 76 (emphasis supplied).) This is precisely the type of claim that is precluded by *Dastar,* and the Court finds persuasive those decisions holding that "a failure to attribute authorship to Plaintiff does not amount to misrepresentation of the nature, characteristics, qualities, or geographic origin of ... [Defendant's] goods." *Thomas Publishing Company, LLC v. Technology Evaluation Centers, Inc.,* No. 06 Civ.14212, 2007 WL 2193964, at * 3 (S.D.N.Y. July 27, 2007) (alteration in original); *see also Wellnx Life Sciences Inc. v. Iovate Health Sciences Research Inc.,* 516 F.Supp.2d 270, 286 (S.D.N.Y.2007) ("[A] Lanham Act claim cannot be based on false designation of authorship in [Defendant's] publications."); *Antidote International Films v. Bloomsbury Publishing, PLC,* 467 F.Supp.2d 394, 399–400 (S.D.N.Y.2006) ("the holding in Dastar that the word 'origin' in § 43(a)(1)(A) refers to producers, rather than authors, necessarily implies that the words 'nature, characteristics, [and] qualities' in § 43(a)(1)(B) cannot be read to refer to authorship. If authorship were a 'characteristic[ ]' or 'qualit[y]' of a work, then the very claim Dastar rejected under § 43(a)(1)(A) would have been available under § 43(a)(1)(B)" (alterations in original)). Thus, Plaintiffs' claims of unfair competition under the Lanham Act are dismissed.

Id. at *14-15.

2. Dastar *and products other than "communicative products"*. Courts have similarly held that short of the mere "repackaging" of another's products as one's own, the "origin of goods" provision of Lanham Act § 43(a) will not prevent the unattributed use of someone else's products as components in one's own products. Consider, for example, *Bretford Mfg., Inc. v. Smith System Mfg. Corp*., 419 F.3d 576 (7th Cir. 2005). The plaintiff and defendant were competing table manufacturers. When one of its suppliers failed to produce satisfactory parts, the defendant incorporated some of the plaintiff's hardware in its sample table that it showed to purchasing officials from a school district, who placed an order. The tables the defendant ultimately delivered to the school district contained none of the plaintiff's hardware. Judge Easterbrook held for the defendant:

> Passing off or palming off occurs when a firm puts someone else's trademark on its own (usually inferior) goods; reverse passing off or misappropriation is selling someone else's goods under your own mark. See *Roho, Inc. v. Marquis,* 902 F.2d 356, 359 (5th Cir.1990). It is not clear what's wrong with reselling someone else's goods, if you first buy them at retail. If every automobile sold by DeLorean includes the chassis and engine of a Peugeot, with DeLorean supplying only the body shell, Peugeot has received its asking price for each car sold and does not

suffer any harm. Still, the Supreme Court said in *Dastar* that "reverse passing off" can violate the Lanham Act if a misdescription of goods' origin causes commercial injury. Our opinion in *Peaceable Planet, Inc. v. Ty, Inc.,* 362 F.3d 986 (7th Cir.2004), shows how this could occur.

Dastar added that the injury must be a *trademark* loss—which is to say, it must come from a misrepresentation of the goods' origin. Dastar thus had the right (so far as the Lanham Act is concerned) to incorporate into its videos footage taken and edited by others, provided that it manufactured the finished product and did not mislead anyone about who should be held responsible for shortcomings. No one makes a product from scratch, with trees and iron ore entering one end of the plant and a finished consumer product emerging at the other. Ford's cars include Fram oil filters, Goodyear tires, Owens-Corning glass, Bose radios, Pennzoil lubricants, and many other constituents; buyers can see some of the other producers' marks (those on the radio and tires for example) but not others, such as the oil and transmission fluid. Smith System builds tables using wood from one supplier, grommets (including Teflon from du Pont) from another, and vinyl molding and paint and bolts from any of a hundred more sources—the list is extensive even for a simple product such as a table. If Smith System does not tell du Pont how the Teflon is used, and does not inform its consumers which firm supplied the wood, has it violated the Lanham Act? Surely not; the statute does not condemn the way in which all products are made.

Legs are a larger fraction of a table's total value than grommets and screws, but nothing in the statute establishes one rule for "major" components and another for less costly inputs. The right question, *Dastar* holds, is whether the consumer knows who has produced the finished product. In the *Dastar* case that was Dastar itself, even though most of the product's economic value came from elsewhere; just so when Smith System includes components manufactured by others but stands behind the finished product. The portion of § 43(a) that addresses reverse passing off is the one that condemns false designations of origin. "Origin" means, *Dastar* holds, "the producer of the tangible product sold in the marketplace". 539 U.S. at 31. As far as Dallas was concerned, the table's "origin" was Smith System, no matter who made any component or subassembly.

Much of Bretford's argument takes the form that it is just "unfair" for Smith System to proceed as it did, making a sale before its subcontractor could turn out acceptable leg assemblies. Businesses often think competition unfair, but federal law encourages wholesale copying, the better to drive down prices. Consumers rather than producers are the objects of the law's solicitude. If Smith System misled

> Dallas into thinking that it could supply high-quality tables, when its subcontractor could not match Bretford's welds and other attributes of Bretford's V-shaped leg assemblies, then the victim would be the Dallas school system. (As far as we are aware, however, Dallas is happy with the quality of the tables it received; it has not complained about a bait and switch.) As the Court observed in *Dastar,* creators of certain artistic works are entitled (along the lines of the European approach to moral rights) to control how their work is presented or altered by others. See 539 U.S. at 34-35, citing 17 U.S.C. § 106A. See also *Lee v. A.R.T. Co.,* 125 F.3d 580 (7th Cir.1997). Bretford's table is not a "work of visual art" under § 106A (and the definition in 17 U.S.C. § 101). Once Bretford sold its goods, it had no control over how customers used their components: the Lanham Act does not include any version of the "derivative work" right in copyright law. See 17 U.S.C. § 106(2).

Id. at 580-81.

9. Lanham Act § 2(d) Confusion

Recall that a registration application at the PTO may be rejected on the basis that the applied-for mark will create a likelihood of confusion with an already registered mark. The PTO's test for determining whether Lanham Act § 2(d) bars a registration is essentially the same as the multifactor test for the likelihood of confusion in the federal court litigation context. *See B&B Hardware, Inc. v. Hargis Industries, Inc*., 135 S.Ct. 1293 (2015). Excerpted below is the discussion of the § 2(d) bar in the Trademark Manual of Examining Procedure.

TMEP § 1207.01 Likelihood of Confusion

[1] In the ex parte examination of a trademark application, a refusal under §2(d) is normally based on the examining attorney's conclusion that the applicant's mark, as used on or in connection with the specified goods or services, so resembles a *registered* mark as to be likely to cause confusion. See TMEP §1207.02 concerning application of the §2(d) provision relating to marks that so resemble another mark as to be likely to deceive, and TMEP §1207.03 concerning §2(d) refusals based on unregistered marks (which generally are not issued in ex parte examination).

[2] The examining attorney must conduct a search of USPTO records to determine whether the applicant's mark so resembles any registered mark(s) as to be likely to cause confusion or mistake, when used on or in connection with the goods or services identified in the application. The examining attorney also searches pending applications for conflicting marks with earlier effective filing dates…. The examining attorney must place a copy of the search strategy in the record.

[3] If the examining attorney determines that there is a likelihood of confusion between applicant's mark and a previously registered mark or marks, the examining

attorney refuses registration of the applicant's mark under §2(d). Before citing a registration, the examining attorney must check the automated records of the USPTO to confirm that any registration that is the basis for a §2(d) refusal is an active registration….

[4] In the seminal case involving §2(d), *In re E. I. du Pont de Nemours & Co*., the U.S. Court of Customs and Patent Appeals discussed the factors relevant to a determination of likelihood of confusion. 476 F.2d 1357, 177 USPQ 563 (C.C.P.A. 1973)….

[5] Although the weight given to the relevant *du Pont* factors may vary, the following two factors are key considerations in any likelihood of confusion determination:

- The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression.
- The relatedness of the goods or services as described in the application and registration(s).

See, e.g., *Federated Foods, Inc. v. Fort Howard Paper Co*., 544 F.2d 1098, 1103, 192 USPQ 24, 29 (C.C.P.A. 1976); *In re Iolo Techs., LLC*, 95 USPQ2d 1498, 1499 (TTAB 2010); *In re Max Capital Grp. Ltd*., 93 USPQ2d 1243, 1244 (TTAB 2010); *In re Thor Tech, Inc*., 90 USPQ2d 1634, 1635 (TTAB 2009).

[6] The following factors may also be relevant in an ex parte likelihood-of-confusion determination and must be considered if there is pertinent evidence in the record:

- The similarity or dissimilarity of established, likely-to-continue trade channels.
- The conditions under which and buyers to whom sales are made, i.e., "impulse" vs. careful, sophisticated purchasing (see TMEP §1207.01(d)(vii)).
- The number and nature of similar marks in use on similar goods (see TMEP §1207.01(d)(iii)).
- The existence of a valid consent agreement between the applicant and the owner of the previously registered mark (see TMEP §1207.01(d)(viii)).

See, e.g., *du Pont*, 476 F.2d at 1362-63, 177 USPQ at 568-69; *In re Davey Prods. Pty Ltd*., 92 USPQ2d 1198, 1203-04 (TTAB 2009); *In re Toshiba Med. Sys. Corp*., 91 USPQ2d 1266, 1272-74 (TTAB 2009); *Ass'n of the U.S. Army*, 85 USPQ2d at 1271-73.

[7] As should be clear from the foregoing, there is no mechanical test for determining likelihood of confusion and "each case must be decided on its own facts." *Du Pont*, 476 F.2d at 1361, 177 USPQ at 567. In some cases, a determination that there is no likelihood of confusion may be appropriate, even where the marks are similar and the goods/services are related, because these factors are outweighed by other factors, such as differences in the relevant trade channels of

the goods/services, the presence in the marketplace of a significant number of similar marks in use on similar goods/services, the existence of a valid consent agreement between the parties, or another established fact probative of the effect of use. For example, in *In re Strategic Partners, Inc.*, 102 USPQ2d 1397 (TTAB 2012), the Board reversed a refusal to register the mark ANYWEAR (in stylized text), for "footwear," finding no likelihood of confusion with the registered mark ANYWEAR BY JOSIE NATORI (and design), for "jackets, shirts, pants, stretch T-tops and stoles." Given the similarity in the marks and the relatedness of the goods, the Board stated that "under usual circumstances" it would conclude that confusion is likely to occur; however, an "unusual situation" compelled the Board "to balance the similarities between the marks and goods against the facts that applicant already owns a registration for a substantially similar mark for the identical goods, and that applicant's registration and the cited registration have coexisted for over five years." *Id*. at 1399. Applicant's prior registration of ANYWEARS for goods including footwear was substantially similar to the applied-for mark ANYWEAR for the same goods, and the registration had achieved incontestable status. *Id.* Basing its decision on the thirteenth *du Pont* factor, which "relates to 'any other established fact probative of the effect of use,'" the Board determined that this factor outweighed the others and confusion was unlikely. *Id*. at 1399-1400 (quoting *du Pont*, 476 F.2d at 1361, 177 USPQ at 567).

[8] The decision in *Strategic Partners* may be applied and weighed against a §2(d) refusal in the limited situation where: (1) an applicant owns a prior registration for the same mark or a mark with no meaningful difference from the applied-for-mark; (2) the identifications of goods/services in the application and applicant's prior registration are identical or identical in relevant part; and (3) the applicant's prior registration has co-existed for at least five years with the registration being considered as the basis for the Section 2(d) refusal. See *Id*. at 1400.

[9] The determination of likelihood of confusion under §2(d) in an intent-to-use application under §1(b) of the Trademark Act does not differ from the determination in any other type of application.

1207.03 Marks Previously Used in United States but Not Registered

As a basis for refusal, §2(d) refers not only to registered marks but also to "a mark or trade name previously used in the United States by another and not abandoned." Refusal on the basis of an unregistered mark or trade name has sometimes been referred to as refusal on the basis of a "known mark." This provision is not applied in ex parte examination because of the practical difficulties with which an examining attorney is faced in locating "previously used" marks, and determining whether anyone has rights in them and whether they are "not abandoned."

Comments and Questions

1. *Lanham Act § 2(d) and Unregistered Marks*. Note that § 2(d) not only prohibits the registration of a mark that is confusingly similar with any previously registered mark, but also prohibits the registration of a mark that is confusingly similar with an unregistered "mark or tradename previously used in the United States by another and not abandoned." Lanham Act § 2(d), 15 U.S.C. §1052 (d). In practice, "[t]his provision is not applied in ex parte examination because of the practical difficulties with which an examining attorney is faced in locating 'previously used' marks, and determining whether anyone has rights in them and whether they are 'not abandoned.'" TMEP § 1207.03 (Jan. 2015).

C. Trademark Dilution

Lanham Act § 43(c)[1] provides protection for trademarks against "dilution," which is probably the single most muddled concept in all of trademark doctrine. Of the many reasons for this, perhaps the most significant—and avoidable—is that trademark courts and commentators tend to speak of several different species of trademark dilution without identifying them any more specifically than by the generic name "dilution." From the very beginning of your study of dilution, it may be worthwhile to distinguish among three specific species of dilution: (1) dilution of uniqueness, (2) dilution by "blurring," and (3) dilution by "tarnishment." Because dilution is so easily misunderstood, each form of dilution is briefly discussed below before we turn to the representative case law. Note that, strictly speaking, U.S. trademark law protects against only dilution by blurring and dilution by tarnishment. A brief description of dilution of a trademark's uniqueness is offered because it is arguably what the trademark practitioner and scholar Frank Schechter had in mind when he first originated the concept of trademark dilution in the 1920s.

Dilution of Uniqueness. In his seminal 1927 article *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927), Schechter introduced to American law the concept of trademark dilution. By "dilution," Schechter arguably meant to refer to the impairment of a trademark's *uniqueness*,[2] or what modern marketing doctrine would term its "brand differentiation." His primary concern was to preserve what he variously termed a mark's "arresting uniqueness," its "singularity," "identity," and "individuality," its quality of being "unique and different

[1] The current version of § 43(c) is sometimes referred to as the Trademark Dilution Revision Act or "TDRA," which became effective on October 6, 2006 (and which replaced the old language of § 43(c) that was established by the Federal Trademark Dilution Act of 1995 or "FTDA").

[2] For an important alternative reading of Schechter, which asserts that he sought to provide antidilution protection only to marks which are "synonymous with a single product or product class," see Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 IOWA L. REV. 731 (2003).

from other marks." Schechter was not so much concerned with a trademark's distinctiveness *of source*, but with a trademark's distinctiveness *from other marks*, not its "source distinctiveness," but its "differential distinctiveness."[3] In Schechter's view, trademark uniqueness was worth protecting because it generated "selling power." Certain very strong marks were not simply a means of identifying and advertising source. In a new age of mass production, they were also a means of endowing the goods to which they were attached with the characteristic of uniqueness as against the crowds of other mass-produced goods in the marketplace, a characteristic for which consumers would pay a premium.

Schechter believed, quite rightly at the time, that antidilution protection was necessary because anti-infringement protection, based on consumer confusion as to source, would not fully preserve the uniqueness of famous marks. In situations where a defendant used a famous mark on goods unrelated to those on which the famous mark normally appeared (e.g., KODAK pianos, ROLLS-ROYCE chewing gum), consumers would not likely assume that the defendant's product had the plaintiff as its source. Thus, no cause of action for consumer confusion as to source would lie.

The beauty of Schechter's original conception of antidilution protection was that it was relatively easy to put into practice. Uniqueness is an absolute concept. A mark is either unique or it is not. If a senior mark is unique in the marketplace and a junior mark appears that is identical to it, then the junior mark will destroy the senior mark's uniqueness. Thus, the test for dilution was an essentially formal one. The judge need only consider the identity or close similarity of the parties' marks. If they were identical or closely similar, then the loss of uniqueness could be presumed. *See Eli Lilly & Co. v. Natural Answers, Inc*. 233 F.3d 456, 468-69 (7th Cir. 2000) (considering only similarity of the parties' marks and the "renown" of the senior mark in finding a likelihood of dilution); *Ringling Bros-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449, 464 (4th Cir. 1999) ("[O]nly mark similarity and, possibly, degree of 'renown' of the senior mark would appear to have trustworthy relevance under the federal Act."). Where the consumer confusion test was a messy and unpredictable empirical analysis centered on the *consumer*, the trademark dilution test was a simple and relatively predictable analysis centered on the *trademark*.

Note that Schechter's original conception has never been enacted into law, and the language of Lanham Act § 43(c) is careful to steer clear of it. Indeed, in the early stages of the drafting of the Act, a form of antidilution protection based on "uniqueness" was proposed and rejected.[4]

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[3] *See* Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621 (2004) (distinguishing between source distinctiveness, or in semiotic terms, "signification," and differential distinctiveness, or in semiotic terms, "value").

[4] See Trademark Dilution Revision Act of 2005: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the House Judiciary Comm.,

Dilution by Blurring. The idea underlying the concept of trademark "blurring" is that the defendant's use of a mark similar or identical to the plaintiff's mark, though perhaps not confusing as to source, will nevertheless "blur" the link between the plaintiff's mark and the goods or services to which the plaintiff's mark is traditionally attached. In modern marketing parlance, anti-blurring protection seeks to preserve a brand's "typicality," the brand's "ability to conjure up a particular product category." Alexander F. Simonson, *How and When Do Trademarks Dilute: A Behavioral Framework to Judge "Likelihood of Dilution"*, 83 TRADEMARK REP. 149, 152-53 (1993). In *Ty Inc. v. Perryman*, 306 F.3d 509 (7th Cir. 2002), Judge Posner provides a hypothetical example of blurring:

> [T]here is concern that consumer search costs will rise if a trademark becomes associated with a variety of unrelated products. Suppose an upscale restaurant calls itself "Tiffany." There is little danger that the consuming public will think it's dealing with a branch of the Tiffany jewelry store if it patronizes this restaurant. But when consumers next see the name "Tiffany" they may think about both the restaurant and the jewelry store, and if so the efficacy of the name as an identifier of the store will be diminished. Consumers will have to think harder—incur as it were a higher imagination cost—to recognize the name as the name of the store. So "blurring" is one form of dilution.

Id. at 511 (citations omitted). As Judge Posner's description suggests, the increase in "imagination cost" that blurring is thought to cause forms the basis of the economic defense of antidilution protection. As Judge Posner explained, "[a] trademark seeks to economize on information costs by providing a compact, memorable and unambiguous identifier of a product or service. The economy is less when, because the trademark has other associations, a person seeing it must think for a moment before recognizing it as the mark of the product or service." Richard Posner, *When Is Parody Fair Use?*, 21 J. LEGAL STUDIES 67, 75 (1992).

The blurring theory of dilution is highly empirical in orientation. For the judge to find that a junior mark "blurs" a senior mark, the judge must find that the junior mark is causing consumers to "think for a moment" before recognizing that the senior mark refers to the goods of the senior mark's owner.[5] A merely formal analysis of the similarity of the marks is insufficient. The judge must evaluate the likely effect of the junior mark on the perceptions of actual consumers and must in

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109th Cong. 12-13 (2005) [hereinafter 2005 Hearing] (statement of Anne Gundelfinger, President, International Trademark Association). See also id. at 22-23 (testimony of William G. Barber on behalf of the American Intellectual Property Law Association).

[5] For a strong critique of this conception of blurring, see Rebecca Tushnet, *Gone in 60 Milliseconds: Trademark Law and Cognitive Science*, 86 TEXAS L. REV. 507 (2008).

the process take into account such factors as the degree of distinctiveness—or typicality—of the senior mark and the sophistication of the relevant consumer population. The analysis is once again centered on the *consumer*.

Dilution by Tarnishment. Dilution by tarnishment is fundamentally different from dilution by blurring (and arguably has nothing to do with "dilution" as Schechter originally formulated the concept). Tarnishment describes damage to the positive associations or connotations of a trademark. *See Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d Cir. 1994) ("'Tarnishment' generally arises when the plaintiff's trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product[s]."). In, for example, *New York Stock Exchange, Inc. v. New York, New York Hotel, LLC*, 293 F.3d 550 (2d Cir. 2002), a Las Vegas casino called its players club the "New York $lot Exchange." Owners of the NEW YORK STOCK EXCHANGE trademark took offense at the suggestion that their stock exchange was in some sense a venue for gambling, if not also for stacked odds, and sued. The district court granted summary judgment to the casino. *New York Stock Exch., Inc. v. New York, New York Hotel, LLC*, 69 F. Supp. 2d 479, 482 (S.D.N.Y. 1999). On appeal, the Second Circuit reversed. Among other things it found, with respect to the plaintiff's New York state law tarnishment claim, that "[a] reasonable trier of fact might…find that the Casino's humorous analogy would injure NYSE's reputation." *New York Stock Exch., Inc. v. New York, New York Hotel LLC*, 293 F.3d 550, 558 (2d Cir. 2002) (analyzing the issue under New York state anti-tarnishment law).

The Elements of a Dilution Claim. In *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007), the Fourth Circuit set forth the main elements of a claim for dilution by blurring or dilution by tarnishment. The plaintiff must show:

> (1) that the plaintiff owns a famous mark that is distinctive;
>
> (2) that the defendant has commenced using a mark in commerce that allegedly is diluting the famous mark;
>
> (3) that a similarity between the defendant's mark and the famous mark gives rise to an association between the marks; and
>
> (4) that the association is likely to impair the distinctiveness of the famous mark or likely to harm the reputation of the famous mark.

Id. at 264-65.

In light of the above, the statutory language of § 43(c) excerpted below will reward a close reading. We then turn first to the fame requirement for antidilution protection and then to anti-blurring protection and anti-tarnishment protection.[6]

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[6] The student wishing to avoid madness may do well to avoid the term "dilution" altogether and simply refer to these two forms of protection as "anti-blurring protection" and "anti-tarnishment" protection.

Lanham Act § 43(c), 15 U.S.C. § 1125(c)

(c) Dilution by blurring; dilution by tarnishment

(1) Injunctive relief. 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.

(2) Definitions

(A) For purposes of paragraph (1), 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. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

(i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.

(ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.

(iii) The extent of actual recognition of the mark.

(iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(B) For purposes of paragraph (1), "dilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

(i) The degree of similarity between the mark or trade name and the famous mark.

(ii) The degree of inherent or acquired distinctiveness of the famous mark.

(iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.

(iv) The degree of recognition of the famous mark.

(v) Whether the user of the mark or trade name intended to create an association with the famous mark.

(vi) Any actual association between the mark or trade name and the famous mark.

(C) For purposes of paragraph (1), "dilution by tarnishment" is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.

(3) Exclusions. The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

(A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—

(i) advertising or promotion that permits consumers to compare goods or services; or

(ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark.

…

1. The Fame Requirement for Antidilution Protect

To qualify for federal anti-blurring and anti-tarnishment protection under § 43(c), a mark must be "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." Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A). Furthermore, the mark must have become famous before the defendant began its allegedly diluting use. Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1). Among the marks that have failed to meet the fame requirement are the "longhorn" logo of the University of Texas, *Board of Regents v. KST Elec., Ltd.*, 550 F. Supp. 2d 657, 678 (W.D. Tex. 2008), and the red dripping wax seal of the Maker's Mark whiskey bottle, *Maker's Mark Distillery, Inc. v. Diageo North America, Inc.*, 703 F. Supp. 2d 671, 698 (W.D. Ky. 2010) ("Congress intended for dilution to apply only to a small category of extremely strong marks."). Among the marks that have met the fame requirement are JUST DO IT, CHANEL, AUDI, and AMERICA'S TEAM. *See respectively Nike, Inc. v. Peter Maher and Patricia Hoyt Maher*, 100 U.S.P.Q.2d 1018, 1027 (T.T.A.B. 2011); *Chanel, Inc. v. Makarczyk*, 110 U.S.P.Q.2d 2013 (T.T.A.B. 2014); *Audi AG v. Shokan Coachworks, Inc.*, 592 F. Supp. 2d 246, 280 (N.D. N.Y. 2008); *Dallas Cowboys Football Club, Ltd. v. America's Team Properties, Inc.*, 616 F. Supp. 2d 622 (N.D. Tex. 2009).

In the opinion excerpt that follows, the Federal Circuit considered the fame of the mark COACH. Coach Services, Inc. ("CSI"), the proprietor of COACH leather goods stores opposed Triumph Learning, LLC's application to register the mark COACH for educational materials used to prepare students for standardized tests. In affirming the TTAB's finding of no likelihood of confusion or dilution, the Federal Circuit found that CSI had failed to establish that its mark was "widely recognized by the general consuming public of the United States" at the time that Triumph Learning adopted its mark. Triumph filed its applications to register the COACH word mark, a stylized COACH mark, and a COACH mark and design (shown below) in December 2004. The applications were published for opposition on September 20, 2005.

Coach Servs., Inc. v. Triumph Learning LLC
668 F.3d 1356 (Fed. Cir. 2012)

O'MALLEY, Circuit Judge.

…

C. Dilution

1. Fame for Dilution

[1] A threshold question in a federal dilution claim is whether the mark at issue is "famous." Under the TDRA, 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." 15 U.S.C. § 1125(c)(2)(A). By using the "general consuming public" as the benchmark, the TDRA eliminated the possibility of "niche fame," which some courts had recognized under the previous version of the statute. *See Top Tobacco, LP v. N. Atl. Operating Co.,* 509 F.3d 380, 384 (7th Cir.2007) (noting that the reference to the general public "eliminated any possibility of 'niche fame,' which some courts had recognized before the amendment"). The TDRA lists four non-exclusive factors for courts to consider when determining whether a mark is famous… Whether a mark is famous under the TDRA is a factual question reviewed for substantial evidence.

…

[2] It is well-established that dilution fame is difficult to prove…. This is particularly true where, as here, the mark is a common English word that has

different meanings in different contexts. Importantly, the owner of the allegedly famous mark must show that its mark became famous "prior to the filing date of the trademark application or registration against which it intends to file an opposition or cancellation proceeding." *See Toro Co. v. ToroHead Inc.*, 61 U.S.P.Q.2d 1164, 1174 (T.T.A.B.2001).

[3] As noted, fame for dilution requires widespread recognition by the general public. 15 U.S.C. § 1125(c)(2)(A). To establish the requisite level of fame, the "mark's owner must demonstrate that the common or proper noun uses of the term and third-party uses of the mark are now eclipsed by the owner's use of the mark." *Toro,* 61 U.S.P.Q.2d at 1180. An opposer must show that, when the general public encounters the mark "in almost any context, it associates the term, at least initially, with the mark's owner." *Id.* at 1181. In other words, a famous mark is one that has become a "household name." *Nissan Motor Co. v. Nissan Computer Corp.,* 378 F.3d 1002, 1012 (9th Cir.2004) (quoting *Thane Int'l, Inc. v. Trek Bicycle Corp.,* 305 F.3d 894, 911 (9th Cir.2002)). With this framework in mind, we turn to CSI's evidence of fame.

2. CSI Failed to Introduce Sufficient Evidence of Fame for Dilution

[4] The Board found that CSI's evidence of fame was insufficient to support a dilution claim. On appeal, CSI argues that the same evidence establishing fame for likelihood of confusion also establishes fame for dilution purposes. Specifically, CSI argues that the Board disregarded: (1) sales and advertising figures for years 2000–2008; (2) its sixteen federal trademark registrations; (3) unsolicited media attention; (4) joint marketing efforts; (5) two Second Circuit decisions finding the Coach hangtag, which features the COACH mark, to be famous; and (6) CSI's internal brand awareness survey showing awareness among 18–24 year old consumers. We address each category of evidence in turn. For the reasons set forth below, we find substantial evidence supporting the Board's decision that CSI failed to show the requisite level of fame for dilution.

[5] Turning first to CSI's evidence of sales and advertising expenditures, CSI argues that the Board erred when it ignored the annual reports that were attached to a Notice of Reliance. As previously discussed, however, the Board correctly held that these reports were unauthenticated and thus inadmissible. The only sales and advertising figures in the record via Ms. Sadler's testimony were for one year—2008—which, notably, is after Triumph filed its use-based applications in December 2004. We agree with the Board that this limited evidence of sales and advertising is insufficient to show fame. Even if the Board had considered the annual reports, moreover, such evidence, standing alone, would be insufficient. *See Toro,* 61 U.S.P.Q.2d at 1181 ("Merely providing evidence that a mark is a top-selling brand is insufficient to show this general fame without evidence of how many persons are purchasers.").

[6] With respect to CSI's registrations, the Board found that the mere existence of federally registered trademarks is insufficient to show that the mark is famous for

purposes of dilution because ownership of a registration is not proof of fame. On appeal, CSI argues that the Board erred in this determination because one of the statutory factors a court can consider in the fame analysis is whether the mark is registered on the principal register. *See* 15 U.S.C. § 1125(c)(2)(A)(iv). As Triumph points out, however, "[o]ne cannot logically infer fame from the fact that a mark is one of the millions on the Federal Register." 4 *McCarthy,* § 24:106 at 24–310. While ownership of a trademark registration *is* relevant to the fame inquiry, and—to the extent the Board decision implies otherwise—the Board erred on this point, proof of registration is not *conclusive* evidence of fame.

[7] With respect to media attention, the Board found that CSI's evidence fell short of showing "widespread recognition of opposer's mark [by] the general population." *Board Decision,* 96 U.S.P.Q.2d at 1611. Specifically, the Board found that:

> the vast majority of unsolicited media recognition for opposer's COACH mark comprises a reference to one of opposer's products as one of many different fashion buys or trends, and the news articles noting opposer's renown are too few to support a finding that opposer's mark has been transformed into a household name.

Id. On appeal, CSI argues that the Board ignored hundreds of unsolicited articles mentioning the COACH mark over the years. CSI points to several examples, including the following:

> • "In fact, Coach's growth ... has been phenomenal. When Sara Lee acquired the firm in 1985, its volume was about $18 million. In Sara Lee's latest fiscal year, which ended last June 30, Coach's sales exceeded $500 million. The name also resonates with consumers. The brand ranked eighth among the top 10 in accessories firms in the latest Fairchild 100 consumer survey of fashion labels, in 1995." J.A. 3607 (Women's Wear Daily, May 5, 1997).
>
> • "Coach, one of the top makers of status handbags in the United States ..." J.A. 3598 (The New York Times, Jan. 27, 1999).
>
> • "Coach's creative director has helped transform the 60–year old company into a must-have American icon." J.A. 3156 (Women's Wear Daily, June 2001).
>
> • "Will Coach Become Too Popular? ... Coach, the maker and retailer of stylish handbags, just had a blowout season.... Clearly Coach has recorded some of the best growth numbers of any retailer or accessories maker in recent years." J.A. 3543 (Business Week, Jan. 24, 2007).

[8] Looking at the media attention in the record, there is certainly evidence that CSI's COACH mark has achieved a substantial degree of recognition. That said, many of the articles submitted are dated *after* Triumph filed its registration applications and thus do not show that CSI's mark was famous *prior* to the filing date. *See Toro,*

61 U.S.P.Q.2d at 1174 ("an owner of an allegedly famous mark must establish that its mark had become famous prior to the filing date of the trademark application" which it opposes). And, there is substantial evidence supporting the Board's determination that many of the references are limited to mentioning one of CSI's COACH products among other brands. Accordingly, even though there is some evidence of media attention, substantial evidence supports the Board's conclusion that the media evidence submitted fails to show widespread recognition.

[9] With respect to joint marketing efforts, CSI argued that other popular brands, including LEXUS and CANON, have used the COACH mark in connection with their products. The Board found that CSI "failed to provide any testimony regarding the success of the joint marketing efforts and the effect of those efforts in promoting opposer's mark." *Board Decision,* 96 U.S.P.Q.2d at 1611, n. 37. We agree. Without evidence as to the success of these efforts or the terms of any contracts involved, they have little value here.

[10] Next, the Board found that CSI's 2008 brand awareness study was "of dubious probative value" because it did not offer a witness with first-hand knowledge of the study to explain how it was conducted. *Id.* at 1611. The Board further noted that, although the study showed a high level of brand awareness among women ages 13–24, it provided no evidence of brand awareness among women generally, or among men. *See Top Tobacco,* 509 F.3d at 384 (noting that the TDRA eliminated the possibility of "niche fame" as a basis for finding a mark famous). And, the survey was conducted in 2007, several years after Triumph filed its applications. Given these circumstances, we find no error in the Board's decision to give this survey limited weight.

[11] CSI also argues that the Board failed to adequately consider two Second Circuit decisions finding that the hangtag attached to its various handbags, which features the COACH mark, is distinctive. *See Coach Leatherware Co., Inc. v. AnnTaylor, Inc.,* 933 F.2d 162, 166 (2d Cir.1991) (finding that Coach's lozenge-shaped leather tags embossed with the name "Coach Leatherware," which are attached to Coach's handbags by beaded brass chains, "have become distinctive and valuable through Coach's promotional efforts and by virtue of its upscale reputation"); *see also Coach, Inc. v. We Care Trading Co., Inc.,* 67 Fed.Appx. 626, 630 (2d Cir.2002) (affirming the jury's dilution verdict on grounds that "the jury's determination that the hang tag was famous and distinctive was not unreasonable" and "the substantial similarity of the two marks here coupled with the use of Coach's very distinctive hang tag shape amply justified the jury's verdict"). Although the Board did not specifically address these cases, we agree with Triumph that they are unrelated and irrelevant, particularly because: (1) the 1991 case did not involve a dilution claim; and (2) both cases focus on the hangtag feature on CSI's handbags, not on the alleged fame of the COACH mark generally.

[12] Based on the foregoing, we agree with the Board that CSI failed to provide sufficient evidence of fame for dilution purposes. Absent a showing of fame, CSI's

dilution claim fails, and we need not address the remaining statutory factors for dilution by blurring.

[13] Before moving on, we pause to emphasize the fact-specific nature of our holding today. While the burden to show fame in the dilution context is high—and higher than that for likelihood of confusion purposes—it is not insurmountable. We do not hold that CSI could never establish the requisite level of fame for dilution purposes. We hold only that, on the record presented to it, the Board had substantial support for its conclusion that CSI's evidentiary showing was just too weak to do so here.

Comments and Questions

1. *The Importance of the Timing of Fame Evidence*. Courts appear to be applying quite strictly the requirement that the plaintiff show fame *before* defendant began use. Consider the case of *Inter IKEA Systems B.V. v. Akea, LLC*, 110 U.S.P.Q.2d 1734 (TTAB 2014). In June 2009, Akea filed an intent-to-use application for the mark AKEA for nutritional supplements in international class 5, retail services in class 35, and advice and information services relating to diet in class 44. Ikea opposed under § 2(d), claiming likelihood of confusion, and under § 13 and § 43(c), claiming likelihood of dilution. Almost all of Ikea's evidence of fame was dated after June 2009. "For example, opposer's evidence that the IKEA brand was ranked No. 28 on the Business Week/Interbrand 2012 list of the Top 100 Brands worldwide, with an estimated brand value of $12,808,000,000 is subsequent to the filing date of applicant's application and, therefore, is not relevant." *Id*. at 1745. Ikea's dilution claim therefore failed. What result? Akea's registration was refused in class 35 for retail services where the TTAB found a likelihood of confusion, but allowed in classes 5 and 44, for nutritional supplements and for information services relating to diet respectively, where the TTAB found no likelihood of confusion (but might very well have found a likelihood of dilution had Ikea's lawyers submitted, for example, evidence that in 2008, Interbrand ranked Ikea as the 35th most valuable brand in the world worth $10.9 billion).

2. *Fame Surveys*. What level of fame must a mark be shown to have achieved in survey evidence to qualify for federal antidilution protection? Consider McCarthy's proposal, which he provides in an "Author's Opinion" section of his treatise:

> I think that the extraordinary scope of the federal antidilution law requires proof of a relatively high level of recognition…. I believe that a minimum threshold survey response should be in the range of 75% of the general consuming public of the United States. I do not propose that a mark that obtained such a reading on a survey would automatically qualify as "famous": surveys are not indisputably accurate measures of public perception. It is no secret that survey percentages can vary widely depending on which group of people are asked questions phrased in various ways. My 75% proposal assumes that the fact finder

is satisfied that the data reasonably reflects actual public perception of the entire general consuming public of the United States.

MCCARTHY § 24:106 (*cited in* T-Mobile US, Inc. v. AIO Wireless LLC, 991 F. Supp. 2d 888, 931 (S.D. Tex. 2014)). What would be the appropriate question to ask survey respondents?

2. Dilution by Blurring

The following opinion, *Nike, Inc. v. Nikepal Intern., Inc.*, 84 U.S.P.Q.2d 1820 (N.D. Cal. 2007), was one of the first opinions thoroughly to analyze a claim of dilution by blurring under the new § 43(c) established by the TDRA. In reading *Nikepal*, consider the following questions;

- What is the nature of the harm to the NIKE mark? Is it reasonable to argue that Nikepal's use of the NIKEPAL mark could harm in any significant way a mark as strong as NIKE?
- Does the survey method described in the opinion strike you as valid?
- Though the opinion never addresses the likelihood of consumer confusion as to source, do you think some consumers might be confused as to source by the NIKEPAL mark? More generally, can a plaintiff reasonably argue that a defendant's conduct causes *both* confusion and dilution?

Nike, Inc. v. Nikepal Intern., Inc.
84 U.S.P.Q.2d 1820 (N.D. Cal. 2007)

GARLAND E. BURRELL, JR., United States District Judge.

[1] The following findings of fact and conclusions of law issue as a result of a bench trial conducted in this trademark action. Plaintiff Nike, Inc. ("Nike"), a company headquartered in Beaverton, Oregon which uses the mark NIKE, contests the use of the mark NIKEPAL by Defendant Nikepal International, Inc. ("Nikepal"), a company located in Sacramento, California. Nike initially contested Nikepal's registration of the NIKEPAL mark at the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office ("PTO"); however, the TTAB denied Nike's opposition to Nikepal's registration of the NIKEPAL mark. Nike subsequently appealed the TTAB's ruling to this court under 15 U.S.C. § 1071 and brought additional claims for federal and state trademark dilution under 15 U.S.C. § 1125(c) and California Business and Professions Code section 14330; for trademark infringement under 15 U.S.C. § 1114; and for unfair competition under 15 U.S.C. § 1125(a).[7]

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[7] For the reasons stated herein, Nike prevails on its federal and state dilution claims. Therefore, Nike's claims for trademark infringement and unfair competition need not be reached.

[2] Nike seeks an injunction preventing Nikepal from using the term "Nike" (or any term confusingly similar thereto) alone or as part of any trademark, domain name or business name under which Nikepal offers goods or services in commerce. Nike also seeks a reversal of the TTAB's ruling allowing Nikepal to register the NIKEPAL mark. Nikepal seeks an affirmation of the TTAB's April 21, 2005 order. (TTAB's April 21, 2005 Order ("TTAB Decision").)

Findings of Fact

I. The Parties and their Businesses

A. Nike

[3] Nike was incorporated in 1968 under the original company name Blue Ribbon Sports. In 1971, it adopted the NIKE mark to brand its footwear products and in May 1978, the company's name was officially changed to "Nike, Inc." Today, Nike is the largest seller of athletic footwear and apparel in the world. Nike sells around 180 million pairs of shoes annually in the United States alone. Nike's principal business activity is the design, development, and worldwide marketing and distribution of high quality and technologically advanced footwear, apparel, equipment, and accessories. Nike has continuously used the NIKE mark on and in connection with the various products offered by the company since the 1970s. Sometimes, the word mark NIKE is the only brand used; sometimes, Nike's Swoosh design mark (i.e. the logo which frequently appears on products along with NIKE, and in some instances alone) is also placed on the product.

B. Nikepal

[4] Nikepal was incorporated on May 18, 1998 by the company's founder and president, Palminder Sandhu ("Mr.Sandhu"), who then began using the NIKEPAL mark in commerce. Nikepal provides services and products to analytical, environmental, and scientific laboratories. Nikepal's trademark application to the PTO requested registration for: "import and export agencies and wholesale distributorships featuring scientific, chemical, pharmaceutical, biotechnology testing instruments and glassware for laboratory use, electrical instruments, paper products and household products and cooking appliances." (Application Serial No. 76123346, filed September 6, 2000) Nikepal distributes glass syringes in varying volumes and other laboratory products to testing and power companies and also distributes paper boxes (syringe carrying cases) and nylon valves and caps for use with the syringes. Nikepal only distributes its products to laboratories, not to individuals.

[5] Nikepal does not have a retail office, but operates its business through its website (located at www.nikepal.com), via email, and via telephone. Nikepal is run by Mr. Sandhu, who also works as a transportation engineer. Currently, Nikepal has one other part-time employee. Nikepal has only a few hundred customers, but it has a list of thousands of prospective customers, some of whom receive materials from Nikepal advertising its product and service offerings under the mark NIKEPAL.

II. The Parties' Marks

A. NIKE

[6] Nike first registered the NIKE mark with the PTO in February 1974. Nike owns ten federal trademark registrations for the NIKE mark alone, covering footwear, clothing, bags, timepieces, paper products such as notebooks and binders, sport balls, swim accessories, and retail store services, all of which related to pre-May 1998 uses of the mark. By May 1998, Nike was also using and applied for trademark registrations covering the use of the NIKE mark in combination with other terms or designs for footwear, clothing, bags, timepieces, posters, sport balls, swim accessories, weights, gloves, headgear, and retail store services. For example, Nike owns nineteen federal registrations for NIKE composite marks such as: NIKE and the Swoosh design which has been in use since 1971; NIKE AIR which has been in use since 1987; NIKE-FIT which has been in use since 1990; NIKE TOWN which has been in use since 1990; NIKE SHOP which has been in use since 1991; and NIKE GOLF which has been in use since 1993. From 1998 to the present, Nike has continued to use the mark NIKE alone and in combination with other terms or designs.

B. NIKEPAL

[7] Mr. Sandhu testified that he conceived of the term Nikepal when he wanted to create a vanity license plate for his car. He testified that he selected the word "Nike" by opening a dictionary to a random page and choosing the first word he saw, and then combined it with the first three letters of his first name "Pal." "Pal" means friend or benefactor. Mr. Sandhu admits he knew of the existence of the company Nike and its use of the NIKE mark at the time he devised the term NIKEPAL. Despite Mr. Sandhu's trial testimony concerning the manner in which he conceived of the term NIKEPAL, the court does not find it to be credible.

[7] The "Nike" portion of the NIKEPAL mark is pronounced the same way as the NIKE mark is pronounced: with a hard "i" (like bike) in the first syllable and a hard "e" (like in "key") in the second syllable.[8] The articles of incorporation signed by Mr. Sandhu for Nikepal in 1998 display the company name as "NikePal International,

[8] Nikepal's attorney attempted to convince the court that there is a pronunciation difference between NIKE and NIKEPAL. In her questions during trial, for example, she pronounced Nikepal's mark as "nik-a-pal." However, in answering her questions at trial, Mr. Sandhu, the president of Nikepal, alternated between the pronunciation of NIKEPAL as "nik-a-pal" and as "Ny-key-pal." Further, Nike's witness, Joseph Sheehan, a former FBI agent and now a private investigator, provided a tape recording of the outgoing message heard on Nikepal's answering machine which clearly pronounced the term "Nike" with long, or hard, vowels, that is an "i" like in "bike" and "e" like in "key" identical to the pronunciation of the Nike's trademark.

Inc.," with the first word of the company name spelled "NikePal," with a capital "N" and a capital "P."[9]

[8] In addition to using Nikepal as the company name, NIKEPAL appears directly on some of Nikepal's products, including on its syringe products, and on its marketing materials. Nikepal also places www.nikepal.com on its syringes to identify the source of the syringe. Nikepal also uses the NIKEPAL mark in a vanity phone number (1-877-N-I-K-E-P-A-L), on its website, and in its domain names, including nikepal.com, nikepal.biz, nikepal.us, nikepal.tv, nikepal.info, and nikepal.net.

III. Nike's Sales

[9] By the late 1980s, United States sales of NIKE branded products were over one billion dollars per year. Starting in 1991 and through the mid 1990s, sales of NIKE products in the United States were approximately two billion dollars per year, and were above five billion dollars per year by 1997. By 1997, Nike was the largest seller of athletic footwear and apparel in the world. The geographic area of Nike's sales includes the United States and 140 countries throughout the world. Since 1997, Nike has sold over 100,000,000 pairs of NIKE shoes each year.

IV. Advertising and Promotion of the NIKE Mark

[10] Nike has undertaken significant expense to promote the NIKE mark. Nike advertises in various types of media, including traditional print advertising, such as magazines (of both special and general interest), newspapers (of general circulation), leaflets, and billboards. Nike also advertises in electronic media, including radio, television, cable and internet, on sides of buildings, on taxi cabs, and through direct mailings. Nike's television advertisements have run on network channels and have reached national audiences. Nike has also promoted its mark by associating with athletes through endorsement arrangements. By 1991, Nike was spending in excess of one hundred million dollars per year in the United States alone to advertise products bearing the NIKE mark. By 1997, Nike had spent at least $1,567,900,000.00 to promote the NIKE mark in the United States.

V. Notoriety of NIKE

[11] The NIKE mark has been consistently ranked as a top brand in publications that survey the top brands each year. Since at least 1990, Nike has been named one of the top forty brands in the United States based on the EquiTrend and other studies published in BrandWeek and Financial World Magazine. Other brands ranked in such studies include FRITO LAY, LEVI'S, CAMPBELLS', HEWLETT-PACKARD, SONY, PEPSI, and VISA. One story printed in Forbes magazine, reported a survey conducted by Young & Rubicam that ranked the NIKE brand among the top ten in the United States in 1996 with COKE, DISNEY, and HALLMARK.

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[9] However, since both parties refer to "Nikepal" with a lowercase "p" in this action, the court adopts this spelling for the purposes of this order.

VI. Evidence of Actual Association

[12] A survey conducted by Phillip Johnson of Leo J. Shapiro and Associates ("Mr. Johnson's survey"), a Chicago-based market research firm, determined that a significant number of Nikepal's potential laboratory customers actually associated NIKE with NIKEPAL. Mr. Johnson is an expert at designing surveys that measure consumer behavior. The primary business of Shapiro and Associates is to explore consumer behavior through the use of surveys for businesses such as Toys-R-Us, Target, and Petsmart in order to help them better understand their marketplace when developing new retail concepts. Nike retained Mr. Johnson to design a survey to measure, *inter alia,* the likelihood of dilution of the NIKE brand as a result of Nikepal's use of the NIKEPAL mark.

[13] In designing his study, Mr. Johnson used a universe of survey participants randomly selected from lists of companies that Mr. Sandhu's deposition testimony identified as the sources for Nikepal's current and prospective customers. Mr. Johnson conducted the survey by phone and asked respondents about their perception of a website called nikepal.com. In designing his survey, Mr. Johnson chose one of the ways that the NIKEPAL mark is used in commerce which allowed him to reasonably recreate a purchasing context while obtaining a controlled and accurate measurement. Mr. Johnson testified that this survey replicated the circumstances in which people typically encountered the NIKEPAL mark.

[14] Once survey respondents were screened to confirm that they were the persons most responsible for ordering laboratory equipment at their business, they were asked: "What if anything, came to your mind when I first said the word Nikepal?" Many survey respondents who were not actually confused about the source of the Nikepal website nonetheless identified Nike. Mr. Johnson testified that his survey revealed that the vast majority of respondents, 87%, associated Nikepal with Nike; that is, when they encounter the mark NIKEPAL, they think of Nike and/or its offerings.

[15] Evidence of actual association of the NIKEPAL mark with the NIKE mark also exists beyond the results demonstrated in Mr. Johnson's survey. Mr. Sandhu registered the domain names nikepal.biz, nikepal.us, nikepal.tv, nikepal.net, and nikepal.info with Network Solution, and until just prior to trial, those websites were inactive. Mr. Sandhu testified that at the time he registered those domains he chose not to link them to an active website. As a result, Network Solutions assigned those domains an "under construction" page and then associated with that page promotions and advertisement links to product and service offerings of its choice. These promotions and advertisements all referred to NIKE products or those of one of its competitors. Thus, when accessing Nikepal's NIKEPAL domain names (other than nikepal.com), users received information about Nike or its competitors, but not Nikepal.

Conclusions of Law

I. Dilution

[16] Under the Federal Trademark Dilution Revision Act[10]:

> [T]he 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.

15 U.S.C. § 1125(c)(1) ("TDRA"). To prevail on its dilution claim, Nike must prove 1) that its mark was famous as of a date prior to the first use of the NIKEPAL mark and 2) that Nikepal's use of its allegedly diluting mark creates a likelihood of dilution by blurring or tarnishment.[11]

[17] If Nike prevails on its federal dilution claim, it will also prevail on its dilution claim under California law. *See Jada Toys, Inc. v. Mattel, Inc.,* 496 F.3d 974 (9th Cir. Aug.2, 2007); *see also Panavision Int'l v. Toeppen,* 141 F.3d 1316, 1324 (9th Cir.1998) ("[Plaintiff's] state law dilution claim [under California Business and Professions Code section 14330] is subject to the same analysis as its federal [dilution] claim.").

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[10] The TDRA, signed into law on October 6, 2006, amended the previous federal anti-dilution statute (the Federal Trademark Dilution Act ("FTDA")). The TDRA revises the FTDA in three ways: it establishes that likelihood of dilution, and not actual dilution, is a prerequisite to establish a dilution claim; it sets forth four relevant factors courts may consider in determining famousness; and it also lists six relevant factors that courts may consider in determining whether a likelihood of dilution exists. *Century 21 Real Estate LLC v. Century Surety Co.,* 2007 WL 433579, at *1 (D.Ariz. Feb.6, 2007).

[11] California's anti-dilution statute, under which Nike also brings a claim, prescribes:

> Likelihood of injury to business reputation or a dilution of the distinctive quality of a mark registered under this chapter, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between parties or the absence of confusion as to the source of goods or services.

Cal. Bus. & Prof.Code § 14330.

A. Whether NIKE Was Famous Prior to the First Use of NIKEPAL

[18] […] Since Nikepal's first use of NIKEPAL commenced in May 1998, Nike must show that NIKE was famous before that date.

[The court applied the four factors listed in Lanham Act § 43(c)(2)(A), 15 U.S.C. 1125(c)(2)(A), to find that the NIKE mark was famous before May 1998].

B. Likelihood of Dilution by Blurring

[19] The TDRA defines dilution by blurring as an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(A) [*sic*] [*recte* 15 U.S.C. § 1125(c)(2)(B)].

> In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:
>
> (i) The degree of similarity between the mark or trade name and the famous mark.
>
> (ii) The degree of inherent or acquired distinctiveness of the famous mark.
>
> (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
>
> (iv) The degree of recognition of the famous mark.
>
> (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
>
> (vi) Any actual association between the mark or trade name and the famous mark.

Id.

(i) The Degree of Similarity

[20] Marks in a dilution analysis must be "identical" or "nearly identical."[12] *Thane Int'l, Inc. v. Trek Bicycle Corp.,* 305 F.3d 894, 906 (9th Cir.2002). "For marks to be nearly identical to one another, they 'must be similar enough that a significant segment of the target group of customers sees the two marks as essentially the

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[12] Nike argues that the TDRA does not require that the marks be identical or nearly identical. However, the enactment of the TDRA did "not eliminate the requirement that the mark used by the alleged diluter be 'identical,' or 'nearly identical,' or 'substantially similar,' to the protected mark." *Century 21 Real Estate LLC,* 2007 WL 433579, at *2 (citing House Report on Trademark Dilution Act of 2005 at 8, 25). [Note that the Ninth Circuit subsequently explicitly rejected this "identical or nearly identical" standard. See the casebook note following the opinion.]

same.'" *Playboy Enters., Inc. v. Welles,* 279 F.3d 796, 806 n. 41 (9th Cir.2002) (internal citation omitted).

[21] The parties' marks are nearly identical. The NIKEPAL mark is a composite of the word "Nike" with the term of affinity, "pal." The composite nature of the NIKEPAL mark is evident in the logo selected by the company which clearly features an "N" and a "P." In each case the dominant feature of the mark is the term "Nike." In addition, the term "Nike" in both marks is pronounced identically with an "i" like in "bike" and an "e" like in "key." *See Porsche Cars N. Am., Inc.,* 2000 WL 641209, at *3, (finding that the trademark PORSCHE was diluted by PORCHESOURCE.COM); *see also Jada Toys, Inc.,* 496 F.3d 974, 2007 WL 2199286, at *4 (concluding "that a reasonable trier of fact could find that the HOT WHEELS and HOT RIGZ marks are nearly identical.").

[22] Further, as shown by Mr. Johnson's survey, the vast majority of the survey respondents, representing a significant segment of Nikepal's target customer group, associate Nike and/or its products and services when they encounter the mark NIKEPAL, thus perceiving the two marks as essentially the same. *See Thane Int'l, Inc.,* 305 F.3d at 906 ("The marks must be of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior.") (citing *Nabisco, Inc. v. PF Brands,* 191 F.3d 208 (2d Cir.1999)). Accordingly, this factor favors Nike.

(ii) Distinctiveness

[23] "'There are five categories of trademarks: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; and (5) fanciful.'" *Quicksilver, Inc. v. Kymsta Corp.,* 466 F.3d 749, 760 (9th Cir.2006) (internal citations omitted). "[S]uggestive, arbitrary, and fanciful marks are 'deemed inherently distinctive and are automatically entitled to [trademark] protection because they naturally serve to identify a particular source of a product.'" *Id.* Suggestive marks require the use of imagination to make a connection between the mark and an attribute of the goods or services to which it is applied. *Official Airlines Guides, Inc. v. Goss,* 6 F.3d 1385, 1391 (9th Cir.1993).

[24] Nikepal does not dispute that NIKE is, at the very least, suggestive. (*See* Nikepal's Proposed Findings and Recommendations at 42 ("[Nike's] mark is suggestive when used in connection with Plaintiff's products.").) Accordingly, NIKE is inherently distinctive and this factor favors Nike.

(iii) Substantially Exclusive Use

[25] The law does not require that use of the famous mark be absolutely exclusive, but merely "substantially exclusive." *See L.D.Kichler Co. v. Davoil Inc.,* 192 F.3d 1349, 1352 (Fed.Cir.1999) (holding that in the trademark context, "substantially exclusive" use does not mean totally exclusive use). Therefore, a limited amount of third party use is insufficient to defeat a showing of substantially exclusive use. *See Avery Dennison Corp. v. Sumpton,* 189 F.3d 868, 878 (9th Cir.1999) (finding that use of the mark was not substantially exclusive when the words

"Avery" and "Dennison" were *"commonly* used as trademarks, both on and off of the Internet, by parties other than Avery Dennison." (emphasis added)).

[26] Nike asserts that its use of the NIKE mark is substantially exclusive. Nikepal introduced evidence of use of the term "Nike" in the company name "Nike Hydraulics, Inc.," through a bottle jack purchased from the company and a 1958 trademark registration for "Nike" owned by Nike Hydraulics. However, this evidence is insufficient to disprove Nike's claim that its use of NIKE is substantially exclusive. Even Nikepal's witness, Roger Smith, admitted that he had not encountered Nike Hydraulics before hearing that name in connection with this action. Accordingly, the court finds that Nike's use of the NIKE mark is substantially exclusive and this factor therefore favors Nike.[13]

(iv) Degree of Recognition

[27] The degree of recognition of NIKE is quite strong. Millions of NIKE products are sold in the United States annually and the evidence demonstrates that NIKE is readily recognized. This factor therefore favors Nike.

(v) Intent to Create Association

[28] Mr. Sandhu admitted that he was aware of the existence of the NIKE mark before he adopted the company name. Although he testified at trial that he came up with the term Nikepal by opening the dictionary to a random page and essentially finding that word by "fate," his testimony was not credible. Therefore, this factor favors Nike.

(vi) Actual Association

[29] Nikepal registered the domain names nikepal.biz, nikepal.net, nikepal.us, nikepal.info and nikepal.tv. The evidence shows that the domain registrar assigned the domain names an "under construction" page and then associated with that page promotions and advertisement links to a number of web pages that offered NIKE products (or products of Nike's competitors in the shoe and apparel field). Thus, in the internet context, there is actual association between NIKEPAL and NIKE.

[30] Further, Mr. Johnson's survey also evinced that there is a strong degree of association between NIKEPAL and NIKE. Mr. Johnson's survey showed over 87% of the people in Nikepal's own customer pool associated the stimulus "Nikepal" with NIKE. The survey presents ample proof of association between the marks to support

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[13] Nikepal also introduced evidence that the term "Nike" appears in dictionaries referring to the Greek goddess of victory, that the image of Nike the goddess appeared on some Olympic medals, and that the United States Government named one of its missile programs "Nike." However, Nikepal did not show that these uses were made in commerce in association with the sale or marketing of goods or services as required under the TDRA. (*See* 15 U.S.C. § 1125(c) (1) (providing that under the TDRA, only "use of a mark or trade name in commerce" is actionable as diluting a famous mark.).)

a finding that such exists in the general public. Accordingly, the court finds that there is actual association between the NIKEPAL and NIKE marks and this factor favors Nike.

[31] In conclusion, since the six factors considered in the likelihood of dilution analysis favor Nike, there is a likelihood that NIKE will suffer dilution if Nikepal is allowed to continue its use of NIKEPAL. Accordingly, Nike prevails on its federal and state dilution claims.

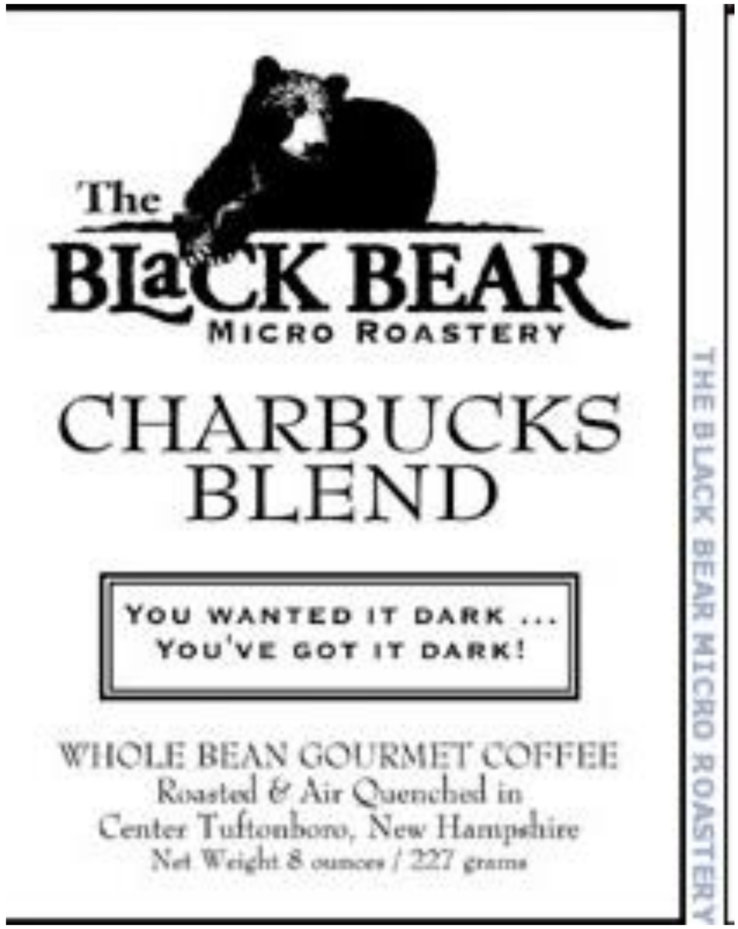
…

CONCLUSION

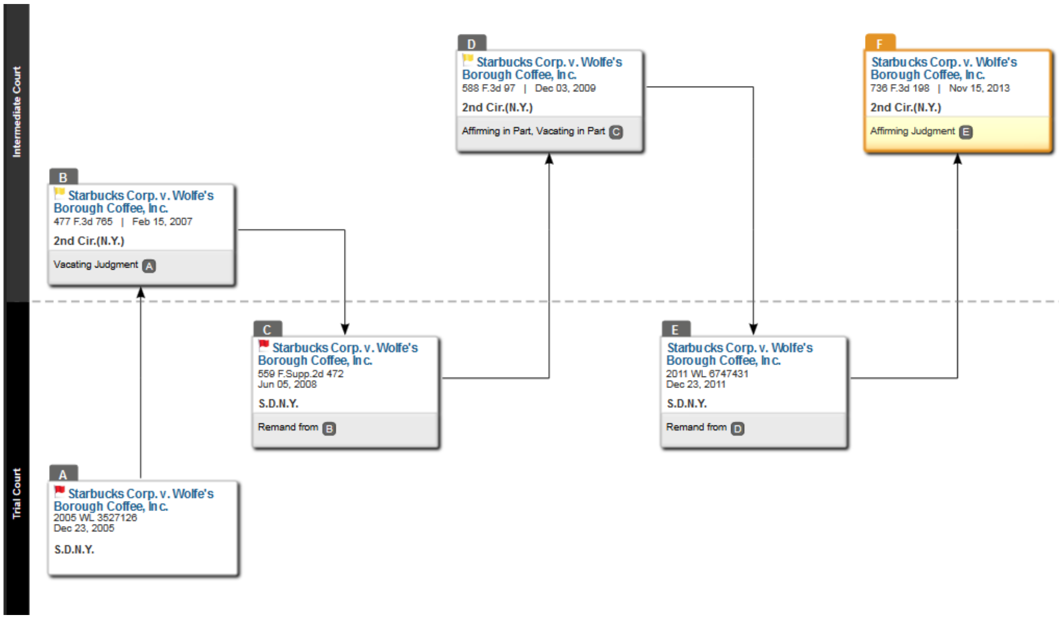
[32] For the reasons stated, Nike prevails on its federal and state dilution claims, the decision of the TTAB is reversed, and the opposition to Nikepal's registration of the NIKEPAL mark is sustained. Further, Nikepal is permanently enjoined from using NIKEPAL in connection with the offering of goods or services in commerce, including its use in domain names, on web pages, in printed matter, and on products, and shall cease any such uses of NIKEPAL within sixty days of the date on which this order is filed. Nikepal may continue to use its numeric telephone number, but may not advertise or associate it with the designation "1-877-NIKEPAL."

IT IS SO ORDERED.

In reading the following opinion, consider how the *Wolfe's Borough* analysis of the blurring issue differs from the analysis undertaken by the *Nikepal* court. Does the *Wolfe's Borough* court simply assume, as does the *Nikepal* court, that association necessarily impairs the distinctiveness of the plaintiff's mark, or does the *Wolfe's Borough* court require an additional showing of impairment?


The
BLaCK BEAR
MICRO ROASTERY
CHARBUCKS
BLEND
YOU WANTED IT DARK ...
YOU'VE GOT IT DARK!
WHOLE BEAN GOURMET COFFEE
Roasted & Air Quenched in
Center Tuftonboro, New Hampshire
Net Weight 8 ounces / 227 grams
THE BLACK BEAR MICRO ROASTERY


The
BLaCK BEAR
MICRO ROASTERY
Charbucks
Blend
ROASTED TO THE EXTREME ...
... FOR THOSE WHO LIKE THE EXTREME.
THIS IS THE ONE THAT STARTED THE LAWSUIT.
WHOLE BEAN
NET WEIGHT: 8 OUNCES / 227 GRAMS



Starbucks Corp. v. Wolfe's Borough Coffee, Inc.
736 F.3d 198 (2d Cir. 2013)

LOHIER, Circuit Judge:

[1] Starbucks Corporation and Starbucks U.S. Brands LLC (together, "Starbucks") appeal from a judgment of the United States District Court for the Southern District of New York (Swain, J.) denying Starbucks' request for an injunction pursuant to the Federal Trademark Dilution Act of 1995 ("FTDA"), 15 U.S.C. § 1125(c), prohibiting Wolfe's Borough Coffee, Inc., doing business as Black Bear Micro Roastery ("Black Bear"), from using Black Bear's "Mister Charbucks," "Mr. Charbucks," and "Charbucks Blend" marks (the "Charbucks Marks"). After a bench trial followed by additional briefing from the parties upon remand from this Court, the District Court concluded that Starbucks failed to prove that the Charbucks Marks are likely to dilute Starbucks' famous "Starbucks" marks (the "Starbucks Marks") and denied Starbucks' request for an injunction.

[2] On appeal, Starbucks argues that the District Court erred in finding only minimal similarity and weak evidence of actual association between the Charbucks Marks and the Starbucks Marks. Starbucks also contends that the District Court erred in balancing the statutory dilution factors by giving no weight at all to three of the factors—the strong distinctiveness, exclusive use, and high degree of recognition of the Starbucks Marks—and placing undue weight on the minimal similarity between the marks.

[3] For the following reasons, we conclude that the District Court did not err in its factual findings, and, balancing the statutory factors *de novo,* we agree with the

District Court that Starbucks failed to prove a likelihood of dilution. We therefore affirm.

BACKGROUND

[4] We assume familiarity with the underlying facts and long procedural history of the case, which are set forth in our previous opinions, *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.,* 477 F.3d 765 (2d Cir.2007) ("*Starbucks II* "), and *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.,* 588 F.3d 97 (2d Cir.2009) ("*Starbucks IV* "). We recount them here only as necessary to explain our disposition of this appeal.

[5] As of 2005, when the bench trial occurred, Starbucks had grown from a single coffee shop in Seattle in 1971 to a singularly prominent global purveyor of specialty coffee and coffee products, with 8,700 retail locations worldwide and revenues of $5.3 billion for fiscal year 2004. Starbucks U.S. Brands is the owner, and Starbucks Corporation a licensee, of at least 56 valid United States trademark registrations that include the Starbucks Marks. The Starbucks Marks are displayed on signs and at multiple locations in each Starbucks store, as well as on the Starbucks website.

[6] Starbucks has devoted substantial time, effort, and money to advertising and promoting the Starbucks Marks. From fiscal year 2000 to 2003, Starbucks spent over $136 million on advertising, promotion, and related marketing activities, essentially all of which featured the Starbucks Marks. Starbucks actively polices the Starbucks Marks, demanding that infringing uses be terminated and, where necessary, commencing litigation. Well before Black Bear used the term "Charbucks" as part of any product name, the Starbucks Marks were "famous" within the meaning of the FTDA. *See* 15 U.S.C. § 1125(c)(2)(A).

[7] Black Bear manufactures and sells roasted coffee beans and related goods via mail and internet order, at a limited number of New England supermarkets, and at a single New Hampshire retail outlet. In 1997 Black Bear developed a coffee blend named "Charbucks Blend"; it now sells a dark-roast coffee called "Mister Charbucks" or "Mr. Charbucks." When Black Bear began manufacturing coffee using the Charbucks Marks, it was aware of the Starbucks Marks. One of the reasons Black Bear used the term "Charbucks" was the public perception that Starbucks roasted its beans unusually darkly. Soon after Black Bear began to sell Charbucks Blend, Starbucks demanded that it cease using the Charbucks Marks. Black Bear nevertheless continued to sell coffee under the Charbucks Marks, and in 2001 Starbucks started this action claiming, among other things, trademark dilution in violation of 15 U.S.C. §§ 1125(c), 1127.[1]

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[1] Starbucks also asserted claims of trademark infringement in violation of 15 U.S.C. § 1114(1); unfair competition in violation of 15 U.S.C. § 1125(a); trademark dilution in violation of New York General Business Law § 360–*l;* deceptive acts and business practices and false advertising in violation of New York General Business Law §§ 349, 350; and unfair competition in violation of New York common law. All

[8] The District Court held a two-day bench trial in March 2005. At trial, two matters of significance to this appeal occurred. First, Black Bear's founder, James O. Clark III, testified that the name "Charbucks" had previously been used during "the coffee wars in Boston between Starbucks and the Coffee Connection," a Boston-based company. Second, Starbucks introduced the testimony of Warren J. Mitofsky, a scientist in the field of consumer research and polling. Mitofsky explained the results of a telephone survey he had conducted of six hundred participants, designed to be representative of the United States population. The survey found that when asked, "What is the first thing that comes to your mind when you hear the name 'Charbucks,' spelled C–H–A–R–B–U–C–K–S?," 30.5 percent of participants answered "Starbucks," while 9 percent answered "coffee."[2] When the participants were asked, "Can you name any company or store that you think might offer a product called 'Charbucks'?," 3.1 percent responded "Starbucks," and another 1.3 percent responded "coffee house."[3] Mitofsky concluded that "[t]he number one association of the name 'Charbucks' in the minds of consumers is with the brand 'Starbucks.'" Commenting on the scope of his survey, Mitofsky also stated: "[I]f you want to know the reaction to the name Charbucks, then the telephone is perfectly adequate. If you want to measure the reaction or the familiarity with other visual cues, then it's not the right method." *Starbucks IV,* 588 F.3d at 104.

[9] In December 2005 the District Court ruled in favor of Black Bear and dismissed Starbucks' complaint. *See Starbucks Corp. v. Wolfe's Borough Coffee, Inc.,* No. 01 Civ. 5981, 2005 WL 3527126 (S.D.N.Y. Dec. 23, 2005) ("*Starbucks I* "). The District Court determined that there was neither actual dilution, which would establish a violation of federal trademark law,[4] nor a likelihood of dilution, which would establish a violation of New York trademark law.

[10] Starbucks appealed. While the appeal was pending, Congress passed the Trademark Dilution Revision Act of 2006 ("TDRA"), which amended the FTDA to

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of these claims were dismissed during the course of this suit and are not the subject of this appeal.

[2] Other common responses included "barbeque" or "charcoal" (7.9 percent); "restaurant" or "grill" (7.5 percent); "meat," "steak," or "hamburger" (4.6 percent); and "money" (3.9 percent).

[3] More popular responses to this second question included: "grocery store" (18.3 percent); "discount store" (16.9 percent); "restaurant" (7.0 percent); "department store" (4.8 percent); and "hardware store" or "home improvement store" (3.7 percent).

[4] At the time, federal law provided: "The owner of a famous mark shall be entitled ... to 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*...." 15 U.S.C. § 1125(c)(1) (1999) (amended 2006) (emphasis added).

clarify that the owner of a famous mark seeking an injunction need prove only that the defendant's mark "is likely to cause dilution ... of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury." 15 U.S.C. § 1125(c)(1). The TDRA further redefined "dilution by blurring" as "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." *Id.* § 1125(c)(2)(B)…. In light of this change in the governing law, we vacated the judgment of the District Court and remanded for further proceedings. *Starbucks II,* 477 F.3d at 766.

[11] On remand, after further briefing, the District Court again ruled in Black Bear's favor for substantially the same reasons set forth in its earlier opinion, but it also analyzed the federal dilution claim in light of the TDRA. *See Starbucks Corp. v. Wolfe's Borough Coffee, Inc.,* 559 F.Supp.2d 472, 475–79 (S.D.N.Y.2008) ("*Starbucks III* "). In particular, the District Court considered the six non-exclusive factors listed in the statute and made the following findings: (1) the marks were minimally similar, which the court deemed alone sufficient to defeat Starbucks' claim; (2) (a) the distinctiveness of the Starbucks Marks, (b) the exclusivity of their use by Starbucks, and (c) their high degree of recognition, all weighed in favor of Starbucks; (3) the intent factor weighed in Black Bear's favor because Black Bear's intent to create an association with the Starbucks Marks did not constitute bad faith; and (4) evidence from Mitofsky's survey was "insufficient to make the actual confusion factor weigh in [Starbucks'] favor to any significant degree." *Id.* at 477–78 (quotation marks omitted). Balancing all six factors, the District Court held that the record was "insufficient to demonstrate the requisite likelihood that the association arising from the similarity of the core terms is likely to impair the distinctiveness of Starbucks' mark, and Plaintiff is not entitled to injunctive relief under that statute." *Id.* at 478.

[12] Starbucks appealed again, arguing that the District Court erred in finding that the Charbucks Marks are not likely to dilute the Starbucks Marks. In *Starbucks IV,* we examined the District Court's findings as to the first, fifth, and sixth factors, as well as its balancing of the statutory factors that bear on the likelihood of dilution by blurring. We held that "the District Court did not clearly err in finding that the Charbucks Marks were minimally similar to the Starbucks Marks," 588 F.3d at 106, because the context of the Charbucks Marks (on Black Bear's packaging, on its website, and in the phrases "Charbucks Blend" and "Mister Charbucks") differentiated them from the famous marks. We concluded, however, that "the District Court erred to the extent it required 'substantial' similarity between the marks," *id.* at 107, and we suggested that the District Court had overemphasized the similarity factor. In particular, we stated that the inclusion of "the degree of similarity" as only one of six factors in the revised statute indicates that even a low degree of similarity would not categorically bar a dilution-by-blurring claim. *Id.* at 108.

[13] Turning to the fifth and sixth factors—intent to associate and actual association—we held that the District Court had erred by requiring "bad faith" to find that the intent to associate factor favored Starbucks. *Id.* at 109 (quotation marks omitted). Noting the survey results, which demonstrated some degree of association between "Charbucks" and "Starbucks," we also held that the District Court erred by relying on evidence supporting the absence of "actual *confusion* " to conclude that the actual *association* factor did not weigh in Starbucks' favor "to any significant degree." *Id.* (quotation marks omitted). The absence of actual or likely confusion, we reasoned, does not bear directly on whether dilution is likely. *Id.*

[14] Emphasizing that the analysis of a dilution by blurring claim must ultimately focus on "whether an *association,* arising from the similarity between the subject marks, 'impairs the distinctiveness of the famous mark,'" *id.* (quoting 15 U.S.C. § 1125(c)(2)(B)), we vacated the judgment of the District Court and remanded for reconsideration of the claim in light of our discussions of the first, fifth, and sixth statutory factors, *id.* at 109–10.

[15] In its opinion and order following that remand, *see Starbucks Corp. v. Wolfe's Borough Coffee, Inc.,* No. 01 Civ. 5981, 2011 WL 6747431 (S.D.N.Y. Dec. 23, 2011) ("*Starbucks V* "), the District Court recognized that the second through fifth statutory factors[5] favored Starbucks. *Id.* at *3 (citing *Starbucks IV,* 588 F.3d at 106–10). But the court again found that the first factor (the similarity of the marks) favored Black Bear because the marks were only minimally similar when presented in commerce—that is, when the Charbucks Marks are viewed on the packaging, which includes the phrases "Charbucks Blend" or "Mister Charbucks." *Id.*

[16] As for the sixth factor (actual association), the District Court acknowledged that the results of the Mitofsky survey "constitute evidence of actual association," *id.* at *4, but it then significantly discounted those results on the ground that the survey inquired into associations only with the isolated word "Charbucks" and failed to present the Charbucks Marks in full context, *id.* The court also compared the survey results in this case with those in other cases. Here, it noted, only 30.5 percent of respondents associated "Charbucks" with "Starbucks," while in other trade dilution cases 70 percent to 90 percent of survey respondents associated the relevant marks. *Id.* The District Court also compared the 3.1 percent of respondents who thought a product called "Charbucks" would be made by Starbucks to the 28 percent of respondents who made a similar origin association in a Ninth Circuit trademark dilution case. *Id.* (citing *Jada Toys, Inc. v. Mattel, Inc.,* 518 F.3d 628, 636 (9th Cir.2008)). With the benefit of these comparisons, the District Court found that the actual association factor weighs "no more than minimally" in Starbucks' favor. *Id.*

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[5] For convenience, we repeat those factors here: (ii) the distinctiveness of the Starbucks Marks; (iii) the exclusivity of Starbucks' use of its marks; (iv) the high degree of recognition of the Starbucks Marks; and (v) Black Bear's intent to associate the Charbucks Marks with the Starbucks Marks.

[17] In evaluating the likelihood of dilution, the District Court emphasized the "association" and "similarity" factors. Citing the TDRA's definition of dilution by blurring as "*association arising from the similarity* between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark," the District Court explained that "[t]he statutory language leaves no doubt" that these two factors are "obviously important." *Id.* at *5 (quoting 15 U.S.C. § 1125(c)(2)(B)). 1 After balancing all six factors, the District Court held that Starbucks had failed to meet its burden of showing that it was entitled to injunctive relief:

> [T]he Charbucks marks are only weakly associated with the minimally similar Starbucks marks and, thus, are not likely to impair the distinctiveness of the famous Starbucks marks. In other words, [Starbucks] has failed to carry its burden of proving that [Black Bear's] use of its marks, as evidenced on the record before the Court, is likely to cause dilution by blurring.

Id. at *6.

[18] On appeal, Starbucks challenges both the factual findings of minimal similarity and weak association and the conclusion that it failed to demonstrate a likelihood of dilution.

DISCUSSION

A. History of Federal Trademark Dilution Law

[19] "Federal law allows the owner of a 'famous mark' to enjoin a person from using 'a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark.'" *Tiffany (NJ) Inc. v. eBay Inc.,* 600 F.3d 93, 110–11 (2d Cir.2010) (quoting 15 U.S.C. $4f 1125(c)(1)). Dilution by blurring is "the whittling away of the established trademark's selling power and value through its unauthorized use by others." *Id.* at 111 (alteration and quotation marks omitted).

[20] Dilution by blurring as a cause of action was championed initially by Frank Schechter in a 1927 law journal article. *See* Frank I. Schechter, *The Rational Basis of Trademark Protection,* 40 Harv. L.Rev. 813 (1927). Schechter argued that a mark both symbolizes existing good will and can *generate* good will. *Id.* at 819 ("The mark actually *sells* the goods. And, self-evidently, the more distinctive the mark, the more effective is its selling power."). So-called "[t]rademark pirates," Schechter explained, stopped short of infringing marks in favor of using marks similar to well-known marks on non-competing goods, such as Kodak bicycles, Rolls–Royce radio tubes, and Beech–Nut cigarettes. *Id.* at 825. Schechter described the injury in these cases as

> the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods. The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used.

Id. Somewhat more vividly in later congressional testimony, Schechter warned that "if you allow Rolls Royce restaurants and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark any more." Trade–Marks: Hearings Held Before the H. Comm. on Patents, 72d Cong. 15 (1932) (statement of Frank I. Schechter), *quoted in* Walter J. Derenberg, *The Problem of Trademark Dilution and the Antidilution Statutes,* 44 Cal. L.Rev. 439, 449 (1956).

[21] Heeding Schechter's warning, some States passed antidilution statutes. *See* 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:77 (4th ed. 2012) ("McCarthy"); Derenberg, *supra,* at 452–61. For example, the legislative history of New York's antidilution statute "disclosed a need for legislation to prevent such 'hypothetical anomalies' as 'Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns, and so forth.'" *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.,* 875 F.2d 1026,1031 (2d Cir.1989) (quoting 1954 N.Y. Legis. Ann. 49–50). But the predictable result of these desultory efforts by various States to pass antidilution laws was an uneven regulatory patchwork of protection. *See* S.Rep. No. 100–515, at 7 (1988), *reprinted* in 1988 U.S.C.C.A.N. 5577, 5583. Congress first addressed that problem in 1996, when it enacted the FTDA, which entitled any owner of a famous mark "to 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...." 15 U.S.C. § 1125(c)(1) (1996).[6]

[22] In 2003, however, the Supreme Court decided *Moseley v. V. Secret Catalogue, Inc.,* 537 U.S. 418, 123 S.Ct. 1115, 155 L.Ed.2d 1 (2003), which held that the FTDA required a plaintiff to prove "actual dilution," not simply a "likelihood of dilution," in order to establish a trademark dilution claim. *Id.* at 433, 123 S.Ct. 1115. In response, the International Trademark Association ("INTA"), a primary advocate for the FTDA, supported a congressional amendment to abrogate *Moseley.* The proposed amendment, which eventually became the TDRA, provided that plaintiffs need prove only a likelihood of dilution and, thus, allowed famous mark owners to "prevent dilution at its incipiency" and not force them to "wait until the harm has advanced so far that ... the recognition of the mark ... is permanently impaired" in order to sue. Committee Print to Amend the Federal Trademark Dilution Act: Hearing Before the H. Subcomm. on Courts, the Internet, and Intellectual Property of

[6] The legislative history of a failed earlier version of the FTDA strongly suggests that the law was "specifically intended" to come into play "where the unauthorized use by others, on dissimilar products for which the trademark is not registered, dilutes the distinctiveness of [a] famous work." Sen. Judiciary Comm. Rep. on S. 1883, S.Rep. No. 100–515, at 7 (citing examples of Kodak pianos and Buick aspirin); *see* McCarthy § 24:96 ("[T]o the extent that the language is the same," the Senate Judiciary Report of 1988 "provide[s] useful legislative history for interpreting the [FTDA] as well as parts of its successor, the [TDRA]").

the H. Comm. on the Judiciary, 108th Cong. 10 (2004) ("2004 Hearing") (statement of Jacqueline A. Leimer, INTA); *see* McCarthy § 24:96. At congressional hearings in 2004 and 2005, witnesses criticized the *Moseley* decision as "essentially sa[ying] you have got to wait until the horse is gone, and then the only thing you can do is close the barn door." Trademark Dilution Revision Act of 2005: Hearing on H.R. 683 Before the H. Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary, 109th Cong. 18 (2005) ("2005 Hearing") (statement of Mark A. Lemley, William H. Neukom Prof. of Law, Stanford Univ.); *see also* 2004 Hearing, at 44, 46–47 (statement of David C. Stimson, Chief Trademark Counsel, Eastman Kodak Company).

[23] Although a number of witnesses testified at the hearings, the hearing statements of Anne Gundelfinger, then-President of the INTA, are considered a primary source of the legislative history of the TDRA. *See* McCarthy § 24:96. During her testimony, Gundelfinger explained that the association between marks needed only to be "likely to impair the distinctiveness of the famous mark in the marketplace." 2005 Hearing, at 12. Gundelfinger also proposed a list of six factors that would "go to the question of whether the famous mark's distinctiveness in the marketplace will be blurred by the junior use." *Id.* at 14. She explained that courts will "need to balance all of these factors, as well as any others relevant to the question of blurring, in order to make a determination as to whether there is a likelihood of dilution by blurring." *Id.*

[24] President Bush signed the TDRA into law in 2006.

B. Standard of Review

[25] After a bench trial on a claim for trademark dilution by blurring, where the district court evaluates and balances the factors listed in the TDRA, we review the court's determinations as to each factor for clear error and its balancing of those factors *de novo. See Tiffany,* 600 F.3d at 101; *Starbucks IV,* 588 F.3d at 105.[7]…

…

[26] We previously have declined to treat the factors pertinent to a trademark dilution analysis as an inflexible, mechanical test, suggesting instead that the

[7] We employ the same standard here that we use in the context of trademark infringement, where a district court evaluates and then balances the eight factors set forth in *Polaroid Corp. v. Polarad Electronics Corp.,* 287 F.2d 492, 495 (2d Cir.1961), to determine whether there is a likelihood of confusion. *See, e.g., Star Indus. v. Bacardi & Co.,* 412 F.3d 373, 384 (2d Cir.2005). The statutory factors enumerated in § 1125(c)(2)(B) are similar in kind to the *Polaroid* factors. For example, both lists include the "similarity between" the two marks; "strength" of the mark in *Polaroid* is akin to "distinctiveness" in § 1125; and "actual confusion" in *Polaroid* mirrors "actual association" in § 1125. *See Polaroid,* 287 F.2d at 495.

importance of each factor will vary with the facts. *Nabisco, Inc. v. PF Brands, Inc.,* 191 F.3d 208, 227–28 (2d Cir.1999), *abrogated on other grounds by Moseley,* 537 U.S. at 433, 123 S.Ct. 1115. Accordingly, we need not consider all six statutory factors listed in 15 U.S.C. § 1125(c)(2)(B)(i)-(vi) if some are irrelevant to the ultimate question; nor are we limited to those six factors. *See Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC,* 507 F.3d 252, 266 (4th Cir.2007) ("Not every factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors."). Instead, we employ a "cautious and gradual approach," which favors the development of a nonexclusive list of trademark dilution factors over time. *Nabisco,* 191 F.3d at 217.

C. Factual Findings: The Statutory Factors

[27] On appeal, Starbucks challenges two of the District Court's findings: (1) that there is only a minimal degree of similarity between the Starbucks Marks and the Charbucks Marks; and (2) that Starbucks demonstrated only a weak association between the marks. The District Court did not clearly err with regard to either finding.

1. Degree of Similarity

[28] In *Starbucks IV* we held that "[w]ith respect to the first factor—the degree of similarity between the marks—the District Court did not clearly err in finding that the Charbucks Marks were minimally similar to the Starbucks Marks." 588 F.3d at 106. We highlighted the difference between the Starbucks Marks and Charbucks Marks when the latter are placed in the context of Black Bear's packaging and the word "Charbucks" is incorporated into the phrases "Charbucks Blend" and "Mister Charbucks." *Id.* "The law of the case ordinarily forecloses relitigation of issues expressly or impliedly decided by the appellate court." *United States v. Quintieri,* 306 F.3d 1217, 1229 (2d Cir.2002) (quotation marks omitted). Although not binding, the doctrine "counsels a court against revisiting its prior rulings in subsequent stages of the same case absent 'cogent' and 'compelling' reasons such as 'an intervening change of controlling law, the availability of new evidence, or the need to correct a clear error or prevent manifest injustice.'" *Ali v. Mukasey,* 529 F.3d 478, 490 (2d Cir.2008) (quoting *United States v. Tenzer,* 213 F.3d 34, 39 (2d Cir.2000)). Starbucks advances no compelling reason for us to revisit our ruling on the issue of similarity. It urges that the holding in *Starbucks IV* applied only to our "likelihood of confusion" analysis, and that the District Court erred by considering the contexts in which consumers encounter the Charbucks Marks.[8] We reject such a crabbed view of the holding and adhere to our prior ruling that the District Court did not clearly err in finding minimal similarity.

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[8] At oral argument, Starbucks' counsel conceded that our earlier decision on minimal similarity is the law of the case.

2. Actual Association

[29] Starbucks next contends that the District Court's finding that actual association "weighs no more than minimally" in Starbucks' favor, *Starbucks V,* 2011 WL 6747431, at *4, was error for two reasons. First, Starbucks argues, Black Bear's admitted intent to create an association—the fifth statutory factor—raises a "presumption of association," or at least is strong evidence of actual association—the sixth statutory factor. Second, it argues that the District Court improperly discounted the Mitofsky survey evidence, which, in Starbucks' view, proves a high degree of actual association. We reject both arguments.

a. Intent to Create an Association

[30] As an initial matter, an intent to create an association is a separate factor under the TDRA and does not constitute *per se* evidence that the actual association factor weighs in favor of the owner of the famous mark. In support of its argument to the contrary, Starbucks quotes McCarthy's treatise, which states, "If the junior [user] intended to create an association, the law may assume that it succeeded." McCarthy § 24:119. Starbucks similarly relies on *Federal Express Corp. v. Federal Espresso, Inc.,* 201 F.3d 168 (2d Cir.2000), a dilution case in which we stated that the trier of fact "may well find that the marks are of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior, especially in light of the testimony of [Federal Espresso's founder] that she chose the name Federal Espresso, in part, precisely because it would call to mind Federal Express." *Id.* at 177 (quotation marks omitted).

[31] Both *Federal Espresso* and McCarthy's treatise acknowledge the importance of the intent factor in determining likelihood of dilution. This makes sense, as district courts must evaluate whether a junior mark is "likely to cause" "association arising from the similarity" between the marks "that impairs the distinctiveness of the famous mark," 15 U.S.C. §§ 1125(c)(1), (c)(2)(B), and the intent to associate may bear directly on the likelihood that the junior mark will cause such an association.

[32] That said, "we interpret statutes to give effect, if possible, to every clause and word and to avoid statutory interpretations that render provisions superfluous." *United States v. Al Kassar,* 660 F.3d 108, 124–25 (2d Cir.2011) (quotation marks omitted). Adopting Starbucks' presumption argument would effectively merge the intent to associate and the actual association factors, by making the former determinative of the latter, rather than treating them as distinct but related considerations. We therefore conclude that the District Court did not clearly err in finding that Clark's testimony concerning the origin of the Charbucks Marks was not an "admission" of actual association and that his intentions were not definitive proof of an actual association between the marks.

b. Mitofsky Survey

[33] Nor did the District Court err when it discounted the Mitofsky survey evidence because the survey measured only how respondents reacted to the

isolated word "Charbucks," rather than to the Charbucks Marks in context, and because the share of respondents who indicated an association between the marks was "relatively small." *Starbucks V,* 2011 WL 6747431, at *4. We arrive at this conclusion for two reasons.

[34] First, it coheres with our decision in *Starbucks IV,* in which we discerned no clear error in the District Court's consideration of context—including the addition of "Mister" or "Blend" to "Charbucks" and Black Bear's packaging—in assessing the marks' similarity, as consumers are likely to experience the product only in the context of those full phrases and Black Bear's packaging or website. *Starbucks IV,* 588 F.3d at 106. In our analysis of Starbucks' infringement claim, we similarly determined that the District Court did not clearly err when it found (1) that the survey failed to demonstrate significant actual confusion, "[p]articularly in light of the fact that the survey was administered by telephone and did not present the term 'Charbucks' in the context in which Black Bear used it," *id.* at 117, and (2) that the survey should have examined the effects of "a hypothetical coffee named either 'Mister Charbucks' or 'Charbucks Blend'" on the respondents' impressions of Starbucks coffee as a measure of dilution by tarnishment, *id.* at 110.

[35] Second, our conclusion also comports with our prior precedents and other cases unrelated to Starbucks. In *Playtex Products, Inc. v. Georgia–Pacific Corp.,* 390 F.3d 158 (2d Cir.2004), a case interpreting the pre-revision FTDA, we held that the results of a consumer survey showing an association between the marks "Moist–Ones" and "Wet Ones" were inadmissible as evidence of actual dilution because the defendant's product was "presented and packaged" as "*Quilted Northern* Moist–Ones." *Id.* at 168 (emphasis added). District courts within our Circuit have applied the same reasoning in evaluating surveys in the infringement context. *See, e.g., THOIP v. Walt Disney Co.,* 690 F.Supp.2d 218, 235–40 (S.D.N.Y.2010); *Juicy Couture, Inc. v. L'Oreal USA, Inc.,* No. 04 Civ. 7203, 2006 WL 1012939, at *25–27 (S.D.N.Y. Apr. 19,2006); *WE Media, Inc. v. Gen. Elec. Co.,* 218 F.Supp.2d 463, 474 (S.D.N.Y.2002) ("Germane survey evidence should make some effort to compare the impressions the marks have on potential customers under marketplace conditions."). In the dilution context, the language of the FTDA, which requires a plaintiff to show the defendant's "*use of a mark ... in commerce* that is likely to cause dilution by blurring ...," 15 U.S.C. § 1125(c)(1) (emphasis added), clarifies that the way the defendant's mark is used in commerce is central to the dilution inquiry. As in *Playtex,* the District Court was within its rights to conclude that the Mitofsky survey had limited probative value because the defendant's marks were not presented to survey respondents as they are actually "presented and packaged" in commerce.

[36] Citing our decision in *Nabisco,* Starbucks nevertheless argues that consumers are likely to hear and view the term "Charbucks" outside the context of Black Bear's packaging and without the full phrases "Mister Charbucks" and "Charbucks Blend." *Nabisco,* 191 F.3d at 218 (rejecting an argument under the pre-revision FTDA that packaging made two marks dissimilar, because many consumers would see the marks outside of the packaging). But Starbucks presented no record

evidence that "Charbucks" is ever read or heard in isolation,[9] and in the absence of such evidence, we are not persuaded by the argument. To the contrary, as we noted in *Starbucks IV,* "it is unlikely that 'Charbucks' will appear to consumers outside the context of its normal use," 588 F.3d at 106, and "it was not clearly erroneous for the District Court to find that the 'Mister' prefix or 'Blend' suffix lessened the similarity between the [marks]," *id.* at 107.

[37] Starbucks also challenges the District Court's finding that the association between "Charbucks" and Starbucks was "relatively small." It contends that the Mitofsky survey in fact provided evidence of substantial actual association. We disagree.

[38] It is true that in response to Mitofsky's question most probative of actual association—"What is the FIRST THING that comes to your mind when you hear the name 'Charbucks,' spelled C–H–A–R–B–U–C–K–S?"—30.5 percent of respondents said "Starbucks," and 9 percent said "coffee." Both of these responses suggest an association between "Charbucks" and the Starbucks Marks. In *Jada Toys,* 518 F.3d at 636, for example, the Ninth Circuit held that a survey demonstrated actual association because it showed that 28 percent of respondents thought Jada's product was made by Mattel when asked who they thought produced the item. Here, however, the equivalent question in Mitofsky's survey was: "Can you name any company or store that you think might offer a product called 'Charbucks'?"[10] In response to that question concerning source on the Mitofsky survey, however, only 3.1 percent of respondents answered "Starbucks" and 1.3 percent answered "coffee house." These percentages are far below that for the equivalent question in Jada Toys and fail to demonstrate anything more than minimal actual association.[11] *See Starbucks V,* 2011 WL 6747431, at *4.

[39] Ultimately, on this factor, we consider only whether the District Court clearly erred when it found that the Mitofsky survey tilts the "actual association"

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[9] Although the name "Mr. Charbucks" is presented in plain text on at least one page of Black Bear's website, all other record uses of the Charbucks Marks situate them in Black Bear's distinct color scheme, font, and layout.

[10] {Footnote 14 in the original opinion} Both that question and the question discussed in *Jada Toys* test not merely *association* but also source *confusion.* Source confusion may be probative of association, because to confuse Charbucks with Starbucks, the word "Charbucks" must call "Starbucks" to mind. *See Nabisco,* 191 F.3d at 221 ("Confusion lessens distinction.").

[11] Although some other respondents gave answers consistent with an association with Starbucks—18.3 percent answered "grocery store," 16.9 percent answered "discount store," 7 percent answered "restaurant," and 4.8 percent answered "department store"—these responses are also consistent with other views of what "Charbucks" could be, including meat or a charcoal grilling product, as 38.5 percent of respondents suggested.

factor "no more than minimally in [Starbucks'] favor." *Id.* Had the Mitofsky survey presented the Charbucks Marks as they appear in commerce, we might well conclude that the District Court erred. But the word "Charbucks" was presented outside of its marketplace context, and Starbucks, which bears the burden of proof, *see Jada Toys,* 518 F.3d at 634, failed to show that this flaw did not materially impact the survey results. We therefore conclude that the record supports the District Court's decision to discount the survey and consider the actual association factor as weighing only minimally in Starbucks' favor.

D. Balancing

[40] We next balance the factors enumerated in § 1125(c)(2)(B), along with any other factors that bear on a likelihood of dilution, *de novo.* In balancing these factors, we are again mindful that the test is not an inflexible one, and that the ultimate question is whether the Charbucks Marks are likely to cause an association arising from their similarity to the Starbucks Marks, which impairs the Starbucks Marks' tendency to identify the source of Starbucks products in a unique way.

[41] We have already affirmed the District Court's finding of minimal similarity between the Charbucks Marks and the Starbucks Marks. That finding weighs heavily in Black Bear's favor. Certainly, a plaintiff may show a likelihood of dilution notwithstanding only minimal similarity. But here, minimal similarity strongly suggests a relatively low likelihood of an association diluting the senior mark. The statute itself emphasizes the similarity of marks. *See* § 1125(c)(2)(B) (defining "dilution by blurring" as "association arising from the *similarity* between a mark or a trade name and a famous mark that impairs the distinctiveness of the famous mark" (emphasis added)). Indeed, in *Starbucks IV,* we stated that "'similarity' is an integral element in the definition of 'blurring'" under the TDRA and suggested that, without *any* similarity, there could be no dilution by blurring. 588 F.3d at 108–09.[12]

[42] The next three factors—the degrees of distinctiveness, exclusive use, and recognition—are features of the senior mark itself that do not depend on the use of the junior mark. "[T]he *degree* of distinctiveness of the senior mark has a considerable bearing on the question whether a junior use will have a diluting effect.... [T]he more distinctiveness the mark possesses, the greater the interest to be protected." *Nabisco,* 191 F.3d at 217. There is no question that "Starbucks"—an arbitrary mark as applied to coffee—is highly distinctive. *See id.* at 216. Moreover, because, as the District Court found, the Starbucks Marks are in substantially exclusive use, *see Starbucks V,* 2011 WL 6747431, at *3, "the mark's distinctiveness is more likely to be impaired by the junior use," 2005 Hearing, at 14 (statement of Anne Gundelfinger). Lastly, as 79 percent of Mitofsky survey respondents were

[12] Of course, in *Starbucks IV,* we rejected a *per se* or threshold requirement of "substantial similarity" between the marks at issue in federal dilution actions. 588 F.3d at 108–09. In doing so, however, we did not suggest that a finding of *minimal* similarity could not be highly probative of the likelihood of dilution.

familiar with Starbucks, it is undisputed that Starbucks constitutes a widely recognized mark, and that this factor favors Starbucks.

[43] Although the three factors of distinctiveness, recognition, and exclusivity favor Starbucks and bear to some degree on our assessment of the likelihood of dilution by blurring, the more important factors in the context of this case are the similarity of the marks and actual association. We agree with the District Court that the distinctiveness, recognition, and exclusive use of the Starbucks Marks do not overcome the weak evidence of actual association between the Charbucks and Starbucks marks. To the contrary, viewed in light of Starbucks' fame, both globally and among the Mitofsky survey participants more particularly, the fact that more survey participants did not think of "Starbucks" upon hearing "Charbucks" reinforces the District Court's finding that the marks are only minimally similar, and therefore unlikely to prompt an association that impairs the Starbucks Marks. Likewise, although the distinctiveness and exclusive use of the Starbucks Marks help Starbucks prove *susceptibility* to dilution by association arising from similarity between the Charbucks and Starbucks marks, they do not demonstrate that such an association is likely to arise, as Starbucks needed to show to obtain an injunction. Accordingly, these factors weigh only weakly in Starbucks' favor.

[44] In this case, we attribute a moderate amount of significance to the fifth factor, intent to create an association. Clark's testimony indicated that Black Bear was capitalizing on an historic connection between the word "Charbucks" and "Starbucks," which arose out of the so-called "coffee-wars" in Boston, Massachusetts, *see Starbucks IV,* 588 F.3d at 111, and that he "meant to evoke an image of dark-roasted coffee of the type offered by Starbucks," *Starbucks V,* 2011 WL 6747431, at *5. "[W]here, as here, the allegedly diluting mark was created with an intent to associate with the famous mark," *Starbucks IV,* 588 F.3d at 109, we agree with the District Court that this factor favors a finding of a likelihood of dilution, *see Starbucks V,* 2011 WL 6747431, at *3, *5.

[45] The final, disputed factor, actual association, is highly relevant to likelihood of association. In the analogous context of determining the "likelihood of confusion" for trademark infringement claims, we have noted that "[t]here can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion," even though a showing of actual confusion is not necessary to prevail on such a claim. *Savin Corp. v. Savin Grp.,* 391 F.3d 439, 459 (2d Cir.2004) (quoting *World Carpets, Inc. v. Dick Littrell's New World Carpets,* 438 F.2d 482, 489 (5th Cir.1971)). The same principle obtains with respect to proof of actual association in dilution claims. And as noted, the Mitofsky survey demonstrated weak actual association, at best.

[46] Weighing the factors above *de novo,* we agree with the District Court that Starbucks did not demonstrate a likelihood of dilution by blurring. Ultimately what tips the balance in this case is that Starbucks bore the burden of showing that it was entitled to injunctive relief on this record. Because Starbucks' principal evidence of

association, the Mitofsky survey, was fundamentally flawed, and because there was minimal similarity between the marks at issue, we agree with the District Court that Starbucks failed to show that Black Bear's use of its Charbucks Marks in commerce is likely to dilute the Starbucks Marks.

CONCLUSION

[47] We have considered all of Starbucks' contentions on this appeal and have concluded that they are without merit. For the foregoing reasons, we AFFIRM the judgment of the District Court.

Comments and Questions

1. *How Similar Must the Parties Marks Be to Show Dilution?* The *Nikepal* court applied an "identical or nearly identical" standard of similarity in its blurring analysis, following *Thane Int'l, Inc. v. Trek Bicycle Corp*., 305 F.3d 894 (9th Cir. 2002). The Second Circuit, however, has rejected this approach. In *Starbucks Corp. v. Wolfe's Borough Coffee, Inc*., 588 F.3d 97 (2d Cir. 2009), it emphasized that the new statute "does not use the words 'very' or 'substantial' in connection with the similarity factor," *id*. at 108, and reasoned that if courts were to impose a heightened similarity standard, this would give undue weight to the similarity factor—by turning the heightened similarity requirement into a threshold requirement that would short-circuit the six-factor multifactor balancing test for blurring. (The Second Circuit found that New York state anti-dilution law, by contrast, does impose a requirement that the marks be "'substantially' similar," *id*. at 114). In *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co*., 633 F.3d 1158 (9th Cir. 2011), the Ninth Circuit subsequently followed the Second Circuit's reasoning:

> Turning to the language of subsection (c)(2)(B), the TDRA defines "dilution by blurring" as the "association arising from the similarity between a mark and a trade name and a famous mark that impairs the distinctiveness of the famous mark." Id. § 1125(c)(2)(B) (emphasis added). Congress did not require an association arising from the "substantial" similarity, "identity" or "near identity" of the two marks. The word chosen by Congress, "similarity," sets forth a less demanding standard than that employed by many courts under the FTDA.

Id. at 1171. Do you find the Second and Ninth Circuits' reasoning persuasive? As a matter of sound policy, should courts require a heightened standard of similarity when analyzing a blurring claim? And in any case, are you persuaded that Nike and Nikepal are nearly identical?

2. *Mere Association or Association that Impairs Distinctiveness?* Recall that the TDRA defines dilution by blurring as "association...that impairs the distinctiveness of the famous mark." The *Nikepal* court found evidence of association, but it never addressed the question of whether this association "impairs the distinctiveness of the famous mark." Can we assume, as the *Nikepal* court appears to do, that any

association necessarily impairs the distinctiveness of the plaintiff's mark? Consider what the Supreme Court said in *Moseley*:

> We do agree, however, with [the] conclusion that, at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution. [S]uch mental association will not necessarily reduce the capacity of the famous mark to identify the goods of its owner, the statutory requirement for dilution under the FTDA. For even though Utah drivers may be reminded of the circus when they see a license plate referring to the "greatest *snow* on earth," it by no means follows that they will associate "the greatest show on earth" with skiing or snow sports, or associate it less strongly or exclusively with the circus. "Blurring" is not a necessary consequence of mental association. (Nor, for that matter, is "tarnishing.")

Moseley v. V Secret Catalogue, 537 U.S. 418 (2003). On remand, the *Moseley* district court took the Supreme Court's teaching very much to heart. *See V Secret Catalogue, Inc. v. Moseley*, 558 F. Supp. 2d 734 (W.D. Ky. 2008). It found all six blurring factors to favor the plaintiff, but nevertheless found no blurring: "The choice of name and presentation by the Moseleys being just slightly different from the VICTORIA'S SECRET mark, conjured the association with the famous mark, but fell short of blurring its distinctiveness in this instance." *Id*. at 748. How can the plaintiff prove that association impairs the distinctiveness of its mark? (Note that the *Moseley* district court found tarnishment instead, *id*. at 750).

3. *Are Some Trademarks So Strong as to Be Immune to Blurring?* In 2000, Professors Maureen Morrin and Jacob Jacoby, the latter of whom is a highly regarded trademark survey expert, reported the results of two studies they conducted to detect the effects of diluting stimuli on brand recognition and recall in test subjects. *See* Maureen Morrin & Jacob Jacoby, *Trademark Dilution: Empirical Measures for an Elusive Concept*, 19 J. Pub. Pol. & Marketing 265 (2000). Among other findings, they reported: "It appears that very strong brands are immune to dilution because their memory connections are so strong that it is difficult for consumers to alter them or create new ones with the same brand name." *Id*. at 274. Does this make sense to you? What are the implications of such a finding for anti-dilution protection, a form of protection granted only to brands "widely recognized by the general consuming public of the United States"?

4. *Does Dilution Protection Make Any Difference in Practice?* Commentators have long asserted that the very marks that qualify for dilution protection rarely need it. This is because such marks will likely win the conventional likelihood of confusion cause of action both because of their enormous fame and because the scope of the likelihood of confusion cause of action has expanded dramatically in the past few decades. *See, e.g.*, Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 Notre Dame L. Rev. 1839, 1913-14 (2007). For example, if a defendant were to

begin to sell Coca-Cola brand bicycles, how likely is it that Coca-Cola's lawyers would be able to prove some degree of confusion?

Empirical evidence suggests that when courts consider both confusion and dilution, their dilution determinations are usually redundant of their confusion determinations. One study found that in the year following the October 6, 2006, effective date of the TDRA, no reported federal court opinion that considered both confusion and dilution found the latter but not the former. *See* Barton Beebe, *The Continuing Debacle of U.S. Antidilution Law: Evidence from the First Year of Trademark Dilution Revision Act Case Law*, 24 Santa Clara Computer & High Tech. L.J. 449 (2008). This trend appears to have continued. In the three and a half years following the effective date of the TDRA, two reported federal court opinions have analyzed both confusion and dilution and found the latter but not the former, and one of these opinions was a dissent. *See* Hershey Co. v. Art Van Furniture, Inc., No. 08 Civ. 14463, 2008 WL 4724756 (E.D. Mich. Oct. 24, 2008); American Century Proprietary Holdings, Inc. v. American Century Casualty Co., 295 Fed. Appx. 630 (5th Cir. Oct. 3, 2008) (Garwood, J., dissenting).

This is not to say that the dilution case of action never provides relief not already provided by a confusion cause of action. As in *Nikepal*, courts may decline to consider confusion at all in their opinions and move directly to a finding of dilution. *See, e.g.*, *V Secret Catalogue, Inc. v. Moseley*, 558 F. Supp. 2d 734 (W.D. Ky. 2008). And as in *Chanel v. Makarczyk*, Opp. No. 91208352, 2013 WL __ (T.T.A.B. May 27, 2014) , a mark may be opposed in T.T.A.B. proceedings solely on the basis that it dilutes the opposer's mark.

In the registration context, it appears that antidilution law has been largely irrelevant. In 2014, Jeremy Sheff reported the results of a wide-ranging empirical study of the effect of antidilution law on registration practice at the PTO. *See* Jeremy N. Sheff, *Dilution at the Patent and Trademark Office*, 21 MICH. TELECOMM. & TECH. L. REV. 79 (2014). Among other things, Sheff developed and hand-coded a dataset of all 453 TTAB dispositions of dilution claims from the January 16, 1996 effective date of the FTDA through June 30, 2014. He found only three TTAB cases over that 18-year period in which anti-dilution claims made any difference to the outcome of a TTAB adjudication. In one of these, Sheff argues, a likelihood of confusion claim could have been used to reach the same outcome, but having found dilution, the board declined to consider the confusion claim. *See Chanel, Inc. v. Jerzy Makarczyk*, 110 U.S.P.Q.2d 2013 (TTAB 2014) (CHANEL for real estate development and construction services diluting of CHANEL). The other two cases were free speech cases with highly controversial findings of dilution. *See Research in Motion Ltd. v. Defining Presence Mktg. Grp. Inc.*, 102 U.S.P.Q.2d 1187 (TTAB 2012) (CRACKBERRY for apparel diluting of BLACKBERRY); *Nat'l Pork Bd. v. Supreme Lobster & Seafood Co.*, 96 U.S.P.Q.2d 1479 (TTAB 2010) (THE OTHER RED MEAT for salmon diluting of THE OTHER WHITE MEAT).

5. *Dilution and Misappropriation*. The European Trade Mark Directive explicitly provides for protection against the taking of "unfair advantage of … the distinctive character or repute of the trade mark." EC Trade Mark Directive, Parliament and Council Directive 2008/95, art. 5(2), 2008 O.J. (L 299) 28, 29 (EC). The TDRA contains no such prohibition against the misappropriation of a mark's "selling power." David Franklyn has argued that dilution is essentially a form of "free-riding", that courts often hold in favor of diluted plaintiff's in an effort to punish free-riding, and that "it would be better to scrap dilution altogether and replace it with an independent cause of action that explicitly prevents free-riding in appropriate circumstances." David J. Franklyn, Debun*king Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 HASTINGS L.J. 117 (2004). Do you support this proposal?

As a historical matter, Schechter himself based nearly all of his theory of dilution on a 1924 German court opinion known as the *Odol* opinion. See *Odol darf auch für gänzlich verschiedene Waren wie Mundwasser nicht verwendet werden; Entscheidung des Landgerichts Elberfeld vom 14. Sept. 1924 13. O. 89/24*, GEWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT [GRUR] 204 (1924). But in attempting to sell his theory of dilution to American readers, Schechter apparently deliberately excluded from his translation of the *Odol* opinion the court's core holding, that the defendant sought "to appropriate thus the fruits of another's labor." Why might Schechter have suppressed the misappropriation nature of trademark dilution when writing to American lawyers in the 1920s, at the height of American Legal Realism? For an answer, see Barton Beebe, *The Suppressed Misappropriation Origins of Trademark Antidilution Law: the Landgericht Elberfeld's* Odol *Opinion and Frank Schechter's The Rational Basis of Trademark Protection*, in INTELLECTUAL PROPERTY AT THE EDGE: THE CONTESTED CONTOURS OF IP (Rochelle Dreyfuss & Jane Ginsburg eds, 2013) ("What Schechter sought to obscure in *Rational Basis* is that the *Odol* case was not, strictly speaking, a trademark case. Rather, it was a misappropriation case that happened to involve a trademark."). *But see* Robert Bone, *Schechter's Ideas in Historical Context and Dilution's Rocky Road*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 469 (2008).

6. *Blurring and "Imagination Costs"*. Do you accept that an increase in consumers' "imagination costs" represents a significant harm? For a very strong critique of this "cognitive/internal-search-costs model" of blurring, see Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEXAS L. REV. 507 (2008).

3. Dilution by Tarnishment

V Secret Catalogue, Inc. v. Moseley
605 F.3d 382 (6th Cir. 2010)

MERRITT, Circuit Judge.

[1] In this trademark "dilution by tarnishment" case, brought under the Trademark Dilution Revision Act of 2006,[1] the question is whether the plaintiff, an international lingerie company that uses the trade name designation "Victoria's Secret" has a valid suit for injunctive relief against the use of the name "Victor's

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[1] The relevant provisions of the new law change the test for "dilution by tarnishment" from an "actual" to only a likelihood of "harm" to the "reputation" of the senior mark:

> 15 U.S.C. § 1125(c) Dilution by blurring; dilution by tarnishment
>
> (1) Injunctive relief
>
> 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.
>
> (2) Definition
>
> ....
>
> (C) For purposes of paragraph (1), "dilution by tarnishment" *is association* arising from the similarity between a mark or trade name and a famous mark that *harms the reputation* of the famous mark.

(Emphasis added.)

Little Secret" or "Victor's Secret" by the defendants, a small retail store in a mall in Elizabethtown, Kentucky, that sells assorted merchandise, including "sex toys" and other sexually oriented products. The District Court issued the injunction. Since then the shop has been operating under the name of "Cathy's Little Secret." The District Court concluded that even though the two parties do not compete in the same market, the "Victor's Little Secret" mark—because it is sex related—disparages and tends to reduce the positive associations and the "selling power" of the "Victoria's Secret" mark. The question is whether the plaintiff's case meets the definitions and standards for "dilution by tarnishment" set out in the new Act which amended the old Act, *i.e.,* the Federal Trademark Dilution Act of 1995.[2]

[2] The new Act was expressly intended to overrule the Supreme Court interpretation of the old Act in this very same case, *Moseley v. V Secret Catalogue, Inc.,* 537 U.S. 418 (2003), *rev'g* 259 F.3d 464 (6th Cir.2001), *aff'g* 54 U.S.P.Q.2d 1092 (W.D.Ky.2000). The Supreme Court reversed a panel of this Court that had affirmed an injunction against "Victor's Little Secret" issued by the District Court. On remand to the District Court from the Supreme Court after the 2003 reversal, no new evidence was introduced, and the District Court reconsidered the case based on the same evidence but used the new language in the new Act which overrules the Supreme Court in this case. We will first brief the Supreme Court opinion and the reasons Congress overruled the Supreme Court in this case. We will then outline our understanding of the new standards for measuring trademark "dilution by tarnishment" and apply them to this case. We conclude that the new Act creates a kind of rebuttable presumption, or at least a very strong inference, that a new mark used to sell sex related products is likely to tarnish a famous mark if there is a clear semantic association between the two. That presumption has not been rebutted in this case.

I. The Supreme Court Opinion and the New Act

[3] The Supreme Court explained that this case started when an Army Colonel at Fort Knox saw an ad for "Victor's Secret" in a weekly publication. It advertised that the small store in Elizabethtown sold adult videos and novelties and lingerie.[3]

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[2] The relevant provisions of the old law provide:

> § 1125(c)(1). 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 has become famous and causes dilution of the distinctive quality of the mark* ....

[3] The Supreme Court explained:

> In the February 12, 1998, edition of a weekly publication distributed to residents of the military installation at Fort Knox, Kentucky, petitioners advertised the "GRAND OPENING just in time for Valentine's Day!" of

There was no likelihood of confusion between the two businesses or the two marks, but the Army Colonel was offended because the sexually-oriented business was semantically associating itself with "Victoria's Secret." The Court explained that the concepts of "dilution by blurring" and "dilution by tarnishment" originated with an article in the Harvard Law Review, Frank Schechter, "Rational Basis of Trademark Protection," 40 HARV. L.REV. 813 (1927), and that the history and meaning of the concepts were further well explained in Restatement (Third) of Unfair Competition, Section 25 (1995). The Restatement section referred to by the Supreme Court explains this new intellectual property tort and contains in § 25 a comprehensive statement of "Liability Without Proof of Confusion: Dilution and Tarnishment." "Tarnishment," as distinguished from "dilution by blurring" was the only claim before the Supreme Court and is the only claim before us in this new appeal. We quote at length the relevant Restatement explanation of "tarnishment" in the footnote below.[4]

> their store "VICTOR'S SECRET" in nearby Elizabethtown. The ad featured "Intimate Lingerie *for every woman,*" "Romantic Lighting"; "Lycra Dresses"; "Pagers"; and "Adult Novelties/Gifts." An army colonel, who saw the ad and was offended by what he perceived to be an attempt to use a reputable company's trademark to promote the sale of "unwholesome, tawdry merchandise," sent a copy to respondents. Their counsel then wrote to petitioners stating that their choice of the name "Victor's Secret" for a store selling lingerie was likely to cause confusion with the well-known VICTORIA'S SECRET mark and, in addition, was likely to "dilute the distinctiveness" of the mark. They requested the immediate discontinuance of the use of the name "and any variations thereof." In response, petitioners changed the name of their store to "Victor's Little Secret." Because that change did not satisfy respondents, they promptly filed this action in Federal District Court.

537 U.S. at 426 (internal citations omitted).

[4] c. *Interests protected.* The antidilution statutes have been invoked against two distinct threats to the interests of a trademark owner. First, a mark may be so highly distinctive and so well advertised that it acts as a powerful selling tool. Such a mark may evoke among prospective purchasers a positive response that is associated exclusively with the goods or services of the trademark owner. To the extent that others use the trademark to identify different goods, services or businesses, a dissonance occurs that blurs this stimulant effect of the mark. The antidilution statutes protect against this dilution of the distinctiveness and selling power of the mark.

The selling power of a trademark also can be undermined by a use of the mark with goods or services such as illicit drugs or pornography that "tarnish" the mark's image through inherently negative or unsavory associations, or with goods or

[4] After reviewing a number of secondary sources other than the Harvard Law Review article and the Restatement, including state statutes on dilution and a Fourth Circuit case, the Supreme Court held that "actual harm" rather than merely the "likelihood of tarnishment" is necessary and stated its conclusion as follows:

> Noting that consumer surveys and other means of demonstrating actual dilution are expensive and often unreliable, respondents [Victoria's

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services that produce a negative response when linked in the minds of prospective purchasers with the goods or services of the prior user, such as the use on insecticide of a trademark similar to one previously used by another on food products.

Tarnishment and dilution of distinctiveness, although conceptually distinct, both undermine the selling power of a mark, the latter by disturbing the conditioned association of the mark with the prior user and the former by displacing positive with negative associations. Thus, tarnishment and dilution of distinctiveness reduce the value of the mark to the trademark owner.

....

g. Tarnishment. The antidilution statutes have also been invoked to protect the positive associations evoked by a mark from subsequent uses that may disparage or tarnish those associations. The rule stated in Subsection (1)(b) applies to cases in which the tarnishment results from a subsequent use of the mark or a substantially similar mark in a manner that associates the mark with different goods, services, or businesses. Use of another's mark by the actor, not as a trademark or trade name, but in other ways that may disparage or tarnish the prior user's goods, services, business, or mark is governed by the rule stated in Subsection (2).

Any designation that is distinctive under the criteria established in § 13 is eligible for protection against disparaging or tarnishing use by others. Whenever the subsequent use brings to mind the goods, services, business, or mark of the prior user, there is potential for interference with the positive images associated with the mark. To prove a case of tarnishment, the prior user must demonstrate that the subsequent use is likely to come to the attention of the prior user's prospective purchasers and that the use is likely to undermine or damage the positive associations evoked by the mark.

Illustration:

3. *A,* a bank, uses the designation "Cookie Jar" to identify its automatic teller machine. *B* opens a topless bar across the street from *A* under the trade name "Cookie Jar." Although prospective customers of *A* are unlikely to believe that *A* operates or sponsors the bar, *B* is subject to liability to *A* for tarnishment under an applicable antidilution statute if the customers are likely to associate *A's* mark or *A's* business with the images evoked by *B's* use.

> Secret] and their *amici* argue that evidence of *an actual* "lessening of the capacity of a famous mark to identify and distinguish goods or services," may be difficult to obtain. It may well be, however, that direct evidence of dilution such as consumer surveys will not be necessary *if actual dilution can reliably be proved* through circumstantial evidence—the obvious case is one where the junior and senior marks are identical. *Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation.* The evidence in the present record is not sufficient to support the summary judgment on the dilution count. The judgment is therefore reversed, and the case is remanded for further proceedings consistent with this opinion.

537 U.S. at 434, 123 S.Ct. 1115 (emphasis added).

[5] Thus, the Court held that "actual harm" rather than merely a "likelihood" of harm must be shown by Victoria's Secret in order to prevail and that this means that Victoria's Secret carries the burden of proving an actual "lessening of the capacity of the Victoria's Secret mark to identify and distinguish goods or services sold in Victoria's Secret stores or advertised in its catalogs." *Id.* In the new law Congress rejected the Court's view that a simple "likelihood" of an association in the consumer's mind of the Victoria's Secret mark with the sexually-oriented videos and toys of "Victor's Secret" is insufficient for liability.

[6] The House Judiciary Committee Report states the purpose of the new 2006 legislation as follows:

> The *Moseley* standard *creates an undue burden* for trademark holders who contest diluting uses and should be revised.
>
> ....
>
> The new language in the legislation [provides] ... specifically that the standard for proving a dilution claim is "likelihood of dilution" and that both dilution by blurring and dilution by tarnishment are actionable.

(Emphasis added.) U.S. Code Cong. & Adm. News, 109th Cong.2d Sess.2006, Vol. 4, pp. 1091, 1092, 1097. The relevant language of the new Act designed to carry out this purpose is recited and underlined in footnote 1, *supra.* The drafters of the Committee Report also called special attention to the "burden" of proof or persuasion placed on "trademark holders" by the Supreme Court's opinion in *Moseley,* suggesting a possible modification in the burden of proof. The question for us then is whether "Victor's Little Secret" with its association with lewd sexual toys creates a "likelihood of dilution by tarnishment" of Victoria's Secret mark.

II. Application of Statutory Standard

[7] The specific question in this case is whether, without consumer surveys or polls or other evidence, a semantic "association" is equivalent to a liability-creating mental "association" of a junior mark like "Victor's Little Secret" with a famous mark

like "Victoria's Secret" that constitutes dilution by tarnishment when the junior mark is used to sell sexual toys, videos and similar soft-core pornographic products. There appears to be a clearly emerging consensus in the case law, aided by the language of § 25 of the Restatement of Trademarks 3d, quoted in footnote 4, *supra,* that the creation of an "association" between a famous mark and lewd or bawdy sexual activity disparages and defiles the famous mark and reduces the commercial value of its selling power. This consensus stems from an economic prediction about consumer taste and how the predicted reaction of conventional consumers in our culture will affect the economic value of the famous mark.

[8] There have been at least eight federal cases in six jurisdictions that conclude that a famous mark is tarnished when its mark is semantically associated with a new mark that is used to sell sex-related products. We find no exceptions in the case law that allow such a new mark associated with sex to stand. *See Pfizer Inc. v. Sachs,* 652 F.Supp.2d 512, 525 (S.D.N.Y.2009) (defendants' display at an adult entertainment exhibition of two models riding a VIAGRA-branded missile and distributing condoms would likely harm the reputation of Pfizer's trademark); *Williams–Sonoma, Inc. v. Friendfinder, Inc.,* No. C 06–6572 JSW (MEJ), 2007 WL 4973848, at *7 (N.D.Cal. Dec. 6, 2007) (defendants' use of POTTERY BARN mark on their sexually-oriented websites likely to tarnish "by associating those marks for children and teenager furnishings"); *Kraft Foods Holdings, Inc. v. Helm,* 205 F.Supp.2d 942, 949–50 (N.D.Ill.2002) (pornographic website's use of "VelVeeda" tarnishes VELVEETA trademark); *Victoria's Cyber Secret Ltd. P'ship v. V Secret Catalogue, Inc.,* 161 F.Supp.2d 1339, 1355 (S.D.Fla.2001) (defendants' internet trade names likely to tarnish famous mark when websites "will be used for entertainment of a lascivious nature suitable only for adults"); *Mattel, Inc. v. Internet Dimensions Inc.,* 2000 WL 973745, 55 U.S.P.Q.2d 1620, 1627 (S.D.N.Y. July 13, 2000) (linking BARBIE with pornography will adversely color the public's impressions of BARBIE); *Polo Ralph Lauren L.P. v. Schuman,* 46 U.S.P.Q.2d 1046, 1048 (S.D.Tex.1998) (defendants' use of "The Polo Club" or "Polo Executive Retreat" as an adult entertainment club tarnished POLO trademark); *Pillsbury Co. v. Milky Way Prods., Inc.,* 1981 WL 1402, 215 U.S.P.Q. 124, 135 (N.D.Ga. Dec. 24, 1981) (defendant's sexually-oriented variation of the PILLSBURY DOUGHBOY tarnished plaintiff's mark); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.,* 467 F.Supp. 366, 377 (S.D.N.Y.1979) (pornographic depiction of a Dallas Cowboys Cheerleader-style cheerleader in an adult film tarnished the professional mark of the Dallas Cowboys).

[9] The phrase "likely to cause dilution" used in the new statute (see footnote 1) significantly changes the meaning of the law from "causes actual harm" under the preexisting law. The word "likely" or "likelihood" means "probably," WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY 1310 (1963); BLACK'S LAW DICTIONARY 1076 (1968). It is important to note also that the Committee Report quoted above seeks to reduce the "burden" of evidentiary production on the trademark holder. The burden-of-proof problem, the developing case law, and the Restatement (Third) of Trademarks in § 25 (particularly subsection g) should now

be interpreted, we think, to create a kind of rebuttable presumption, or at least a very strong inference, that a new mark used to sell sex-related products is likely to tarnish a famous mark if there is a clear semantic association between the two. This *res ipsa loquitur*—like effect is not conclusive but places on the owner of the new mark the burden of coming forward with evidence that there is no likelihood or probability of tarnishment. The evidence could be in the form of expert testimony or surveys or polls or customer testimony.

[10] In the present case, the Moseleys have had two opportunities in the District Court to offer evidence that there is no real probability of tarnishment and have not done so. They did not offer at oral argument any suggestion that they could make such a showing or wanted the case remanded for that purpose. The fact that Congress was dissatisfied with the *Moseley* result and the *Moseley* standard of liability, as well as apparently the *Moseley* burden of proof, supports the view of Victoria's Secret that the present record—in the eyes of the legislative branch—shows a likelihood of tarnishment. Without evidence to the contrary or a persuasive defensive theory that rebuts the presumption, the defendants have given us no basis to reverse the judgment of the District Court. We do not find sufficient the defendants' arguments that they should have the right to use Victor Moseley's first name and that the effect of the association is *de minimis.* The Moseleys do not have a right to use the word "secret" in their mark. They use it only to make the association with the Victoria's Secret mark. We agree that the tarnishing effect of the Moseley's mark on the senior mark is somewhat speculative, but we have no evidence to overcome the strong inference created by the case law, the Restatement, and Congressional dissatisfaction with the burden of proof used in this case in the Supreme Court. The new law seems designed to protect trademarks from any unfavorable sexual associations. Thus, any new mark with a lewd or offensive-to-some sexual association raises a strong inference of tarnishment. The inference must be overcome by evidence that rebuts the probability that some consumers will find the new mark both offensive and harmful to the reputation and the favorable symbolism of the famous mark.

[11] Our dissenting colleague, in relying on the Supreme Court treatment of the proof in this case—for example, the long quotation from the Supreme Court concerning the legal effect of the evidence—fails to concede what seems obvious: Congress overruled the Supreme Court's view of the burden of proof. As quoted above, it said, "the Moseley standard creates an undue burden for trademark holders who contest diluting uses" It seems clear that the new Act demonstrates that Congress intended that a court should reach a different result in this case if the facts remain the same. We do not necessarily disagree with our dissenting colleague that the policy followed by the Supreme Court in such cases may be better. We simply believe that the will of Congress is to the contrary with regard to the proof in this case and with regard to the method of allocating the burden of proof.

…

JULIA SMITH GIBBONS, Circuit Judge, concurring.

[12] I fully concur in the majority opinion with the exception of one small quibble. I would not use the term "rebuttable presumption" to describe the inference that a new mark used to sell sex-related products is likely to tarnish a famous mark if there is a clear semantic association between the two. Practically speaking, what the inference is called makes little difference. I agree with the majority opinion that the inference is a strong one and that, to counter it, some evidence that there is no likelihood or probability of tarnishment is required. But because we are endeavoring to interpret a new law and because the legislative history is not explicit on the point of modification of the burden of proof, I think it best to end our analysis by characterizing the inference as an inference.

KAREN NELSON MOORE, Circuit Judge, dissenting.

[13] Because I believe that Victoria's Secret has failed to produce sufficient evidence to show that the Moseleys' use of the name "Victor's Little Secret" is likely to tarnish the VICTORIA'S SECRET mark, I would reverse the judgment of the district court and must respectfully dissent.

[14] Under the Trademark Dilution Revision Act of 2006 ("TDRA"), Victoria's Secret is entitled to injunctive relief if the Moseleys' use of "Victor's Little Secret" as the name of their adult-oriented novelty store[1] "is likely to cause dilution ... by tarnishment of the" VICTORIA'S SECRET mark. 15 U.S.C. § 1125(c)(1). "[D]ilution by tarnishment" is defined as an "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." *Id.* § 1125(c)(2)(C). Thus, under the terms of the statute, to determine whether the VICTORIA'S SECRET mark is likely to be tarnished by the Moseleys' use, this court must inquire as to both the "association" between the two marks and the "harm" that the association causes to the senior mark.

[15] Because I agree that there is a clear association between the two marks, the determinative inquiry in this dilution-by-tarnishment case is whether that association is likely to harm Victoria's Secret's reputation. *See id.* § 1125(c)(2)(C) ("that harms the reputation of the famous mark"). Contrary to the majority's conclusion, however, given the record before the panel, I would hold that Victoria's

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[1] Victor's Little Secret "sell[s] a wide variety of items, including adult videos, adult novelties, and lingerie." *Moseley v. v. Secret Catalogue, Inc.,* 537 U.S. 418, 424, 123 S.Ct. 1115, 155 L.Ed.2d 1 (2003) (internal quotation marks omitted); *see also id.* at 424 n. 4, 123 S.Ct. 1115 (listing numerous other items sold). "Victor Moseley stated in an affidavit that women's lingerie represented only about five percent of their sales." *Id.* at 424, 123 S.Ct. 1115.

Secret has failed to meet its burden to show that the Moseleys' use of "Victor's Little Secret" is likely to dilute Victoria's Secret's mark.[2]

[16] Victoria's Secret's evidence of tarnishment includes nothing more than the following: (1) an affidavit from Army Colonel John E. Baker stating that he "was ... offended by [the] defendants' use of [Victoria's Secret's] trademark to promote ... unwholesome, tawdry merchandise," such as "'adult' novelties and gifts," and that since his "wife ... and ... daughter ... shop at Victoria's Secret, [he] was further dismayed by [the] defendants' effort to associate itself with, trade off on the image of, and in fact denigrate a store frequented by members of [his] family," Record on Appeal ("ROA") at 267 (Baker Aff.); and (2) a statement from one of Victoria's Secret's corporate officers that Victoria's Secret strives to "maintain[ ] an image that is sexy and playful" and one that "avoid[s] sexually explicit or graphic imagery." *Id.* at 90 (Kriss Aff.).

[17] Reviewing Baker's affidavit, I believe that it is plain that Baker made a "mental association" between "Victor's Little Secret" and "Victoria's Secret." *Moseley v. V Secret Catalogue, Inc.,* 537 U.S. 418, 434, 123 S.Ct. 1115, 155 L.Ed.2d 1 (2003); *see also* ROA at 266 (Baker Aff.). It is also clear that Baker held a negative impression of "Victor's Little Secret." *See Moseley,* 537 U.S. at 434, 123 S.Ct. 1115; *see also* ROA at 267 (Baker Aff.). But despite the clear negative association of this *one* individual when confronted with "Victor's Little Secret," Victoria's Secret has presented *no* evidence that Baker's, or anyone else's, distaste or dislike of "Victor's Little Secret" is likely to taint their positive opinion or perception of Victoria's Secret. Yet evidence that the junior mark is likely to undermine or alter the positive associations of the senior mark—i.e., evidence that the junior mark is likely to harm the reputation of the senior mark—is precisely the showing required under the plain language of 15 U.S.C. § 1125(c)(2)(C) to prove dilution by tarnishment. As the

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[2] I respectfully disagree with the majority's conclusion that in dilution-by-tarnishment cases involving new marks "with lewd or offensive-to-some sexual association[s]" the TDRA establishes a presumption or inference of tarnishment that the Moseleys must rebut. Maj. Op. at 389, 390. To be sure, the House Judiciary Committee Report highlights Congress's concern with the pre-TDRA actual-dilution standard, but I do not read its concern that the previous standard created "an undue burden" to mean that Congress envisioned a modification of the party that bears the burden of proof as opposed to simply a lightening of the evidentiary showing. *See* H.R.Rep. No. 109–23, at 5 (2005) ("Witnesses at the [ ] [legislative] hearings focused on the standard of harm threshold articulated in *Moseley* [sic].... The *Moseley* [sic] standard creates an undue burden for trademark holders who contest diluting uses and should be revised."). The burden to show tarnishment remains with Victoria's Secret.

Second Circuit recently noted in *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.,* 588 F.3d 97 (2d Cir.2009):

> That a consumer may associate a negative-sounding junior mark with a famous mark says little of whether the consumer views the junior mark as harming the reputation of the famous mark. The more relevant question, for purposes of tarnishment, would have been how a hypothetical coffee [with a negative-sounding name] would affect the positive impressions about the coffee sold by Starbucks.

Starbucks Corp., 588 F.3d at 110; *see also* J. Thomas McCarthy, 4 McCarthy on Trademarks and Unfair Competition § 24:89 (4th ed.) [hereinafter McCarthy on Trademarks] (discussing tarnishment claims as being premised on the notion that "positive associations" of the senior mark will be displaced or degraded by the negative associations of the junior mark); Restatement (Third) of Unfair Competition § 25 cmt. g (1995) ("To prove a case of tarnishment, the prior user must demonstrate that the subsequent use is likely to ... undermine or damage the positive associations evoked by the mark."). In fact, when reviewing the exact same evidentiary record, the Supreme Court explicitly noted that Victoria's Secret's offer of proof included no evidence that "Victor's Little Secret" affected Baker's positive impressions of Victoria's Secret:

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

Moseley, 537 U.S. at 434, 123 S.Ct. 1115 (emphases added).[3]

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[3] The majority mischaracterizes my citation to the Supreme Court's decision as evidencing a refusal to follow the "will of Congress" and a desire to follow the pre-TDRA "policy [of the] ... Supreme Court." Maj. Op. at 389. My citation to the Supreme Court's decision, however, does no such thing. First, as stated previously, I believe that the majority's conclusion that Congress intended to change which party has the burden of proof—i.e., the framework governing which party must put forth evidence in support of its position—as opposed to the standard of harm—i.e., actual harm versus a likelihood of harm—is not supported by the statute or the legislative history. In fact, the only evidence that the majority cites in support of its belief that Congress intended to place the burden of proof on the defendant is the House

[18] In short, Victoria's Secret has presented *no* probative evidence that anyone is likely to think less of Victoria's Secret as a result of "Victor's Little Secret" and cannot therefore prevail on its claim of dilution by tarnishment. *See Hormel Foods Corp. v. Jim Henson Prods., Inc.,* 73 F.3d 497, 507 (2d Cir.1996) ("Absent any showing that Henson's use [of a puppet named Spa'am] will create negative associations with the SPAM mark, there [is] little likelihood of dilution."). Instead of developing a record on remand that contains at least some evidence that Victoria's Secret's

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Committee Report, but even that Report undercuts the majority's argument. The full paragraph from which the majority draws its quotation states:

> Witnesses at the[ ] [legislative] hearings focused on the *standard of harm threshold* articulated in *Moseley* [sic]. For example, a representative of the International Trademark Association observed that "[b]y the time measurable, provable damage to the mark has occurred much time has passed, the damage has been done, and the remedy, which is injunctive relief, is far less effective." The Committee endorses this position. The *Moseley* [sic] standard creates an undue burden for trademark holders who contest diluting uses and should be revised.

H.R.Rep. No. 109–23, at 5 (internal footnote omitted and emphasis added). It was the "standard of harm threshold," i.e., the showing of actual harm that the Supreme Court employed, that was Congress's concern, not the party bearing the burden of proof. This conclusion is supported by the hearings to which the Committee Report refers. During those hearings, the focus of both the House Representatives and the witnesses was whether Congress should "maintain an actual dilution standard, as the Supreme Court held in the Victoria's Secret case," or adopt a "likelihood of dilution standard." *Trademark Dilution Revision Act of 2005: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary,* 109th Cong. 4 (2005) (statement of Rep. Berman); *see generally id.* at 1–54.

I certainly recognize that Congress changed the law concerning dilution in response to the Supreme Court's decision in *Moseley,* but the Supreme Court in *Moseley* said nothing about changing the party bearing the burden of proof and neither does the amended statute. Instead, the statute explicitly states that "dilution by tarnishment" is an "association arising from the similarity between a mark or trade name and a famous mark *that harms the reputation of the famous mark.*" 15 U.S.C. § 1125(c)(2)(C) (emphasis added). In concluding that Victoria's Secret has failed to prove a likelihood of tarnishment because it has failed to present evidence that Victor's Little Secret is likely to harm the reputation of its mark, I am doing nothing more than applying the plain language of the statute that Congress enacted after the Supreme Court's decision. This approach certainly reflects the "will of Congress." Maj. Op. at 389.

reputation is likely to suffer because of the negative response that "Victor's Little Secret" engendered, the record before the panel indicates only that a single individual thinks poorly of "Victor's Little Secret." *See Moseley,* 537 U.S. at 434, 123 S.Ct. 1115. On this record, it is simply no more probable that Victoria's Secret will suffer reputational harm as a result of the Moseleys' use of "Victor's Little Secret" than it is probable that those who are offended by "Victor's Little Secret" will limit their negative impressions to the Moseleys and refrain from projecting those negative associations upon Victoria's Secret. Baker's affidavit does nothing to contradict this conclusion, and given the absence of any indication that his or his family's opinion of Victoria's Secret changed following the Moseleys' use of "Victor's Little Secret," his affidavit may, in fact, provide evidence that individuals are likely to confine their distaste to the Moseleys. *See id.* ("The officer was offended by the ad, but it did not change his conception of Victoria's Secret. His offense was directed entirely at [the Moseleys], not at [Victoria's Secret].").

[19] Certainly, it is *possible* that the Moseleys' use of "Victor's Little Secret" to sell adult-oriented material and other novelties could reflect poorly on the VICTORIA'S SECRET mark and could cause Victoria's Secret to suffer damage to its "sexy and playful" reputation, but the evidentiary standard set forth in the statute is one of likelihood *not* mere possibility. Likelihood is based on probable consequence and amounts to more than simple speculation as to what might possibly happen. *See* McCarthy on Trademarks § 24:115 n. 2 (indicating that "'likelihood' in the dilution part of the Lanham Act has the same meaning as it does in the traditional infringement sections of the Lanham Act: as synonymous with 'probability'"); *see also Parks v. LaFace Records,* 329 F.3d 437, 446 (6th Cir.2003) ("A 'likelihood' means a 'probability' rather than a 'possibility' of confusion."). Yet, as the majority notes, on the instant record, the "tarnishing effect of the Moseley's mark on the senior mark" is nothing more than "speculative." Maj. Op. at 388–89.

[20] Despite the absence of evidence, the majority is willing to assume that Victoria's Secret has met its burden to prove the essential element of "harm to reputation" based on the fact that numerous cases from other jurisdictions conclude, without much inquiry, "that a famous mark is tarnished when its mark is semantically associated with a new mark that is used to sell sex-related products." *Id.* at 388. I do not agree. Although it is true that courts have concluded that a finding of tarnishment is likely when a mark's "likeness is placed in the context of sexual activity, obscenity, or illegal activity," *Hormel Foods Corp.,* 73 F.3d at 507, a court cannot ignore the showing of reputational harm that the statute requires.[4]

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[4] Nor can the court ignore the character of the senior mark when applying the majority's "rule." Victoria's Secret sells women's lingerie, and, as Victoria's Secret readily admits, its own mark is already associated with sex, albeit not with sex novelties. *See* ROA at 90 (Kriss Aff.) (noting that Victoria's Secret attempts to maintain a "sexy and playful" image); *see also, e.g., id.* at 156–57 (depicting Victoria's

[21] Even assuming that "Victor's Little Secret" is plainly unwholesome when compared to Victoria's Secret and that this case is completely analogous to those cases on which the majority relies, I still maintain that it is improper simply to assume likelihood of harm to the reputation of a senior mark when dealing with a junior mark of sexual character. As recounted above, there is *no* evidence connecting Victor's Little Secret's "unwholesome" or "tawdry" sexual character to the senior mark's reputation, and there is nothing in the language of the TDRA that would allow the court to forgive a party's obligation to present proof as to an

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Secret advertisements for "sexy little things" lingerie, which urge customers to "[b]e bad for goodness sake[ ] [i]n peek-a-boo's, bras and sexy Santa accessories," to "[g]ive flirty panties" as gifts, and participate in the store's "panty fantasy," which it describes as "Very racy. Very lacy"); *id.* at 209 (reproducing an article in Redbook magazine entitled "46 Things to Do to a Naked Man," which highlights Victoria's Secret's role in the sexual activities of one of the contributors).

In essence, the VICTORIA'S SECRET mark is not entirely separate from the sexual context within which the junior mark, "Victor's Little Secret," operates. This fact makes the instant case unlike many of the cases that the majority cites. *Cf. Williams–Sonoma, Inc. v. Friendfinder, Inc.,* No. C 06–6572 JSW (MEJ), 2007 WL 4973848, at *7 (N.D.Cal. Dec. 6, 2007) (likelihood of tarnishment where "marks for children and teenager furnishings" were associated "with pornographic websites"); *Kraft Foods Holdings, Inc. v. Helm,* 205 F.Supp.2d 942, 949 (N.D.Ill.2002) (likelihood of dilution where the mark for cheese products was associated with websites that "depict[ ] graphic sexuality and nudity, as well as illustrations of drug use and drug paraphernalia"); *Mattel Inc. v. Internet Dimensions Inc.,* 2000 WL 973745, 55 U.S.P.Q.2d (BNA) 1620, 1627 (S.D.N.Y. July 13, 2000) (likelihood of tarnishment when the BARBIE mark was linked to adult-entertainment websites); *Polo Ralph Lauren L.P. v. Schuman,* 1998 WL 110059, 46 U.S.P.Q.2d (BNA) 1046, 1048 (S.D.Tex. Feb. 9, 1998) (dilution likely where Polo Ralph Lauren's mark was associated with "an adult entertainment business"); *Toys "R" Us Inc. v. Akkaoui,* 1996 WL 772709, 40 U.S.P.Q.2d (BNA) 1836, 1838 (N.D.Cal. Oct. 29, 1996) (likelihood of tarnishment where children's toy store was associated with "a line of sexual products"); *Hasbro, Inc. v. Internet Entm't Group Ltd.,* 1996 WL 84853, 40 U.S.P.Q.2d (BNA) 1479, 1480 (W.D.Wash. Feb. 9, 1996) (dilution likely where the children's game Candyland was linked to "a sexually explicit Internet site"); *Am. Express Co. v. Vibra Approved Labs. Corp.,* 10 U.S.P.Q.2d (BNA) 2006, 2014 (S.D.N.Y.1989) (tarnishment likely where an American Express charge card was linked to condoms and a sex-toy store); *Pillsbury Co. v. Milky Way Prods., Inc.,* 1981 WL 1402, 215 U.S.P.Q. (BNA) 124, 126, 135 (N.D.Ga. Dec. 24, 1981) (likelihood of dilution where the Pillsbury dough figures were portrayed as "engaging in sexual intercourse and fellatio"); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.,* 467 F.Supp. 366, 377 (S.D.N.Y.1979), *affirmed by* 604 F.2d 200, 205 (2d Cir.1979) (tarnishment likely where NFL cheerleaders were portrayed in a pornographic film).

element of the tarnishment cause of action—i.e., the likelihood of harm to reputation.[5] *See* McCarthy on Trademarks § 24:115 ("Even after the 2006 revision when only a likelihood of dilution is required, ... judges should demand persuasive evidence that dilution is likely to occur. Even the probability of dilution should be proven by evidence, not just by theoretical assumptions about what possibly could occur or might happen.").

[22] With its conclusion that there is sufficient evidence of harm to the reputation of the VICTORIA'S SECRET mark based solely on the sexual nature of the junior mark, the majority sanctions an almost non-existent evidentiary standard and, in the process, essentially eliminates the requirement that a plaintiff provide some semblance of proof of likelihood of reputational harm in order to prevail on a tarnishment claim, despite the plain language of 15 U.S.C. § 1125(c)(2). Because I believe that Victoria's Secret has not met its burden to show that "Victor's Little Secret" is likely to dilute the famous mark by way of tarnishment, I respectfully dissent.

Questions and Comments

1. *Tarnishment (and Blurring) and the "Use as a Mark" Requirement.* As Sarah Burstein explains in *Dilution by Tarnishment: The New Cause of Action*, 98 TRADEMARK REP. 1189 (2008), a draft of the TDRA included the following definition of tarnishment: "association arising from the similarity between a *designation of source* and a famous mark that harms the reputation of the famous mark." H.R. 683, 109th Cong. 2 (2006) (emphasis added). The TDRA as adopted included slightly different language. It defined tarnishment as: "association arising from the similarity between *a mark or trade name* and a famous mark that harms the reputation of the famous mark." Lanham Act § 43(c)(2)(C), 15 U.S.C. § 1125(c)(2)(C). Does this reference to "a mark or trade name" require the plaintiff to show that the defendant's tarnishing expression functions as a designation of source for the defendant's own goods? Otherwise, how would that expression qualify as a "mark or trade name"? Notwithstanding Congress's deletion of the reference to "designation of source," it would appear that the statutory language of the TDRA still requires that the plaintiff show that the defendant's alleging infringing expression constitutes a trademark, i.e., a designation of source, for the

[5] The potential problem with simply assuming tarnishment when the junior mark places the senior mark in a sexual context becomes apparent if one considers a different case. What if the holder of a sex-related senior mark levied a claim of dilution by tarnishment against the holder of a junior mark that was similarly associated with sex? Would the court be willing to assume without further proof that despite their similar sexual origins the junior mark necessarily tarnishes the senior mark? Under the majority's reasoning, such an assumption would be appropriate. This cannot be the law.

defendant's goods. *See* Burstein, at 1224. For this reason, a t-shirt or bumper sticker that states 'Wal-Mart is Evil', though certainly tarnishing, would not be prohibited under the TDRA unless the plaintiff can show that consumers perceive this phrase as a trademark. *See* Barton Beebe, *A Defense of the New Federal Trademark Antidilution Law*, 17 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1143, 1172 (2006). Given that the TDRA's definition of blurring also includes the "mark or trade name" language, should the same use as a mark requirement apply to blurring as well? For a view that both blurring and tarnishment under the TDRA include a requirement that the defendant be shown to be making a "trademark use," see Stacey L. Dogan & Mark A. Lemley, *The Trademark Use Requirement in Dilution Cases*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 541, 549-50 (2008).

2. *Is antidilution law constitutional?* In *Matal v. Tam*, No. 15–1293, 582 U.S. __ (U.S. June 19, 2017), excerpted above in Part I.B.5, the Supreme Court ruled that the Lanham Act § 2(a) prohibition on the registration of marks that "may disparage…persons" was invalid under the Free Speech Clause of the First Amendment. What are the implications of the Court's reasoning in *Tam* for antidilution law, and particularly for anti-tarnishment law?

D. Cybersquatting

There are three main methods by which a trademark owner may seek to prevent third-party unauthorized uses of its trademark as part of an internet domain name: (1) the trademark owner can pursue a traditional trademark infringement cause of action by claiming that the domain name creates a likelihood of confusion under Lanham Act § 32 or § 43(a); (2) the trademark owner can bring a cause of action for "cybersquatting" under Lanham Act § 43(d); and (3) the trademark owner can seek cancellation of the domain name or the transfer of the domain name to the trademark owner under the Uniform Dispute Resolution Policy (UDRP) or the Uniform Rapid Suspension System (URS). In Part II.D.1, we will consider the first two options. We will then turn in Part II.D.2 to the UDRP and URS.

1. The Section 43(d) Prohibition Against Cybersquatting

Sporty's Farm L.LC. v. Sportsman's Market, Inc.
202 F.3d 489 (2d Cir. 2000)

CALABRESI, Circuit Judge:

[1] This case originally involved the application of the Federal Trademark Dilution Act ("FTDA") to the Internet. *See* Federal Trademark Dilution Act of 1995, Pub.L. No. 104-98, 109 Stat. 985 (codified at 15 U.S.C. §§ 1125, 1127 (Supp.1996)). While the case was pending on appeal, however, the Anticybersquatting Consumer Protection Act ("ACPA"), Pub.L. No. 106-113 (1999), *see* H.R.Rep. No. 106-479 (Nov. 18, 1999), was passed and signed into law. That new law applies to this case.

[2] Plaintiff-Counter-Defendant-Appellant-Cross-Appellee Sporty's Farm L.L.C. ("Sporty's Farm") appeals from a judgment, following a bench trial, of the United States District Court for the District of Connecticut (Alfred V. Covello, *Chief Judge*) dated March 13, 1998. Defendant-Third-Party-Plaintiff-Counter-Claimant-Appellee-Cross-Appellant Sportsman's Market, Inc. ("Sportsman's") cross-appeals from the same judgment.

[3] The district court held: (1) that the Sportsman's trademark ("*sporty's* ") was a *famous* mark entitled to protection under the FTDA; (2) that Sporty's Farm and its parent company, Third-Party-Defendant-Appellee Omega Engineering, Inc. ("Omega"), diluted the *sporty's* mark by using the Internet domain name "sportys.com" to sell Christmas trees and by preventing Sportsman's from using its trademark as a domain name; (3) that applying the FTDA to Sporty's Farm through an injunction requiring it to relinquish sportys.com was both equitable and not a retroactive application of the statute; (4) that Sportsman's was limited to injunctive relief since the conduct of Sporty's Farm and Omega did not constitute a willful intent to dilute under the FTDA; and (5) that Sporty's Farm and Omega did not violate the Connecticut Unfair Trade Practices Act ("CUTPA"), Conn. Gen.Stat. Ann. §§ 42-110a to 42-110q (West 1992 & Supp.1999). We apply the new anticybersquatting law and affirm the judgment in all respects, but, given the new law, on different grounds from those relied upon by the district court.

BACKGROUND

I

[4] Although the Internet is on its way to becoming a familiar aspect in our daily lives, it is well to begin with a brief explanation of how it works. The Internet is a network of computers that allows a user to gain access to information stored on any other computer on the network. Information on the Internet is lodged on files called web pages, which can include printed matter, sound, pictures, and links to other web pages. An Internet user can move from one page to another with just the click of a mouse.[6]

[5] Web pages are designated by an address called a domain name. A domain name consists of two parts: a top level domain and a secondary level domain. The top level domain is the domain name's suffix. Currently, the Internet is divided primarily into six top level domains: (1) .edu for educational institutions; (2) .org for non-governmental and non-commercial organizations; (3) .gov for governmental entities; (4) .net for networks; (5) .com for commercial users, and (6) a nation-specific domain, which is .us in the United States. The secondary level domain is the remainder of the address, and can consist of combinations of letters, numbers, and

[6] A mouse is a device that allows a computer user to issue commands by moving a marker across the screen and then clicking on the symbol, word, or icon that represents the particular information that the user wants to access.

some typographical symbols.[7] To take a simple example, in the domain name "cnn.com," cnn ("Cable News Network") represents the secondary level domain and .com represents the top level domain. Each domain name is unique.

[6] Over the last few years, the commercial side of the Internet has grown rapidly. Web pages are now used by companies to provide information about their products in a much more detailed fashion than can be done through a standard advertisement. Moreover, many consumers and businesses now order goods and services directly from company web pages. Given that Internet sales are paperless and have lower transaction costs than other types of retail sales, the commercial potential of this technology is vast.

[7] For consumers to buy things or gather information on the Internet, they need an easy way to find particular companies or brand names. The most common method of locating an unknown domain name is simply to type in the company name or logo with the suffix .com.[8] If this proves unsuccessful, then Internet users turn to a device called a search engine.[9] A search engine will find all web pages on the Internet with a particular word or phrase. Given the current state of search engine technology, that search will often produce a list of hundreds of web sites through which the user must sort in order to find what he or she is looking for. As a result, companies strongly prefer that their domain name be comprised of the company or brand trademark and the suffix .com. *See* H.R.Rep. No. 106-412, at 5 (1999).

[8] Until recently, domain names with the .com top level domain could only be obtained from Network Solutions, Inc. ("NSI"). Now other registrars may also assign them. But all these registrars grant such names primarily on a first-come, first-served basis upon payment of a small registration fee. They do not generally inquire into whether a given domain name request matches a trademark held by someone other than the person requesting the name. *See id.*

[9] Due to the lack of any regulatory control over domain name registration, an Internet phenomenon known as "cybersquatting" has become increasingly common in recent years.[10] *See, e.g., Panavision Int'l, L.P. v. Toeppen,* 141 F.3d 1316 (9th Cir.1998). Cybersquatting involves the registration as domain names of well-known

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[7] Certain symbols, such as apostrophes ('), cannot be used in a domain name.

[8] Nothing prevents an American commercial entity from seeking to use the .org or .us top level domains, but, especially in the United States, it has become customary for commercial web pages to use .com.

[9] Undoubtedly, there are many people who use a search engine before typing in a company name plus .com. The manner in which users search the Internet depends on how quickly they think the search engine is likely to locate the desired web page.

[10] "Cyber" is the prefix used to denote Internet-related things. The realm of the Internet is often referred to as "cyberspace."

trademarks by non-trademark holders who then try to sell the names back to the trademark owners. Since domain name registrars do not check to see whether a domain name request is related to existing trademarks, it has been simple and inexpensive for any person to register as domain names the marks of established companies. This prevents use of the domain name by the mark owners, who not infrequently have been willing to pay "ransom" in order to get "their names" back. *See* H.R.Rep. No. 106-412, at 5-7; S.Rep. No. 106-140, at 4-7 (1999).

II

[10] Sportsman's is a mail order catalog company that is quite well-known among pilots and aviation enthusiasts for selling products tailored to their needs. In recent years, Sportsman's has expanded its catalog business well beyond the aviation market into that for tools and home accessories. The company annually distributes approximately 18 million catalogs nationwide, and has yearly revenues of about $50 million. Aviation sales account for about 60% of Sportsman's revenue, while non-aviation sales comprise the remaining 40%.

[11] In the 1960s, Sportsman's began using the logo "*sporty* " to identify its catalogs and products. In 1985, Sportsman's registered the trademark *sporty's* with the United States Patent and Trademark Office. Since then, Sportsman's has complied with all statutory requirements to preserve its interest in the *sporty's* mark. *Sporty's* appears on the cover of all Sportsman's catalogs; Sportsman's international toll free number is 1-800-4*sportys;* and one of Sportsman's domestic toll free phone numbers is 1-800-*Sportys.* Sportsman's spends about $10 million per year advertising its *sporty's* logo.

[12] Omega is a mail order catalog company that sells mainly scientific process measurement and control instruments. In late 1994 or early 1995, the owners of Omega, Arthur and Betty Hollander, decided to enter the aviation catalog business and, for that purpose, formed a wholly-owned subsidiary called Pilot's Depot, LLC ("Pilot's Depot"). Shortly thereafter, Omega registered the domain name sportys.com with NSI. Arthur Hollander was a pilot who received Sportsman's catalogs and thus was aware of the *sporty's* trademark.

[13] In January 1996, nine months after registering sportys.com, Omega formed another wholly-owned subsidiary called Sporty's Farm and sold it the rights to sportys.com for $16,200. Sporty's Farm grows and sells Christmas trees, and soon began advertising its Christmas trees on a sportys.com web page. When asked how the name Sporty's Farm was selected for Omega's Christmas tree subsidiary, Ralph S. Michael, the CEO of Omega and manager of Sporty's Farm, explained, as summarized by the district court, that

> in his own mind and among his family, he always thought of and referred to the Pennsylvania land where Sporty's Farm now operates as *Spotty's farm.* The origin of the name ... derived from a childhood memory he had of his uncle's farm in upstate New York. As a youngster, Michael owned a dog named Spotty. Because the dog strayed, his uncle

> took him to his upstate farm. Michael thereafter referred to the farm as Spotty's farm. The name Sporty's Farm was ... a subsequent derivation.

Joint Appendix ("JA") at 277 (emphasis added). There is, however, no evidence in the record that Hollander was considering starting a Christmas tree business when he registered sportys.com or that Hollander was ever acquainted with Michael's dog Spotty.

[14] In March 1996, Sportsman's discovered that Omega had registered sportys.com as a domain name. Thereafter, and before Sportsman's could take any action, Sporty's Farm brought this declaratory action seeking the right to continue its use of sportys.com. Sportsman's counterclaimed and also sued Omega as a third-party defendant for, *inter alia,* (1) trademark infringement, (2) trademark dilution pursuant to the FTDA, and (3) unfair competition under state law. Both sides sought injunctive relief to force the other to relinquish its claims to sportys.com. While this litigation was ongoing, Sportsman's used "sportys-catalogs.com" as its primary domain name.

[15] After a bench trial, the court rejected Sportsman's trademark infringement claim and all related claims that are based on a "likelihood of [consumer] confusion" since "the parties operate wholly unrelated businesses [and t]herefore, confusion in the marketplace is not likely to develop."[11] *Id.* at 282-83. But on Sportsman's trademark dilution action, where a likelihood of confusion was not necessary, the district court found for Sportsman's. The court concluded (1) that *sporty's* was a *famous* mark entitled to protection under the FTDA since "the '*Sporty's* ' mark enjoys general name recognition in the consuming public," *id.* at 288, and (2) that Sporty's Farm and Omega had diluted *sporty's* because "registration of the 'sportys.com' domain name effectively compromises Sportsman's Market's ability to identify and distinguish its goods on the Internet .... [by] preclud[ing] Sportsman's Market from using its 'unique identifier,'" *id.* at 289. The court also held, however, that Sportsman's could only get injunctive relief and was not entitled to "punitive damages ... profits, and attorney's fees and costs" pursuant to the FTDA since Sporty Farm and Omega's conduct did not constitute willful dilution under the FTDA.[12] *Id.* at 292-93.

…

[16] The district court then issued an injunction forcing Sporty's Farm to relinquish all rights to sportys.com. And Sportsman's subsequently acquired the

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[11] The district court also rejected Sportsman's federal actions for false designation and unfair competition on the same rationale. These rulings have not been appealed.

[12] The FTDA does not provide for punitive damages. It does, however, contemplate treble damages. *See* 15 U.S.C. § 1125(c)(2); § 1117(b).

domain name. Both Sporty's Farm and Sportsman's appeal.[13] Specifically, Sporty's Farm appeals the judgment insofar as the district court granted an injunction in favor of Sportsman's for the use of the domain name. Sportsman's, on the other hand, in addition to urging this court to affirm the district court's injunction, cross-appeals, quite correctly as a procedural matter, the district court's denial of damages under…the FTDA…. *See* 16A Charles Alan Wright, Arthur R. Miller, Edward H. Cooper, *Federal Practice and Procedure* § 3974.4 (3d ed.1999) ("[A] cross-appeal is required to support modification of the judgment....").

III

[17] As we noted above, while this appeal was pending, Congress passed the ACPA. That law was passed "to protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks—a practice commonly referred to as 'cybersquatting'." S.Rep. No. 106-140, at 4. In particular, Congress viewed the legal remedies available for victims of cybersquatting before the passage of the ACPA as "expensive and uncertain." H.R.Rep. No. 106-412, at 6. The Senate made clear its view on this point:

> While the [FTDA] has been useful in pursuing cybersquatters, cybersquatters have become increasingly sophisticated as the case law has developed and now take the necessary precautions to insulate themselves from liability. For example, many cybersquatters are now careful to no longer offer the domain name for sale in any manner that could implicate liability under existing trademark dilution case law. And, in cases of warehousing and trafficking in domain names, courts have sometimes declined to provide assistance to trademark holders, leaving them without adequate and effective judicial remedies. This uncertainty as to the trademark law's application to the Internet has produced inconsistent judicial decisions and created extensive monitoring obligations, unnecessary legal costs, and uncertainty for consumers and trademark owners alike.

S.Rep. No. 106-140, at 7. In short, the ACPA was passed to remedy the perceived shortcomings of applying the FTDA in cybersquatting cases such as this one.

[18] The new act accordingly amends the Trademark Act of 1946, creating a specific federal remedy for cybersquatting. New 15 U.S.C. § 1125(d)(1)(A) reads:

> A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this

[13] Omega has not appealed since it prevailed on all the claims made against it by Sportsman's.

> section, if, without regard to the goods or services of the parties, that person-
>
> (i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and
>
> (ii) registers, traffics in, or uses a domain name that—
>
> > (I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;
> >
> > (II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; ...

[19] The Act further provides that "a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark," 15 U.S.C. § 1125(d)(1)(C), if the domain name was "registered before, on, or after the date of the enactment of this Act," Pub.L. No. 106-113, § 3010. It also provides that damages can be awarded for violations of the Act,[14] but that they are not "available with respect to the registration, trafficking, or use of a domain name that occurs before the date of the enactment of this Act." *Id.*

DISCUSSION

[20] This case has three distinct features that are worth noting before we proceed further. First, our opinion appears to be the first interpretation of the ACPA at the appellate level. Second, we are asked to undertake the interpretation of this new statute even though the district court made its ruling based on the FTDA. Third, the case before us presents a factual situation that, as far as we can tell, is rare if not unique: A Competitor X of Company Y has registered Y's trademark as a domain name and then transferred that name to Subsidiary Z, which operates a business wholly unrelated to Y. These unusual features counsel that we decide no more than is absolutely necessary to resolve the case before us.

A. Application of the ACPA to this Case

[21] The first issue before us is whether the ACPA governs this case. The district court based its holding on the FTDA since the ACPA had not been passed when it made its decision. Because the ACPA became law while this case was pending before us, we must decide how its passage affects this case. As a general rule, we apply the law that exists at the time of the appeal. *See, e.g., Hamm v. City of Rock Hill,* 379 U.S. 306, 312-13, 85 S.Ct. 384, 13 L.Ed.2d 300 (1964) ("'[I]f

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[14] The new Act permits a plaintiff to "elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just." Pub.L. No. 106-113, § 3003. If the plaintiff does not so elect, the court may award damages under 15 U.S.C. § 1117(a) and (b), based on damages, profits, and the cost of the action. *See id.*

subsequent to the judgment and before the decision of the appellate court, a law intervenes and positively changes the rule which governs, the law must be obeyed, or its obligation denied.'" (quoting *United States v. Schooner Peggy,* 5 U.S. (1 Cranch) 103, 110, 2 L.Ed. 49 (1801))).

[22] But even if a new law controls, the question remains whether in such circumstances it is more appropriate for the appellate court to apply it directly or, instead, to remand to the district court to enable that court to consider the effect of the new law. We therefore asked for additional briefing from the parties regarding the applicability of the ACPA to the case before us. After receiving those briefs and fully considering the arguments there made, we think it is clear that the new law was adopted specifically to provide courts with a preferable alternative to stretching federal dilution law when dealing with cybersquatting cases. Indeed, the new law constitutes a particularly good fit with this case. Moreover, the findings of the district court, together with the rest of the record, enable us to apply the new law to the case before us without difficulty. Accordingly, we will do so and forego a remand.

B. "Distinctive" or "Famous"

[23] Under the new Act, we must first determine whether *sporty's* is a distinctive or famous mark and thus entitled to the ACPA's protection. *See* 15 U.S.C. § 1125(d)(1)(A)(ii)(I), (II). The district court concluded that *sporty's* is both distinctive and famous. We agree that *sporty's* is a "distinctive" mark. As a result, and without casting any doubt on the district court's holding in this respect, we need not, and hence do not, decide whether *sporty's* is also a "famous" mark.[15]

[24] More vexing is the question posed by the criterion that focuses on "the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought." *Id.* at § 1125(c)(1)(F). Sporty's Farm contends that, although *sporty's* is a very well-known mark in the pilot and aviation niche market, Sportsman's did not (and could not) prove that the mark was well-known to *Sporty's Farm's* customers. We need not reach this question, as we would have had to do under the FTDA, since the ACPA provides protection not only to famous marks but also to distinctive marks regardless of fame.

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[15] In most respects, *sporty's* meets the rigorous criteria laid out in § 1125(c)(1), requiring both fame and distinctiveness for protection under the FTDA. *See Nabisco Brands, Inc., v. PF Brands, Inc.,* 191 F.3d 208, 216 (2d Cir.1999). The mark (1) is sufficiently distinctive (as we discuss in the text), (2) has been used by Sportsman's for an extended period of time, (3) has had millions of dollars in advertising spent on it, (4) is used nationwide, and (5) is traded in a wide variety of retail channels. *See* 15 U.S.C. § 1125(c)(1)(A)-(E). Moreover, the record does not indicate that anyone else besides Sportsman's uses *sporty's,* and the mark is, of course, registered with federal authorities. *See id.* at § 1125(c)(1)(G)-(H).

[25] Distinctiveness refers to inherent qualities of a mark and is a completely different concept from fame. A mark may be distinctive before it has been used-when its fame is nonexistent. By the same token, even a famous mark may be so ordinary, or descriptive as to be notable for its lack of distinctiveness. *See Nabisco, Inc. v. PF Brands, Inc.,* 191 F.3d 208, 215-26 (2d Cir.1999). We have no doubt that *sporty's,* as used in connection with Sportsman's catalogue of merchandise and advertising, is inherently distinctive. Furthermore, Sportsman's filed an affidavit under 15 U.S.C. § 1065 that rendered its registration of the *sporty's* mark incontestable, which entitles Sportsman's "to a presumption that its registered trademark is inherently distinctive." *Equine Technologies, Inc. v. Equitechnology, Inc.,* 68 F.3d 542, 545 (1st Cir.1995). We therefore conclude that, for the purposes of § 1125(d)(1)(A)(ii)(I), the *sporty's* mark is distinctive.

C. "Identical and Confusingly Similar"

[26] The next question is whether domain name sportys.com is "identical or confusingly similar to" the *sporty's* mark.[16] 15 U.S.C. § 1125(d)(1)(A)(ii)(I). As we noted above, apostrophes cannot be used in domain names. *See supra* note 2. As a result, the secondary domain name in this case (sportys) is indistinguishable from the Sportsman's trademark (*sporty's*). *Cf. Brookfield Communications, Inc. v. West Coast Entertainment Corp.,* 174 F.3d 1036, 1055 (9th Cir.1999) (observing that the differences between the mark "MovieBuff" and the domain name "moviebuff.com" are "inconsequential in light of the fact that Web addresses are not caps-sensitive and that the '.com' top-level domain signifies the site's commercial nature"). We therefore conclude that, although the domain name sportys.com is not precisely identical to the *sporty's* mark, it is certainly "confusingly similar" to the protected mark under § 1125(d)(1)(A)(ii)(I). *Cf. Wella Corp. v. Wella Graphics, Inc.* 874 F.Supp. 54, 56 (E.D.N.Y.1994) (finding the new mark "Wello" confusingly similar to the trademark "Wella").

D. "Bad Faith Intent to Profit"

[27] We next turn to the issue of whether Sporty's Farm acted with a "bad faith intent to profit" from the mark *sporty's* when it registered the domain name sportys.com. 15 U.S.C. § 1125(d)(1)(A)(i). The statute lists nine factors to assist courts in determining when a defendant has acted with a bad faith intent to profit from the use of a mark.[17] But we are not limited to considering just the listed factors

[16] We note that "confusingly similar" is a different standard from the "likelihood of confusion" standard for trademark infringement adopted by this court in *Polaroid Corp. v. Polarad Electronics Corp.,* 287 F.2d 492 (2d Cir.1961). *See Wella Corp. v. Wella Graphics, Inc.,* 37 F.3d 46, 48 (2d Cir.1994).

[17] These factors are:

> (I) the trademark or other intellectual property rights of the person, if any, in the domain name;

when making our determination of whether the statutory criterion has been met. The factors are, instead, expressly described as indicia that "may" be considered along with other facts. *Id.* § 1125(d)(1)(B)(i).

[28] We hold that there is more than enough evidence in the record below of "bad faith intent to profit" on the part of Sporty's Farm (as that term is defined in the statute), so that "no reasonable factfinder could return a verdict against" Sportsman's. *Norville v. Staten Island Univ. Hosp.,* 196 F.3d 89, 95 (2d Cir.1999).

> (II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;
>
> (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
>
> (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
>
> (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
>
> (VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;
>
> (VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;
>
> (VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and
>
> (IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection(c)(1) of section 43.

15 U.S.C. § 1125(d)(1)(B)(i).

First, it is clear that neither Sporty's Farm nor Omega had any intellectual property rights in sportys.com at the time Omega registered the domain name. *See id.* § 1125(d)(1)(B)(i)(I). Sporty's Farm was not formed until nine months after the domain name was registered, and it did not begin operations or obtain the domain name from Omega until after this lawsuit was filed. Second, the domain name does not consist of the legal name of the party that registered it, Omega. *See id.* § 1125(d)(1)(B)(i)(II). Moreover, although the domain name does include part of the name of Sporty's Farm, that entity did not exist at the time the domain name was registered.

[29] The third factor, the prior use of the domain name in connection with the bona fide offering of any goods or services, also cuts against Sporty's Farm since it did not use the site until after this litigation began, undermining its claim that the offering of Christmas trees on the site was in good faith. *See id.* § 1125(d)(1)(B)(i)(III). Further weighing in favor of a conclusion that Sporty's Farm had the requisite statutory bad faith intent, as a matter of law, are the following: (1) Sporty's Farm does not claim that its use of the domain name was "noncommercial" or a "fair use of the mark," *see id.* § 1125(d)(1)(B)(i)(IV), (2) Omega sold the mark to Sporty's Farm under suspicious circumstances, *see Sporty's Farm v. Sportsman's Market,* No. 96CV0756 (D.Conn. Mar. 13, 1998), *reprinted in* Joint Appendix at A277 (describing the circumstances of the transfer of sportys.com); 15 U.S.C. § 1125(d)(1)(B)(i)(VI), and, (3) as we discussed above, the *sporty's* mark is undoubtedly distinctive, *see id.* § 1125(d)(1)(B)(i)(IX).

[30] The most important grounds for our holding that Sporty's Farm acted with a bad faith intent, however, are the unique circumstances of this case, which do not fit neatly into the specific factors enumerated by Congress but may nevertheless be considered under the statute. We know from the record and from the district court's findings that Omega planned to enter into direct competition with Sportsman's in the pilot and aviation consumer market. As recipients of Sportsman's catalogs, Omega's owners, the Hollanders, were fully aware that *sporty's* was a very strong mark for consumers of those products. It cannot be doubted, as the court found below, that Omega registered sportys.com for the primary purpose of keeping Sportsman's from using that domain name. Several months later, and after this lawsuit was filed, Omega created another company in an unrelated business that received the name Sporty's Farm so that it could (1) use the sportys.com domain name in some commercial fashion, (2) keep the name away from Sportsman's, and (3) protect itself in the event that Sportsman's brought an infringement claim alleging that a "likelihood of confusion" had been created by Omega's version of cybersquatting. Finally, the explanation given for Sporty's Farm's desire to use the domain name, based on the existence of the dog Spotty, is more amusing than credible. Given these facts and the district court's grant of an equitable injunction under the FTDA, there is ample and overwhelming evidence that, as a matter of law, Sporty's Farm's acted with a "bad faith intent to profit" from the domain name

sportys.com as those terms are used in the ACPA.[18] *See Luciano v. Olsten Corp.,* 110 F.3d 210, 214 (2d Cir.1997) (stating that, as a matter of law, judgment may be granted where "the evidence in favor of the movant is so overwhelming that 'reasonable and fair minded [persons] could not arrive at a verdict against [it].'" (quoting *Cruz v. Local Union No. 3,* 34 F.3d 1148, 1154 (2d Cir.1994) (alteration in original))).

E. Remedy

[31] Based on the foregoing, we hold that under § 1125(d)(1)(A), Sporty's Farm violated Sportsman's statutory rights by its use of the sportys.com domain name. The question that remains is what remedy is Sportsman's entitled to. The Act permits a court to "order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark," § 1125(d)(1)(C) for any "domain name [ ] registered before, on, or after the date of the enactment of [the] Act," Pub.L. No. 106-113, § 3010. That is precisely what the district court did here, albeit under the pre-existing law, when it directed a) Omega and Sporty's Farm to release their interest in sportys.com and to transfer the name to Sportsman's, and b) permanently enjoined those entities from taking any action to prevent and/or hinder Sportsman's from obtaining the domain name. That relief remains appropriate under the ACPA. We therefore affirm the district court's grant of injunctive relief.

[The court then determined that Sportsman's was not entitled to damages under the ACPA because the Act states that damages are not "available with respect to the registration, trafficking, or use of a domain name that occurs before the date of the enactment of this Act." The court also affirmed as not clearly in error the district court's determination that Sporty's Farm had not sought willfully to dilute Sportsman's mark and thus that Sportsman's was not entitled to damages under the antidilution provisions of Lanham Act § 43(c).]

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[18] We expressly note that "bad faith intent to profit" are terms of art in the ACPA and hence should not necessarily be equated with "bad faith" in other contexts.

Lamparello v. Falwell
420 F.3d 309 (4th Cir. 2005)

DIANA GRIBBON MOTZ, Circuit Judge.

[1] Christopher Lamparello appeals the district court's order enjoining him from maintaining a gripe website critical of Reverend Jerry Falwell. For the reasons stated below, we reverse.

I.

[2] Reverend Falwell is "a nationally known minister who has been active as a commentator on politics and public affairs." *Hustler Magazine v. Falwell,* 485 U.S. 46, 47, 108 S.Ct. 876, 99 L.Ed.2d 41 (1988). He holds the common law trademarks "Jerry Falwell" and "Falwell," and the registered trademark "Listen America with Jerry Falwell." Jerry Falwell Ministries can be found online at "www.falwell.com," a website which receives 9,000 hits (or visits) per day.

[3] Lamparello registered the domain name "www.fallwell.com" on February 11, 1999, after hearing Reverend Falwell give an interview "in which he expressed opinions about gay people and homosexuality that [Lamparello] considered ... offensive." Lamparello created a website at that domain name to respond to what he believed were "untruths about gay people." Lamparello's website included headlines such as "Bible verses that Dr. Falwell chooses to ignore" and "Jerry Falwell has been bearing false witness (Exodus 20:16) against his gay and lesbian neighbors for a long time." The site also contained in-depth criticism of Reverend Falwell's views. For example, the website stated:

> Dr. Falwell says that he is on the side of truth. He says that he will preach that homosexuality is a sin until the day he dies. But we believe that if the reverend were to take another thoughtful look at the scriptures, he would discover that they have been twisted around to support an anti-gay political agenda ... at the expense of the gospel.

[4] Although the interior pages of Lamparello's website did not contain a disclaimer, the homepage prominently stated, "This website is NOT affiliated with Jerry Falwell or his ministry"; advised, "If you would like to visit Rev. Falwell's website, you may click here"; and provided a hyperlink to Reverend Falwell's website.

[5] At one point, Lamparello's website included a link to the Amazon.com webpage for a book that offered interpretations of the Bible that Lamparello favored, but the parties agree that Lamparello has never sold goods or services on his website. The parties also agree that "Lamparello's domain name and web site at www.fallwell.com," which received only 200 hits per day, "had no measurable impact on the quantity of visits to [Reverend Falwell's] web site at www.falwell.com."

[6] Nonetheless, Reverend Falwell sent Lamparello letters in October 2001 and June 2003 demanding that he cease and desist from using www.fallwell.com or any

variation of Reverend Falwell's name as a domain name. Ultimately, Lamparello filed this action against Reverend Falwell and his ministries (collectively referred to hereinafter as “Reverend Falwell”), seeking a declaratory judgment of noninfringement. Reverend Falwell counter-claimed, alleging trademark infringement under 15 U.S.C. § 1114 (2000), false designation of origin under 15 U.S.C. § 1125(a), unfair competition under 15 U.S.C. § 1126 and the common law of Virginia,[1] and cybersquatting under 15 U.S.C. § 1125(d).

[7] The parties stipulated to all relevant facts and filed cross-motions for summary judgment. The district court granted summary judgment to Reverend Falwell, enjoined Lamparello from using Reverend Falwell's mark at www.fallwell.com, and required Lamparello to transfer the domain name to Reverend Falwell. *Lamparello,* 360 F.Supp.2d at 773, 775. However, the court denied Reverend Falwell's request for statutory damages or attorney fees, reasoning that the “primary motive” of Lamparello's website was “to put forth opinions on issues that were contrary to those of [Reverend Falwell]” and “not to take away monies or to profit.” *Id.* at 775.

[8] Lamparello appeals the district court's order; Reverend Falwell cross-appeals the denial of statutory damages and attorney fees. We review *de novo* a district court's ruling on cross-motions for summary judgment. *See People for the Ethical Treatment of Animals v. Doughney,* 263 F.3d 359, 364 (4th Cir.2001) [hereinafter “*PETA* ”].

II.

[9] We first consider Reverend Falwell's claims of trademark infringement and false designation of origin.

[1] As the district court noted, although Reverend Falwell “assert[s] a claim under 15 U.S.C. [§] 1126 for a violation of federal unfair competition law, no such cause of action exists. False Designation of Origin is commonly referred to as unfair competition law....” *Lamparello v. Falwell,* 360 F.Supp.2d 768, 773 n. 2 (E.D.Va.2004). Accordingly, the district court “construed any claim by [Falwell] for violation of federal unfair competition law as a claim for violation of 15 U.S.C. [§] 1125.” *Id.* We will do the same. Furthermore, because “[t]he test for trademark infringement and unfair competition under the Lanham Act is essentially the same as that for common law unfair competition under Virginia law because both address the likelihood of confusion as to the source of the goods or services involved,” *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.,* 43 F.3d 922, 930 n. 10 (4th Cir.1995), Reverend Falwell's state-law unfair competition claim rises or falls with his federal claims of infringement and false designation of origin. Therefore, we will not analyze his state-law claim separately.

A.

…

[10] Both infringement and false designation of origin have five elements. To prevail under either cause of action, the trademark holder must prove:

> (1) that it possesses a mark; (2) that the [opposing party] used the mark; (3) that the [opposing party's] use of the mark occurred "in commerce"; (4) that the [opposing party] used the mark "in connection with the sale, offering for sale, distribution, or advertising" of goods or services; and (5) that the [opposing party] used the mark in a manner likely to confuse consumers.

PETA, 263 F.3d at 364 (citing 15 U.S.C. §§ 1114, 1125, and *Lone Star Steakhouse & Saloon,* 43 F.3d at 930).

[11] Trademark law serves the important functions of protecting product identification, providing consumer information, and encouraging the production of quality goods and services. *See Qualitex Co. v. Jacobson Prods. Co.,* 514 U.S. 159, 164, 115 S.Ct. 1300, 131 L.Ed.2d 248 (1995). But protections "'against unfair competition'" cannot be transformed into "'rights to control language.'" *CPC Int'l, Inc. v. Skippy Inc.,* 214 F.3d 456, 462 (4th Cir.2000) (quoting Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense,* 108 Yale L.J. 1687, 1710-11 (1999)). "Such a transformation" would raise serious First Amendment concerns because it would limit the

> ability to discuss the products or criticize the conduct of companies that may be of widespread public concern and importance. Much useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to a person, company or product by using its trademark.

Id. (internal quotation marks and citations omitted).

[12] Lamparello and his amici argue at length that application of the Lanham Act must be restricted to "commercial speech" to assure that trademark law does not become a tool for unconstitutional censorship. The Sixth Circuit has endorsed this view, *see Taubman Co. v. Webfeats,* 319 F.3d 770, 774 (6th Cir.2003), and the Ninth Circuit recently has done so as well, *see Bosley Med. Inst., Inc. v. Kremer,* 403 F.3d 672, 674 (9th Cir.2005).

[13] In its two most significant recent amendments to the Lanham Act, the Federal Trademark Dilution Act of 1995 ("FTDA") and the Anticybersquatting Consumer Protection Act of 1999 ("ACPA"), Congress left little doubt that it did not intend for trademark laws to impinge the First Amendment rights of critics and commentators. The dilution statute applies to only a "commercial use in commerce of a mark," 15 U.S.C. § 1125(c)(1), and explicitly states that the "[n]oncommercial use of a mark" is not actionable. *Id.* § 1125(c)(4). Congress explained that this language was added to "adequately address [ ] legitimate First Amendment

concerns," H.R.Rep. No. 104-374, at 4 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1031, and "incorporate[d] the concept of 'commercial' speech from the 'commercial speech' doctrine." *Id.* at 8, *reprinted in* 1995 U.S.C.C.A.N. at 1035; *cf. Lorillard Tobacco Co. v. Reilly,* 533 U.S. 525, 554, 121 S.Ct. 2404, 150 L.Ed.2d 532 (2001) (defining commercial speech as "speech proposing a commercial transaction") (internal quotation marks and citation omitted). Similarly, Congress directed that in determining whether an individual has engaged in cybersquatting, the courts may consider whether the person's use of the mark is a "bona fide noncommercial or fair use." 15 U.S.C. § 1125(d)(1)(B)(i)(IV). The legislature believed this provision necessary to "protect[ ] the rights of Internet users and the interests of all Americans in free speech and protected uses of trademarked names for such things as parody, comment, criticism, comparative advertising, news reporting, etc." S.Rep. No. 106-140 (1999), 1999 WL 594571, at *8.

[14] In contrast, the trademark infringement and false designation of origin provisions of the Lanham Act (Sections 32 and 43(a), respectively) do not employ the term "noncommercial." They do state, however, that they pertain only to the use of a mark "in connection with the sale, offering for sale, distribution, or advertising of any goods or services," 15 U.S.C. § 1114(1)(a), or "in connection with any goods or services," *id.* § 1125(a)(1). But courts have been reluctant to define those terms narrowly.[2] Rather, as the Second Circuit has explained, "[t]he term 'services' has been interpreted broadly" and so "[t]he Lanham Act has ... been applied to defendants furnishing a wide variety of non-commercial public and civic benefits." *United We Stand Am., Inc. v. United We Stand, Am. N.Y., Inc.,* 128 F.3d 86, 89-90 (2d Cir.1997). Similarly, in *PETA* we noted that a website need not actually sell goods or services for the use of a mark in that site's domain name to constitute a use "'in connection with' goods or services." *PETA,* 263 F.3d at 365; *see also Taubman Co.,* 319 F.3d at 775 (concluding that website with *two* links to websites of for-profit entities violated the Lanham Act).

[15] Thus, even if we accepted Lamparello's contention that Sections 32 and 43(a) of the Lanham Act apply only to commercial speech, we would still face the difficult question of what constitutes such speech under those provisions. In the case at hand, we need not resolve that question or determine whether Sections 32 and 43(a) apply exclusively to commercial speech because Reverend Falwell's claims of trademark infringement and false designation fail for a more obvious reason. The hallmark of such claims is a likelihood of confusion—and there is no likelihood of confusion here.

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[2] Indeed, Lamparello agreed at oral argument that the Lanham Act's prohibitions on infringement and false designation apply to more than just commercial speech as defined by the Supreme Court.

B.

1.

[16] "[T]he use of a competitor's mark that does not cause confusion as to source is permissible." *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.,* 94 F.3d 376, 380 (7th Cir.1996). Accordingly, Lamparello can only be liable for infringement and false designation if his use of Reverend Falwell's mark would be likely to cause confusion as to the source of the website found at www.fallwell.com. This likelihood-of-confusion test "generally strikes a comfortable balance" between the First Amendment and the rights of markholders. *Mattel, Inc. v. MCA Records, Inc.,* 296 F.3d 894, 900 (9th Cir.2002).

…

[17] Reverend Falwell's mark is distinctive, and the domain name of Lamparello's website, www.fallwell.com, closely resembles it. But, although Lamparello and Reverend Falwell employ similar marks online, Lamparello's website looks nothing like Reverend Falwell's; indeed, Lamparello has made no attempt to imitate Reverend Falwell's website. Moreover, Reverend Falwell does not even argue that Lamparello's website constitutes advertising or a facility for business, let alone a facility or advertising similar to that of Reverend Falwell. Furthermore, Lamparello clearly created his website intending only to provide a forum to criticize ideas, not to steal customers.

[18] Most importantly, Reverend Falwell and Lamparello do not offer similar goods or services. Rather they offer opposing ideas and commentary. Reverend Falwell's mark identifies his spiritual and political views; the website at www.fallwell.com criticizes those very views. After even a quick glance at the content of the website at www.fallwell.com, no one seeking Reverend Falwell's guidance would be misled by the domain name-www.fallwell.com-into believing Reverend Falwell authorized the content of that website. No one would believe that Reverend Falwell sponsored a site criticizing himself, his positions, and his interpretations of the Bible. *See New Kids on the Block v. News Am. Publ'g, Inc.,* 971 F.2d 302, 308-09 (9th Cir.1992) (stating that use of a mark to solicit criticism of the markholder implies the markholder is not the sponsor of the use).[3]

[19] Finally, the fact that people contacted Reverend Falwell's ministry to report that they found the content at www.fallwell.com antithetical to Reverend

[3] If Lamparello had neither criticized Reverend Falwell by name nor expressly rejected Reverend Falwell's teachings, but instead simply had quoted Bible passages and offered interpretations of them subtly different from those of Reverend Falwell, this would be a different case. For, while a gripe site, or a website dedicated to criticism of the markholder, will seldom create a likelihood of confusion, a website purporting to be the official site of the markholder and, for example, articulating positions that could plausibly have come from the markholder may well create a likelihood of confusion.

Falwell's views does not illustrate, as Reverend Falwell claims, that the website engendered actual confusion. To the contrary, the anecdotal evidence Reverend Falwell submitted shows that those searching for Reverend Falwell's site and arriving instead at Lamparello's site quickly realized that Reverend Falwell was *not* the source of the content therein.

[20] For all of these reasons, it is clear that the undisputed record evidences no likelihood of confusion. In fact, Reverend Falwell even conceded at oral argument that those viewing the content of Lamparello's website probably were unlikely to confuse Reverend Falwell with the source of that material.

2.

[21] Nevertheless, Reverend Falwell argues that he is entitled to prevail under the "initial interest confusion" doctrine. This relatively new and sporadically applied doctrine holds that "the Lanham Act forbids a competitor from luring potential customers away from a producer by initially passing off its goods as those of the producer's, even if confusion as to the source of the goods is dispelled by the time any sales are consummated." *Dorr-Oliver,* 94 F.3d at 382. According to Reverend Falwell, this doctrine requires us to compare his mark with Lamparello's website domain name, www.fallwell.com, *without* considering the content of Lamparello's website. Reverend Falwell argues that some people who misspell his name may go to www.fallwell.com assuming it is his site, thus giving Lamparello an unearned audience-albeit one that quickly disappears when it realizes it has not reached Reverend Falwell's site. This argument fails for two reasons.

[22] First, we have never adopted the initial interest confusion theory; rather, we have followed a very different mode of analysis, requiring courts to determine whether a likelihood of confusion exists by "examin[ing] the allegedly infringing use *in the context in which it is seen by the ordinary consumer.*" *Anheuser-Busch, Inc. v. L & L Wings, Inc.,* 962 F.2d 316, 319 (4th Cir.1992) (emphasis added) (citing cases); *see also What-A-Burger of Va., Inc. v. Whataburger, Inc.,* 357 F.3d 441, 450 (4th Cir.2004).

[23] Contrary to Reverend Falwell's arguments, we did not abandon this approach in *PETA.* Our inquiry in *PETA* was limited to whether Doughney's use of the domain name "www.peta.org" constituted a successful enough parody of People for the Ethical Treatment of Animals that no one was likely to believe www.peta.org was sponsored or endorsed by that organization. For a parody to be successful, it "must convey two simultaneous—and contradictory—messages: that it is the original, but also that it is *not* the original and is instead a parody." *PETA,* 263 F.3d at 366 (internal quotation marks and citation omitted). Doughney argued that his domain name conveyed the first message (that it was PETA's website) and that the content of his website conveyed the requisite second message (that it was not PETA's site). *Id.* Although "[t]he website's content ma[de] it clear that it [wa]s not related to PETA," *id.,* we concluded that the website's content could not convey the requisite second message because the site's content "[wa]s not conveyed

simultaneously with the first message, [i.e., the domain name itself,] as required to be considered a parody." *Id.* at 366. Accordingly, we found the "district court properly rejected Doughney's parody defense." *Id.* at 367.

[24] *PETA* simply outlines the parameters of the parody defense; it does not adopt the initial interest confusion theory or otherwise diminish the necessity of examining context when determining whether a likelihood of confusion exists. Indeed, in *PETA* itself, rather than embracing a new approach, we reiterated that "[t]o determine whether a likelihood of confusion exists, a court should not consider how closely a *fragment* of a given use duplicates the trademark, but must instead consider *whether the use in its entirety creates a likelihood of confusion.*" *Id.* at 366 (internal quotation marks and citation omitted) (emphasis added). When dealing with domain names, this means a court must evaluate an allegedly infringing domain name in conjunction with the content of the website identified by the domain name.[4]

[25] Moreover, even if we did endorse the initial interest confusion theory, that theory would not assist Reverend Falwell here because it provides no basis for liability in circumstances such as these. The few appellate courts that have followed the Ninth Circuit and imposed liability under this theory for using marks on the Internet have done so only in cases involving a factor utterly absent here—one business's use of another's mark for its own financial gain. *See, e.g., PACCAR Inc. v. TeleScan Techs., L.L.C.,* 319 F.3d 243, 253 (6th Cir.2003); *Promatek Indus., Ltd. v. Equitrac Corp.,* 300 F.3d 808, 812 (7th Cir.2002); *Brookfield Communications, Inc. v. West Coast Entm't Corp.,* 174 F.3d 1036, 1055-56 (9th Cir.1999).

[26] Profiting financially from initial interest confusion is thus a key element for imposition of liability under this theory. When an alleged infringer does not compete with the markholder for sales, "some initial confusion will not likely facilitate free riding on the goodwill of another mark, or otherwise harm the user claiming infringement. Where confusion has little or no meaningful effect in the marketplace, it is of little or no consequence in our analysis." *Checkpoint Sys.,* 269 F.3d at 296-97. For this reason, even the Ninth Circuit has stated that a firm is not

[4] Contrary to Reverend Falwell's suggestions, this rule does not change depending on how similar the domain name or title is to the mark. Hence, Reverend Falwell's assertion that he objects only to Lamparello using the domain name www.fallwell.com and has no objection to Lamparello posting his criticisms at "www.falwelliswrong.com," or a similar domain name, does not entitle him to a different evaluation rule. Rather it has long been established that even when alleged infringers use the *very marks at issue* in titles, courts look to the underlying *content* to determine whether the titles create a likelihood of confusion as to source. *See, e.g., Parks v. LaFace Records,* 329 F.3d 437, 452-54 (6th Cir.2003); *Mattel,* 296 F.3d at 901-02; *Westchester Media v. PRL USA Holdings, Inc.,* 214 F.3d 658, 667-68 (5th Cir.2000); *Rogers v. Grimaldi,* 875 F.2d 994, 1000-01 (2d Cir.1989).

liable for using another's mark in its domain name if it "could not financially capitalize on [a] misdirected consumer [looking for the markholder's site] even if it so desired." *Interstellar Starship Servs., Ltd. v. Epix, Inc.,* 304 F.3d 936, 946 (9th Cir.2002).

[27] This critical element—use of another firm's mark to capture the markholder's customers and profits—simply does not exist when the alleged infringer establishes a gripe site that criticizes the markholder. *See* Hannibal Travis, *The Battle For Mindshare: The Emerging Consensus that the First Amendment Protects Corporate Criticism and Parody on the Internet,* 10 Va. J.L. & Tech. 3, 85 (Winter 2005) ("The premise of the 'initial interest' confusion cases is that by using the plaintiff's trademark to divert its customers, the defendant is engaging in the old 'bait and switch.' But because ... Internet users who find [gripe sites] are not sold anything, the mark may be the 'bait,' but there is simply no 'switch.'") (citations omitted).[5] Applying the initial interest confusion theory to gripe sites like Lamparello's would enable the markholder to insulate himself from criticism—or at least to minimize access to it. We have already condemned such uses of the Lanham Act, stating that a markholder cannot "'shield itself from criticism by forbidding the use of its name in commentaries critical of its conduct.'" *CPC Int'l,* 214 F.3d at 462 (quoting *L.L. Bean, Inc. v. Drake Publishers, Inc.,* 811 F.2d 26, 33 (1st Cir.1987)). "[J]ust because speech is critical of a corporation and its business practices is not a sufficient reason to enjoin the speech." *Id.*

[28] In sum, even if we were to accept the initial interest confusion theory, that theory would not apply in the case at hand. Rather, to determine whether a likelihood of confusion exists as to the source of a gripe site like that at issue in this case, a court must look not only to the allegedly infringing domain name, but also to

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[5] Although the appellate courts that have adopted the initial interest confusion theory have only applied it to profit-seeking uses of another's mark, the district courts have not so limited the application of the theory. Without expressly referring to this theory, two frequently-discussed district court cases have held that using another's domain name to post content antithetical to the markholder constitutes infringement. *See Planned Parenthood Fed'n of Am., Inc. v. Bucci,* No. 97 Civ. 0629, 1997 WL 133313 (S.D.N.Y. March 24, 1997), *aff'd,* 152 F.3d 920 (2d Cir.1998) (table) (finding use of domain name "www.plannedparenthood.com" to provide links to passages of anti-abortion book constituted infringement); *Jews for Jesus v. Brodsky,* 993 F.Supp. 282 (D.N.J.1998), *aff'd,* 159 F.3d 1351 (3d Cir.1998) (table) (finding use of "www.jewsforjesus.org" to criticize religious group constituted infringement). We think both cases were wrongly decided to the extent that in determining whether the domain names were confusing, the courts did not consider whether the websites' content would dispel any confusion. In expanding the initial interest confusion theory of liability, these cases cut it off from its moorings to the detriment of the First Amendment.

the underlying content of the website. When we do so here, it is clear, as explained above, that no likelihood of confusion exists. Therefore, the district court erred in granting Reverend Falwell summary judgment on his infringement, false designation, and unfair competition claims.

III.

[29] We evaluate Reverend Falwell's cybersquatting claim separately because the elements of a cybersquatting violation differ from those of traditional Lanham Act violations. To prevail on a cybersquatting claim, Reverend Falwell must show that Lamparello: (1) "had a bad faith intent to profit from using the [www.fallwell.com] domain name," and (2) the domain name www.fallwell.com "is identical or confusingly similar to, or dilutive of, the distinctive and famous [Falwell] mark." *PETA,* 263 F.3d at 367 (citing 15 U.S.C. § 1125(d)(1)(A)).

[30] "The paradigmatic harm that the ACPA was enacted to eradicate" is "the practice of cybersquatters registering several hundred domain names in an effort to sell them to the legitimate owners of the mark." *Lucas Nursery & Landscaping, Inc. v. Grosse,* 359 F.3d 806, 810 (6th Cir.2004). The Act was also intended to stop the registration of multiple marks with the hope of selling them to the highest bidder, "distinctive marks to defraud consumers" or "to engage in counterfeiting activities," and "well-known marks to prey on consumer confusion by misusing the domain name to divert customers from the mark owner's site to the cybersquatter's own site, many of which are pornography sites that derive advertising revenue based on the number of visits, or 'hits,' the site receives." S.Rep. No. 106-140, 1999 WL 594571, at *5-6. The Act was not intended to prevent "noncommercial uses of a mark, such as for comment, criticism, parody, news reporting, etc.," and thus they "are beyond the scope" of the ACPA. *Id.* at *9.

[31] To distinguish abusive domain name registrations from legitimate ones, the ACPA directs courts to consider nine nonexhaustive factors…

[32] These factors attempt "to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others' marks, including for purposes such as comparative advertising, *comment, criticism,* parody, news reporting, fair use, etc." H.R. Rep. No. 106-412, 1999 WL 970519, at *10 (emphasis added). "The first four [factors] suggest circumstances that may tend to indicate an absence of bad-faith intent to profit from the goodwill of a mark, and the others suggest circumstances that may tend to indicate that such bad-faith intent exists." *Id.* However, "[t]here is no simple formula for evaluating and weighing these factors. For example, courts do not simply count up which party has more factors in its favor after the evidence is in." *Harrods Ltd. v. Sixty Internet Domain Names,* 302 F.3d 214, 234 (4th Cir.2002). In fact, because use of these listed factors is permissive, "[w]e need not ... march through" them all in every case. *Virtual Works, Inc. v. Volkswagen of Am., Inc.,* 238 F.3d 264, 269 (4th Cir.2001). "The factors are given to courts as a guide, not as a

substitute for careful thinking about whether the conduct at issue is motivated by a bad faith intent to profit." *Lucas Nursery & Landscaping,* 359 F.3d at 811.

[33] After close examination of the undisputed facts involved in this case, we can only conclude that Reverend Falwell cannot demonstrate that Lamparello "had a bad faith intent to profit from using the [www.fallwell.com] domain name." *PETA,* 263 F.3d at 367. Lamparello clearly employed www.fallwell.com simply to criticize Reverend Falwell's views. Factor IV of the ACPA, 15 U.S.C. § 1125(d)(1)(B)(i)(IV), counsels against finding a bad faith intent to profit in such circumstances because "use of a domain name for purposes of ... comment, [and] criticism," H.R.Rep. No. 106-412, 1999 WL 970519, at *11, constitutes a "bona fide noncommercial or fair use" under the statute, 15 U.S.C. § 1125(d)(1)(B)(i)(IV).[6] That Lamparello provided a link to an Amazon.com webpage selling a book he favored does not diminish the communicative function of his website. The use of a domain name to engage in criticism or commentary "even where done for profit" does not alone evidence a bad faith intent to profit, H.R.Rep. No. 106-412, 1999 WL 970519, at *11, and Lamparello did not even stand to gain financially from sales of the book at Amazon.com. Thus factor IV weighs heavily in favor of finding Lamparello lacked a bad faith intent to profit from the use of the domain name.

[34] Equally important, Lamparello has not engaged in the type of conduct described in the statutory factors as typifying the bad faith intent to profit essential to a successful cybersquatting claim. First, we have already held, *supra* Part III.B, that Lamparello's domain name does not create a likelihood of confusion as to source or affiliation. Accordingly, Lamparello has not engaged in the type of conduct—"creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site," 15 U.S.C. § 1125(d)(1)(B)(i)(V) —described as an indicator of a bad faith intent to profit in factor V of the statute.

[35] Factors VI and VIII also counsel against finding a bad faith intent to profit here. Lamparello has made no attempt—or even indicated a willingness—"to transfer, sell, or otherwise assign the domain name to [Reverend Falwell] or any third party for financial gain." 15 U.S.C. § 1125(d)(1)(B)(i)(VI). Similarly, Lamparello

[6] We note that factor IV does not protect a faux noncommercial site, that is, a noncommercial site created by the registrant for the sole purpose of avoiding liability under the FTDA, which exempts noncommercial uses of marks, *see* 15 U.S.C. § 1125(c)(4)(B), or under the ACPA. As explained by the Senate Report discussing the ACPA, an individual cannot avoid liability for registering and attempting to sell a hundred domain names incorporating famous marks by posting noncommercial content at those domain names. *See* S.Rep. No. 106-140, 1999 WL 594571, at *14 (citing *Panavision Int'l v. Toeppen,* 141 F.3d 1316 (9th Cir.1998)). But Lamparello's sole purpose for registering www.fallwell.com was to criticize Reverend Falwell, and this noncommercial use was not a ruse to avoid liability. Therefore, factor IV indicates that Lamparello did not have a bad faith intent to profit.

has not registered "multiple domain names," 15 U.S.C. § 1125(d)(1)(B)(i)(VIII); rather, the record indicates he has registered only one. Thus, Lamparello's conduct is not of the suspect variety described in factors VI and VIII of the Act.

[36] Notably, the case at hand differs markedly from those in which the courts have found a bad faith intent to profit from domain names used for websites engaged in political commentary or parody. For example, in *PETA* we found the registrant of www.peta.org engaged in cybersquatting because www.peta.org was one of *fifty* to *sixty* domain names Doughney had registered, *PETA,* 263 F.3d at 362, and because Doughney had evidenced a clear intent to sell www.peta.org to PETA, stating that PETA should try to "'settle' with him and 'make him an offer.'" *Id.* at 368. *See also Virtual Works,* 238 F.3d at 269-70. Similarly, in *Coca-Cola Co. v. Purdy,* 382 F.3d 774 (8th Cir.2004), the Eighth Circuit found an anti-abortion activist who had registered domain names incorporating famous marks such as "Washington Post" liable for cybersquatting because he had registered almost *seventy* domain names, had offered to stop using the Washington Post mark if the newspaper published an opinion piece by him on its editorial page, and posted content that created a likelihood of confusion as to whether the famous markholders sponsored the anti-abortion sites and "ha[d] taken positions on hotly contested issues." *Id.* at 786. In contrast, Lamparello did not register multiple domain names, he did not offer to transfer them for valuable consideration, and he did not create a likelihood of confusion.

[37] Instead, Lamparello, like the plaintiffs in two cases recently decided by the Fifth and Sixth Circuits, created a gripe site. Both courts expressly refused to find that gripe sites located at domain names nearly identical to the marks at issue violated the ACPA. In *TMI, Inc. v. Maxwell,* 368 F.3d 433, 434-35 (5th Cir.2004), Joseph Maxwell, a customer of homebuilder TMI, registered the domain name "www.trendmakerhome.com," which differed by only one letter from TMI's mark, TrendMaker Homes, and its domain name, "www.trendmakerhomes.com." Maxwell used the site to complain about his experience with TMI and to list the name of a contractor whose work pleased him. After his registration expired, Maxwell registered "www.trendmakerhome.info." TMI then sued, alleging cybersquatting. The Fifth Circuit reversed the district court's finding that Maxwell violated the ACPA, reasoning that his site was noncommercial and designed only "to inform potential customers about a negative experience with the company." *Id.* at 438-39.

[38] Similarly, in *Lucas Nursery & Landscaping,* a customer of Lucas Nursery registered the domain name "www.lucasnursery.com" and posted her dissatisfaction with the company's landscaping services. Because the registrant, Grosse, like Lamparello, registered a single domain name, the Sixth Circuit concluded that her conduct did not constitute that which Congress intended to proscribe—i.e., the registration of multiple domain names. *Lucas Nursery & Landscaping,* 359 F.3d at 810. Noting that Grosse's gripe site did not create any confusion as to sponsorship and that she had never attempted to sell the domain name to the markholder, the court found that Grosse's conduct was not actionable

under the ACPA. The court explained: "One of the ACPA's main objectives is the protection of consumers from slick internet peddlers who trade on the names and reputations of established brands. The practice of informing fellow consumers of one's experience with a particular service provider is surely not inconsistent with this ideal." *Id.* at 811.

[39] Like Maxwell and Grosse before him, Lamparello has not evidenced a bad faith intent to profit under the ACPA. To the contrary, he has used www.fallwell.com to engage in the type of "comment[ ][and] criticism" that Congress specifically stated militates against a finding of bad faith intent to profit. *See* S. Rep. No. 106-140, 1999 WL 594571, at *14. And he has neither registered multiple domain names nor attempted to transfer www.fallwell.com for valuable consideration. We agree with the Fifth and Sixth Circuits that, given these circumstances, the use of a mark in a domain name for a gripe site criticizing the markholder does not constitute cybersquatting.

IV.

[40] For the foregoing reasons, Lamparello, rather than Reverend Falwell, is entitled to summary judgment on all counts.[7] Accordingly, the judgment of the district court is reversed and the case is remanded for entry of judgment for Lamparello.

REVERSED AND REMANDED.

2. The Uniform Dispute Resolution Policy and the Uniform Rapid Suspension System

a. The Uniform Dispute Resolution Policy

From the *WIPO Guide to the Uniform Domain Name Dispute Resolution Policy (UDRP)* (http://www.wipo.int/amc/en/domains/guide/)

What is the Uniform Domain Name Dispute Resolution Policy?

The Uniform Domain Name Dispute Resolution Policy (the UDRP Policy) sets out the legal framework for the resolution of disputes between a domain name registrant and a third party (i.e., a party other than the registrar) over the abusive registration and use of an Internet domain name in the generic top level domains or gTLDs (e.g., .biz, .com, .info, .mobi, .name, .net, .org), and those country code top level domains or ccTLDs that have adopted the UDRP Policy on a voluntary basis. At its

[7] Given our resolution of Lamparello's appeal, Reverend Falwell's cross-appeal with respect to statutory damages and attorney fees is moot.

meetings on August 25 and 26, 1999 in Santiago, Chile, the ICANN[8] Board of Directors adopted the UDRP Policy, based largely on the recommendations contained in the Report of the WIPO Internet Domain Name Process, as well as comments submitted by registrars and other interested parties. All ICANN-accredited registrars that are authorized to register names in the gTLDs and the ccTLDs that have adopted the Policy have agreed to abide by and implement it for those domains. Any person or entity wishing to register a domain name in the gTLDs and ccTLDs in question is required to consent to the terms and conditions of the UDRP Policy.

What are the advantages of the UDRP Administrative Procedure?

The main advantage of the UDRP Administrative Procedure is that it typically provides a faster and cheaper way to resolve a dispute regarding the registration and use of an Internet domain name than going to court. In addition, the procedures are considerably more informal than litigation and the decision-makers are experts in such areas as international trademark law, domain name issues, electronic commerce, the Internet and dispute resolution. It is also international in scope: it provides a single mechanism for resolving a domain name dispute regardless of where the registrar or the domain name holder or the complainant are located.

What are the WIPO Center's fees for a domain name dispute?

For a case involving between 1 and 5 domain names, the fee for a case that is to be decided by a single Panelist is USD1500 and USD4000 for a case that is to be decided by 3 Panelists.

For a case involving between 6 and 10 domain names, the fee for a case that is to be decided by a single Panelist is USD2000 and USD5000 for a case that is to be decided by 3 Panelists.

The Complainant is responsible for paying the total fees. The only time the Respondent has to share in the fees is when the Respondent chooses to have the case decided by 3 Panelists and the Complainant had chosen a single Panelist.

In exceptional circumstances, either the Panel or the WIPO Center may ask the parties to make additional payments to defray the costs of the administrative procedure.

[8] [The Internet Corporation for Assigned Names and Numbers (ICANN) is a non-profit, non-governmental organization that, among other things, administers the internet domain name system. ICANN accredits private companies and organizations that wish to provide domain name registration services.]

Uniform Domain Name Dispute Resolution Policy

(As Approved by ICANN on October 24, 1999)

1. Purpose. This Uniform Domain Name Dispute Resolution Policy (the "Policy") has been adopted by the Internet Corporation for Assigned Names and Numbers ("ICANN"), is incorporated by reference into your Registration Agreement, and sets forth the terms and conditions in connection with a dispute between you and any party other than us (the registrar) over the registration and use of an Internet domain name registered by you. Proceedings under Paragraph 4 of this Policy will be conducted according to the Rules for Uniform Domain Name Dispute Resolution Policy (the "Rules of Procedure"), which are available at http://www.icann.org/en/dndr/udrp/uniform-rules.htm, and the selected administrative-dispute-resolution service provider's supplemental rules.

2. Your Representations. By applying to register a domain name, or by asking us to maintain or renew a domain name registration, you hereby represent and warrant to us that (a) the statements that you made in your Registration Agreement are complete and accurate; (b) to your knowledge, the registration of the domain name will not infringe upon or otherwise violate the rights of any third party; (c) you are not registering the domain name for an unlawful purpose; and (d) you will not knowingly use the domain name in violation of any applicable laws or regulations. It is your responsibility to determine whether your domain name registration infringes or violates someone else's rights.

3. Cancellations, Transfers, and Changes. We will cancel, transfer or otherwise make changes to domain name registrations under the following circumstances:

> a. subject to the provisions of Paragraph 8, our receipt of written or appropriate electronic instructions from you or your authorized agent to take such action;
>
> b. our receipt of an order from a court or arbitral tribunal, in each case of competent jurisdiction, requiring such action; and/or
>
> c. our receipt of a decision of an Administrative Panel requiring such action in any administrative proceeding to which you were a party and which was conducted under this Policy or a later version of this Policy adopted by ICANN. (See Paragraph 4(i) and (k) below.)

We may also cancel, transfer or otherwise make changes to a domain name registration in accordance with the terms of your Registration Agreement or other legal requirements.

4. Mandatory Administrative Proceeding.

This Paragraph sets forth the type of disputes for which you are required to submit to a mandatory administrative proceeding. These proceedings will be conducted before one of the administrative-dispute-resolution service providers listed at www.icann.org/en/dndr/udrp/approved-providers.htm (each, a "Provider").

a. Applicable Disputes. You are required to submit to a mandatory administrative proceeding in the event that a third party (a "complainant") asserts to the applicable Provider, in compliance with the Rules of Procedure, that

> (i) your domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and
>
> (ii) you have no rights or legitimate interests in respect of the domain name; and
>
> (iii) your domain name has been registered and is being used in bad faith.
>
> In the administrative proceeding, the complainant must prove that each of these three elements are present.

b. Evidence of Registration and Use in Bad Faith. For the purposes of Paragraph 4(a)(iii), the following circumstances, in particular but without limitation, if found by the Panel to be present, shall be evidence of the registration and use of a domain name in bad faith:

(i) circumstances indicating that you have registered or you have acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of your documented out-of-pocket costs directly related to the domain name; or

(ii) you have registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that you have engaged in a pattern of such conduct; or

(iii) you have registered the domain name primarily for the purpose of disrupting the business of a competitor; or

(iv) by using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of your web site or location or of a product or service on your web site or location.

c. How to Demonstrate Your Rights to and Legitimate Interests in the Domain Name in Responding to a Complaint. When you receive a complaint, you should refer to Paragraph 5 of the Rules of Procedure in determining how your response should be prepared. Any of the following circumstances, in particular but without limitation, if found by the Panel to be proved based on its evaluation of all evidence presented, shall demonstrate your rights or legitimate interests to the domain name for purposes of Paragraph 4(a)(ii):

(i) before any notice to you of the dispute, your use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods or services; or

(ii) you (as an individual, business, or other organization) have been commonly known by the domain name, even if you have acquired no trademark or service mark rights; or

(iii) you are making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.

d. Selection of Provider. The complainant shall select the Provider from among those approved by ICANN by submitting the complaint to that Provider. The selected Provider will administer the proceeding, except in cases of consolidation as described in Paragraph 4(f).

e. Initiation of Proceeding and Process and Appointment of Administrative Panel. The Rules of Procedure state the process for initiating and conducting a proceeding and for appointing the panel that will decide the dispute (the "Administrative Panel").

f. Consolidation. In the event of multiple disputes between you and a complainant, either you or the complainant may petition to consolidate the disputes before a single Administrative Panel. This petition shall be made to the first Administrative Panel appointed to hear a pending dispute between the parties. This Administrative Panel may consolidate before it any or all such disputes in its sole discretion, provided that the disputes being consolidated are governed by this Policy or a later version of this Policy adopted by ICANN.

g. Fees. All fees charged by a Provider in connection with any dispute before an Administrative Panel pursuant to this Policy shall be paid by the complainant, except in cases where you elect to expand the Administrative Panel from one to three panelists as provided in Paragraph 5(b)(iv) of the Rules of Procedure, in which case all fees will be split evenly by you and the complainant.

h. Our Involvement in Administrative Proceedings. We do not, and will not, participate in the administration or conduct of any proceeding before an Administrative Panel. In addition, we will not be liable as a result of any decisions rendered by the Administrative Panel.

i. Remedies. The remedies available to a complainant pursuant to any proceeding before an Administrative Panel shall be limited to requiring the cancellation of your domain name or the transfer of your domain name registration to the complainant.

j. Notification and Publication. The Provider shall notify us of any decision made by an Administrative Panel with respect to a domain name you have registered with us. All decisions under this Policy will be published in full over the

Internet, except when an Administrative Panel determines in an exceptional case to redact portions of its decision.

k. Availability of Court Proceedings. The mandatory administrative proceeding requirements set forth in Paragraph 4 shall not prevent either you or the complainant from submitting the dispute to a court of competent jurisdiction for independent resolution before such mandatory administrative proceeding is commenced or after such proceeding is concluded. If an Administrative Panel decides that your domain name registration should be canceled or transferred, we will wait ten (10) business days (as observed in the location of our principal office) after we are informed by the applicable Provider of the Administrative Panel's decision before implementing that decision. We will then implement the decision unless we have received from you during that ten (10) business day period official documentation (such as a copy of a complaint, file-stamped by the clerk of the court) that you have commenced a lawsuit against the complainant in a jurisdiction to which the complainant has submitted under Paragraph 3(b)(xiii) of the Rules of Procedure. (In general, that jurisdiction is either the location of our principal office or of your address as shown in our Whois database. See Paragraphs 1 and 3(b)(xiii) of the Rules of Procedure for details.) If we receive such documentation within the ten (10) business day period, we will not implement the Administrative Panel's decision, and we will take no further action, until we receive (i) evidence satisfactory to us of a resolution between the parties; (ii) evidence satisfactory to us that your lawsuit has been dismissed or withdrawn; or (iii) a copy of an order from such court dismissing your lawsuit or ordering that you do not have the right to continue to use your domain name.

5. <u>All Other Disputes and Litigation</u>. All other disputes between you and any party other than us regarding your domain name registration that are not brought pursuant to the mandatory administrative proceeding provisions of Paragraph 4 shall be resolved between you and such other party through any court, arbitration or other proceeding that may be available.

6. <u>Our Involvement in Disputes</u>. We will not participate in any way in any dispute between you and any party other than us regarding the registration and use of your domain name. You shall not name us as a party or otherwise include us in any such proceeding. In the event that we are named as a party in any such proceeding, we reserve the right to raise any and all defenses deemed appropriate, and to take any other action necessary to defend ourselves.

7. <u>Maintaining the Status Quo</u>. We will not cancel, transfer, activate, deactivate, or otherwise change the status of any domain name registration under this Policy except as provided in Paragraph 3 above.

<u>8. Transfers During a Dispute</u>.

a. Transfers of a Domain Name to a New Holder. You may not transfer your domain name registration to another holder (i) during a pending administrative proceeding brought pursuant to Paragraph 4 or for a period of fifteen (15) business days (as observed in the location of our principal place of business) after such proceeding is concluded; or (ii) during a pending court proceeding or arbitration commenced regarding your domain name unless the party to whom the domain name registration is being transferred agrees, in writing, to be bound by the decision of the court or arbitrator. We reserve the right to cancel any transfer of a domain name registration to another holder that is made in violation of this subparagraph.

b. Changing Registrars. You may not transfer your domain name registration to another registrar during a pending administrative proceeding brought pursuant to Paragraph 4 or for a period of fifteen (15) business days (as observed in the location of our principal place of business) after such proceeding is concluded. You may transfer administration of your domain name registration to another registrar during a pending court action or arbitration, provided that the domain name you have registered with us shall continue to be subject to the proceedings commenced against you in accordance with the terms of this Policy. In the event that you transfer a domain name registration to us during the pendency of a court action or arbitration, such dispute shall remain subject to the domain name dispute policy of the registrar from which the domain name registration was transferred.

9. <u>Policy Modifications</u>. We reserve the right to modify this Policy at any time with the permission of ICANN. We will post our revised Policy at <URL> at least thirty (30) calendar days before it becomes effective. Unless this Policy has already been invoked by the submission of a complaint to a Provider, in which event the version of the Policy in effect at the time it was invoked will apply to you until the dispute is over, all such changes will be binding upon you with respect to any domain name registration dispute, whether the dispute arose before, on or after the effective date of our change. In the event that you object to a change in this Policy, your sole remedy is to cancel your domain name registration with us, provided that you will not be entitled to a refund of any fees you paid to us. The revised Policy will apply to you until you cancel your domain name registration.

Comments and Questions

1. *Appealing a UDRP decision*. As paragraph 4(k) of the UDRP makes clear, litigants unsatisfied with the outcome of the UDRP process may "submit[] the dispute to a court of competent jurisdiction for independent resolution." U.S. courts afford no deference to UDRP decisions. *See, e.g.*, *Barcelona.com, Inc. v. Excelentisimo Ayntamiento De Barcelona*, 330 F.3d 617, 626 (4th Cir. 2003) ("[A]ny decision made by a panel under the UDRP is no more than an agreed-upon administration that is *not* given any deference under the ACPA." (emphasis in original)).

The following UDRP decision, *Eastman Sporto Group LLC v. Jim and Kenny*, Case No. D2009-1688 (WIPO Mar. 1, 2010), remains highly controversial. UDRP panelists are divided on its treatment of Paragraph 4(a)(iii) of the UDRP, which requires the complainant to show that the respondent's "domain name has been registered *and* is being used in bad faith" (emphasis added).

Eastman Sporto Group LLC v. Jim and Kenny
Case No. D2009-1688 (WIPO Mar. 1, 2010)

1. The Parties

[1] Complainant is Eastman Sporto Group LLC, of New York, New York, United States of America, represented by the law firm Kenyon & Kenyon, United States of America.

[2] Respondent is Jim and Kenny of Portland, Oregon, United States of America, represented by Jim Leissner, United States of America.

2. The Domain Name and Registrar

[3] The disputed domain name <sporto.com> is registered with GoDaddy.com, Inc.

3. Procedural History

[4] The Complaint was filed with the WIPO Arbitration and Mediation Center (the "Center") on December 9, 2009. On December 10, and 11 2009, the Center transmitted by email to GoDaddy.com, Inc. a request for registrar verification in connection with the disputed domain name. On December 11, 2009, GoDaddy.com, Inc. transmitted by email to the Center its verification response confirming that Respondent is listed as the registrant and providing the contact details

The Center verified that the Complaint satisfied the formal requirements of the Uniform Domain Name Dispute Resolution Policy (the "Policy" or "UDRP"), the Rules for Uniform Domain Name Dispute Resolution Policy (the "Rules"), and the WIPO Supplemental Rules for Uniform Domain Name Dispute Resolution Policy (the "Supplemental Rules").

[5] In accordance with the Rules, paragraphs 2(a) and 4(a), the Center formally notified Respondent of the Complaint, and the proceedings commenced on December 15, 2009. In accordance with the Rules, paragraph 5(a), the due date for Response was January 4, 2010; by agreement of the parties this was extended to January 11, 2010. The Response was filed with the Center on January 12, 2010.

[6] The Center appointed Richard G. Lyon as the sole panelist in this matter on January 29, 2010. The Panel finds that it was properly constituted and has jurisdiction over this administrative proceeding. The Panel has submitted his Statement of Acceptance and Declaration of Impartiality and Independence, as required by the Center to ensure compliance with the Rules, paragraph 7.

[7] On February 10, 2010, the Panel issued Procedural Order No. 1, requesting Respondent to confirm the most recent date on which it renewed the disputed

domain name. Respondent notified the Center on February 14, 2010 that its most recent renewal occurred on October 23, 2009.

4. Factual Background

[8] Complainant makes and sells many products, including footwear for athletic and outdoor use, under the brand SPORTO. Complainant holds many trademarks for SPORTO registered with the United States Patent and Trademark Office (USPTO). Several of these date back to the 1960s and claim use in commerce since 1951.

[9] Respondent registered the disputed domain name in 1997. According to the archives at "www.archive.org" the site was first used in 1998, at which time it was used in connection with training classes offered by Respondent. Content changed in 2001, when the site contained statistical data on stream flow conditions obtained from a governmental agency. In 2004 the site's entire content read: "THIS DOMAIN HAS JUST BEEN REGISTERED FOR ONE OF OUR CUSTOMERS! DOMAIN REGISTRATION AND WEBHOSTING AT MOST COMPETITIVE PRICES! [signed] 1&1 Internet Inc."[9] The site owner has blocked the archives from revealing content from November 2006 through September 2007; after that date no content is displayed. At some times during this time period the disputed domain name resolved to a generic pay-per-click site offering links to shoes and footwear. When the Panel accessed the disputed domain name he was automatically re-directed to <planetshoes.com> at which a site apparently operated by that company offered for sale seven pictured models of shoes and boots. Each such merchandise was identified as a Sporto product and Complainant's name and logo (including a distinctive graphic design that is part of some of Complainant's trademarks) is displayed prominently.[10]

[10] Complainant has never licensed Respondent to sell its products or otherwise to use its trademarks.

[11] On August 21, 2009, Respondent offered to sell the disputed domain name to a third party for USD100,800. This third party was apparently acting on Complainant's behalf.

5. Parties' Contentions

A. Complainant

[12] The Panel summarizes Complainant's contentions as follows:

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[9] Respondent claims another use for the disputed domain name, as noted in Section 5-B.

[10] The Exception in paragraph 3.1 is consistent with treating bad faith at registration and in use separately: bad faith may be found "when the respondent *is clearly aware of the complainant, and it is clear that the aim of the registration was to take advantage of the confusion between the domain name and any potential complainant rights*." (Emphasis supplied).

1. Complainant holds valid trademark rights in SPORTO by reason of its many USPTO-registered marks. Except for the top-level domain .com the disputed domain name is identical to these marks.

2. Complainant has never authorized Respondent to use its marks. Respondent has never been known by the disputed domain name. Respondent's current use of the disputed domain name, to resolve to a site selling competitive products, is not legitimate under the Policy. Respondent had constructive notice, and probably actual notice as well, of Complainant's marks. These marks have been used continuously in commerce for more than fifty years and have achieved widespread fame.

3. Four factual bases illustrate Respondent's bad faith in registration and use: (a) use of Complainant's "clearly distinctive trademarks;" (b) Respondent's offer to sell the disputed domain name for an amount far in excess of its costs of registration; (c) Respondent's use of the disputed domain name for a pay-per-click site with links related to Complainant's mark and products; and (d) Respondent "can make no reasonable argument that its use is sports related or related to any creative or commercial endeavor."

B. Respondent

[13] The Panel summarizes Respondent's contentions as follows:

1. While Respondent does not (and perforce cannot) directly contest identity of the disputed domain name and Complainant's marks, it does deny any confusion and notes that it has operated an active website at the disputed domain name for thirteen years without complaint. Respondent also questions Complainant's right to trademark protection for a "dictionary word."

2. Respondent cites several legitimate uses in the thirteen years he has owned the disputed domain name. In addition to the uses listed in Section 4, Respondent claims to have operated a sports information service called Online Sports, and offers what he describes as a business plan for this business dated September 1997.

3. All of Respondent's uses of the disputed domain name have been undertaken in good faith and do not compete or interfere with Complainant. Respondent had no knowledge of Complainant or its marks in 1997 when it registered the disputed domain name. "Sporto" is a dictionary word in certain foreign languages and a common colloquial word in English and Respondent chose it for that reason.

6. Discussion and Findings

[14] This is a difficult case to resolve for several reasons, including a recent spate of UDRP panel opinions under a modified approach to determining bad faith under paragraph 4(a)(iii) of the Policy.

A. Identical or Confusingly Similar

[15] Complainant has demonstrated longstanding trademark rights in the word SPORTO, and the disputed domain name is identical to this term. When the two are

identical no showing of confusion is required. Complainant has carried its burden of proof under this Policy head.

B. Rights or Legitimate Interests

[16] The evidence shows that Respondent has used the disputed domain name sporadically between 1997 and 2008 for businesses that do not compete with Complainant and that such use in no way can be said to have played off any goodwill attaching to Complainant's marks. Such use in the Panel's opinion does not establish that Respondent is now or was ever "commonly known" by SPORTO (see Policy, paragraph 4(c)(ii)), but was under Policy precedent adequate to bring Respondent within the safe harbor of paragraph 4(c)(i).

[17] So far as the record reflects, however, all use since 2008 has not been legitimate; on the contrary, it has been activity routinely found to be cybersquatting: a standard pay-per-click page with hyperlinks based upon the mark owner's (Complainant's) name and industry, followed by a site that purports to sell Complainant's products or products directly competitive with Complainant's products.

[18] As discussed more fully in subsection C below, until last year Respondent's pre-2008 use of the disputed domain name may have established a defense to the charge of no rights or legitimate interest (although the absence of such *bona fide* use today might nullify such defense for the purpose of the second element of the Policy). Furthermore, recent cases that advance a different approach to determination of bad faith under paragraph 4(a)(iii) of the Policy may also undercut that defense on the present facts. Because those cases address Policy language regarding bad faith, the Panel will consider them under that Policy head.

C. Registered and Used in Bad Faith

[19] Paragraph 4(a)(iii) of the Policy reads as follows:

> "You are required to submit to a mandatory administrative proceeding in the event that a third party (a "complainant") asserts to the applicable Provider, in compliance with the Rules of Procedure, that:
>
> . . . .
>
> (iii) your domain name has been registered and is being used in bad faith."

The Traditional Approach

[20] Until last year's decision in *City Views Limited v. Moniker Privacy Services / Xander, Jeduyu, ALGEBRALIVE*, WIPO Case No. D2009-0643 ("Mummygold"), panels had considered the requirements of "registration and use" to be conjunctive, requiring a panel to consider both bad faith first at the date of registration, and to examine whether the respondent's use was in bad faith. To establish registration in bad faith the complainant ordinarily must have proven that the respondent, *at the time of registration*, knew of the complainant and its mark *and* selected the mark to

take advantage of whatever renown attached to that mark. These cases generally (although not always) involved separate analyses of facts pertaining to different points in time. Cases in which clear bad faith use was shown absent a showing of bad faith registration still resulted in a denial of the complaint because there was no evidence of (or sufficient grounds from which to infer) knowledge and targeting at the time of registration. This two-pronged approach became well-settled precedent. While not expressly included in the WIPO Overview of WIPO Panel Views on Selected UDRP Questions ("WIPO Overview"), paragraph 3.1 impliedly adopts it:

> "3.1 Can bad faith be found if the disputed domain name was registered before the trademark was registered/common law trademark rights were acquired?
>
> *Consensus view*: Normally speaking, when a domain name is registered before a trademark right is established, the registration of the domain name was not in bad faith because the registrant could not have contemplated the complainant's non-existent right." (Citations and Exception omitted)[4]

[21] Bad faith in registration, under the traditional approach, may be proven inferentially.[11] The most cited example of this is *Telstra Corporation Limited v. Nuclear Marshmallows,* WIPO Case No. D2000-0003, in which bad faith in registration was inferred from a combination of the respondent's selection of a famous and distinctive mark and lengthy non-use of the domain name. Some of the other bases for an inference of bad faith are set out in *Net2phone Inc v. Delta Three Inc.*, WIPO Case No. D2007-0644, fn. 5-11 and accompanying text. All of these cases, however, turned on Respondent's state of mind *at the time of registration*.[12]

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[11] The inference may not be based strictly upon the United States trademark law doctrine of constructive notice, under which the public is presumed to have knowledge of USPTO-registered trademarks. See WIPO Overview, paragraph 3.4; *Kellwood Company v. Onesies Corporation*, WIPO Case No. D2008-1172.

[12] In this case there is little evidence of seeking a free ride on Complainant's marks at the time of registration or indeed for more than a decade thereafter. Respondent was not until 2008 engaged in any business related to sport footwear, and in 1997 (pre-Policy, early days of Internet commerce) short, pithy domain names were eagerly sought (as indeed they continue to be). As Respondent notes, the disputed domain name consists of a common slang word in English and a dictionary word in other languages; this is not a case in which the only reasonable inference is that Respondent chose it to target Complainant. Respondent has provided evidence, albeit skimpy and not always internally consistent, of actual use of the disputed domain name for a sports-related business that had nothing to do with Complainant or Complainant's industry.

The *Mummygold* approach

[22] The panels who decided *Mummygold* and its progeny, however, advance a different view of paragraph 4(a)(iii), and treat "registered and used the domain name in bad faith" as a "unified concept". Under this method of analysis (the "*Mummygold* approach") a panel may determine that registration in bad faith under paragraph 4(a)(iii) may be established "retroactively" by subsequent bad faith use. (*Mummygold*; *Octogen*)

[23] The *Mummygold* cases cite two Policy provisions in support of this approach. The first is a registrant's representation and warranty in paragraph 2:

> "2. Your Representations. By applying to register a domain name, or by asking us to maintain or renew a domain name registration, you hereby represent and warrant to us that (a) the statements that you made in your Registration Agreement are complete and accurate; (b) to your knowledge, the registration of the domain name will not infringe upon or otherwise violate the rights of any third party; (c) you are not registering the domain name for an unlawful purpose; and (d) you will not knowingly use the domain name in violation of any applicable laws or regulations. It is your responsibility to determine whether your domain name registration infringes or violates someone else's rights."

[24] The *Octogen* panel interpreted this paragraph as follows: "this provision not only imposes a duty on the part of the registrant to conduct an investigation at the time of registration, but also includes a representation and warranty by the registrant that it will not now *or in the future* use the domain name in violation of any laws or regulations. This effectively imposes on the registrant a continuing duty to ensure that the domain name is not used in violation of another's rights and clearly covers intellectual property rights and the laws protecting them, including copyright and trademark. This representation and warranty is not limited to the moment at which the registrant registers the domain name; rather, it extends to any use of the domain name in the future." (Emphasis in original)

[25] The second Policy underpinning is the set of non-exclusive examples of "evidence of registration and use in bad faith" set out in paragraph 4(b) of the Policy. The first three of these refer only to registration; the fourth refers only to use. Again quoting from *Octogen*, "Under paragraph 4(b)(iv) of the Policy a respondent that uses the domain name to attract Internet users to its website or online location by creating a likelihood of confusion with the complainant's mark and its sponsorship of the website is acting in bad faith, without reference to the respondent's state of mind at the time that the registrant registered the domain name. Clearly, as under the *Telstra* analysis, in this Panel's view bad faith registration can be deemed to have occurred even without regard to the state of mind of the registrant at the time of registration, if the domain name is subsequently used to trade on the goodwill of the mark holder, just as bad faith use can occur

without regard to the fact that the domain name at issue has not been (or has been 'passively') used."

[26] The *Mummygold* approach has not to date been universally accepted. The panel in *Validas, LLC v. SMVS Consultancy Private Limited*, WIPO Case No. D2009-1413, ably critiques, and declines to follow, the *Mummygold* approach. This Panel views *Mummygold*'s unified concept notion with skepticism. As this Panel sees it, the argument that paragraph 2 places upon a registrant a continuous obligation to avoid "infringing" use is to some extent inconsistent with ordinary principles of contract law. Representations and warranties are usually one-off statements, made as of a particular date. They may be repeated, to be sure, and they may impose upon their maker a continuing obligation. In this Panel's view, however, extending paragraph 2 to impose upon a registrant an affirmative duty continuously to monitor (for example) subsequently issued trademarks and modify website content accordingly would run counter to several principles that underscore the UDRP system, most notably simplicity and limiting use of the Policy to a narrow class of cases in which cybersquatting has been proven. To this Panel it seems that, taken to an extreme the *Mummygold* approach might without any action by the registrant render illegitimate (for purposes of the Policy) an activity at a website that had been in use for years without grounds for complaint – a result that would go farther than United States trademark law. More importantly, that result might clash with other express Policy provisions, such as certain of the safe-harbor provisions of paragraph 4(a)(ii) and 4(c).

[27] In this Panel's assessment, the most formidable obstacle to the *Mummygold* approach is the language of paragraph 4(a)(iii) itself. The operative verbs in that provision are clearly conjunctive – registered *and* used. The Internet Corporation for Assigned Names and Numbers (ICANN), when it adopted the Policy and the Rules, apparently made a conscious decision at the time of adoption to require two distinct "infringing" acts. (To be sure, that decision was taken at a time when the Policy was a new instrument, and without the benefit of hindsight of ten years of its subsequent operation.) The two distinct inquiries required under the UDRP have been criticized as a shortcoming that can countenance unscrupulous conduct, and has led in a few cases to a respondent that engaged in abusive use getting away with it because of insufficient proof of abusive registration. Several subsequently adopted Policy counterparts have declined to require bad faith in both registration and use for transfer.[13]

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[13] For example, "paragraph 4(a)(iii) of the auDRP requires only that a Complainant prove that the disputed domain name "has been registered or subsequently used in bad faith," and the Working Group responsible for drafting it apparently did so to avoid the consequences of proving separately bad faith in registration and use. See <www.auda.org.au/pdf/drwg-audrp-final.pdf>, n4.

[28] Equally formidable an obstacle, in this Panel's opinion, is the (until recently) unbroken line of precedent, starting with some of the earliest cases decided under the Policy and followed regularly to the present, that has interpreted paragraph 4(a)(iii) as clearly and unequivocally requiring a showing of both registration and use. Development of a body of Policy panel "jurisprudence" has been a commendable objective in which much effort has and continues to be invested; see, e.g., WIPO Overview, paragraph 4.1 (emphasis supplied):

> "*Consensus view*: The UDRP does not operate on a strict doctrine of precedent. However panels consider it desirable that their decisions are consistent with prior panel decisions dealing with similar fact situations. This ensures that the UDRP system operates in a fair, effective and predictable manner for all parties."

[29] As this Panel sees it, whether intended or not, the *Mummygold* approach could impact an otherwise settled rule of decision on which "all parties" have relied for a decade. That rule of decision moreover defines a fundamental element of the Policy, and departing from our precedent in this matter could modify substantially Complainant's burden of proof especially under the third element of the Policy. That change in some cases could be the equivalent of an amendment to the Policy, in effect comparable to substitution of "or" for "and" in paragraph 4(a)(iii), that would result in changes in some subsequent cases.[14] As noted, if fully extended (assuming a complainant had proven the other elements of the Policy) it might result in transfer of a domain name without any action by its owner, simply because someone subsequently acquired or registered a trademark. It could encourage mark owners to overreach in Policy proceedings, something the traditional approach discourages. It could cause substantial changes to those who have built businesses in buying and selling domain names relying upon our precedent. They are among the "all parties" entitled to "a fair, effective and predictable manner" of resolution of Policy disputes. Substantially for the reasons expressed by the *Validas* panel, and those listed above, this Panel for now declines to adopt the "unified concept" approach of the *Mummygold* case.

[30] This Panel stated of the *Mummygold* approach in *Hertz System, Inc. v. Kwan-ming Lee*, WIPO Case No. D2009-1165: "This Panel is not presently prepared to read the few unified concept approach cases to say that *any* use in bad faith, even occasional conduct that fits squarely within one of the examples of bad faith in paragraph 4(b) of the Policy, as automatically establishing bad faith for purposes of paragraph 4(a)(iii). If it did, the clearly conjunctive language of paragraph 4(a)(iii) could be too easily circumvented." I shall go farther here: unless bad faith use

[14] It bears repeating that the number of cases is likely to be small. See, e.g, *Octogen*, *supra*. In this Panel's opinion some of the *Mummygold* cases in which transfer was ordered, especially *Denver Post* and *Country Inns*, *supra*, included a factual basis for inferring bad faith at the time of registration.

subsequently to registration forms a basis for an inference of Respondent's bad faith *at the time of registration*, it cannot alone satisfy the complainant's burden of proof under paragraph 4(a)(iii) of the Policy.

Renewal of a Domain Name Registration

[31] The conjunctive language of paragraph 4(a)(iii) is plain. Equally clear, on this Panel's reading, is the introductory clause of paragraph 2 that sets its applicability as a matter of contract. A registrant provides his undertaking "By applying to register a domain name, or by asking [a registrar] to maintain or renew a domain name registration." This, unlike the covenant-type interpretation necessary for the *Mummygold* approach, is a typical one-time representation as of a discrete date, or rather successive discrete dates. Paragraph 2 does not distinguish among the initial date of registration and subsequent requests for renewal – the undertaking by its terms applies as of all such dates.

[32] This reading may conflict with another line of precedent dating back to the Policy's early days, one that also finds its place as a Consensus View in the WIPO Overview, paragraph 3.7:

> "Does the renewal of the registration of a domain name amount to a registration for the purposes of determining whether the domain name was registered in bad faith?
>
> Consensus view: While the transfer of a domain name to a third party does amount to a new registration, a mere renewal of a domain name does not amount to registration for the purposes of determining bad faith. Registration in bad faith must occur at the time the current registrant took possession of the domain name."

[33] The first case setting out this view is *Teradyne, Inc.Teradyne, Inc. [sic] v. 4Tel Technology*, WIPO Case No. D2000-0026. The panel in *Teradyne* held that the conjunctive nature of paragraph 4(a)(iii) trumped the introductory clause of paragraph 2. Unlike separate analyses of registration and use, there have been comparatively few subsequent cases expressly addressing this question. All this Panel has found have followed the *Teradyne* rule, usually without much further analysis. See *Smart Design Llc v. Carolyn Hughes*, WIPO Case No. D2000-0993; *Substance Abuse Management, Inc. v. Screen Actors Modesl [sic] International, Inc. (SAMI)*, WIPO Case No. D2001-0782; *Gamer.tv Limited v. Bestinfo*, WIPO Case No. D2004-0320; *PAA Laboratories GmbH v. Printing Arts America*, WIPO Case No. D2004-0338. The Panel in *PAA Laboratories* did so however only in deference to Policy precedent:

> "In making its finding, the Panel wishes to clarify that its decision under this element is based on the need for consistency and comity in domain name dispute 'jurisprudence'. Were it not for the persuasive force of the cited decisions, this Panel would have expressed the view that paragraph 2 of the Policy demonstrates that references to 'registration' in the Policy were probably intended to be references to

> 'registration' or 'renewal of registration.' Absent the consistency of approach which has found favour with numerous earlier panels, this Panel would have seen no good reason for a renewal not to be considered as equivalent to 'registration' in the context of the objectives of the Policy. If the renewal had not been effected the disputed domain name would have lapsed and been available to others. The abusive refreshing of the original registration is an act which this Panel considers should be an act of a kind encompassed by paragraph 4(a)(iii) of the Policy. The benefit of an original good faith registration should not be perpetual to the point where it can cloak successors in title and successors in 'possession' long after the original registration would have expired."

[34] This Panel shares those reservations. For the reasons given in the last sentence of the quotation from *PAA Laboratories*, I doubt that ICANN intended that all renewals could be made without regard to a registrant's paragraph 2 undertaking. It is for that reason that panels (including this one) have in some cases found a transfer of ownership even among related entities to be a new or fresh registration for Policy purposes, see *ehotel AG v. Network Technologies Polska Jasinski Lutoborski Sp.J.*, WIPO Case No. D2009-0785; *BMEzine.com, LLC. v. Gregory Ricks / Gee Whiz Domains Privacy Service*, WIPO Case No. D2008-0882. And treating a renewal the same as a registration comports with the language – very plain and direct language – of paragraph 2.

[35] In this Panel's view, the facts and circumstances of the present case provide a more compelling scenario than *PAA Laboratories* for revisiting the *Teradyne* rule. There the respondent's use of the domain name changed because of changed business circumstances (insolvency) not related to the domain name, and it could have been argued that respondent's subsequent offer to sell it (the act found to be use in bad faith) was part of the ordinary course of winding up the earlier business. Here, at the time of its most recent renewal last year Respondent's use of the disputed domain name had become prototypical cybersquatting and in no way related to any of Respondent's businesses. The change came about not through intervening circumstances unrelated to Respondent's prior good faith use but by Respondent's conscious choice to change website content. If Respondent's paragraph 2 representation and warranty were given in October 2009 it would have been knowingly false. To summarize, in this Panel's assessment:

> - Respondent intentionally changed its use of the disputed domain name.
>
> - The new use is unrelated to Respondent's earlier business.
>
> - The new use is textbook cybersquatting.
>
> - The new use occurred prior to the renewal held to be a registration subject to for purposes of paragraph 4(a)(iii).
>
> - There has been no legitimate use since renewal.

[36] The present case illustrates the problem that can arise from adhering rotely to *Teradyne*: so long as a Respondent that originally registered a domain name in good faith retains ownership it is free continuously and flagrantly to exploit Complainant's trademark – license it to a competitor, perhaps – without fear of a Policy proceeding. These consequences could of course be said to flow in part from the conjunctive language of paragraph 4(a)(iii). Yet in this Panel's considered opinion it is not unreasonable to temper those consequences by giving the plain language of paragraph 2 equal standing with the plain language of paragraph 4(a)(iii).

[37] Even though included as a Consensus View in the WIPO Overview this Panel's assessment is that the *Teradyne* rule enjoys comparatively less precedential support than the traditional rule of interpreting paragraph 4(a)(iii). As noted, the cases are few and most simply endorse the *Teredyne* case without extended discussion, and the most thoughtful discussion, in *PAA Laboratories*, questions the original rationale for the rule. This Panel's qualifying its application in the stark circumstances of the present case should have considerably less impact on UDRP proceedings and participants' conduct than (for example) adopting the *Mummygold* approach.

[38] This may not be a "binary" choice – that a renewal will always be treated as a new registration. In other circumstances it might well be appropriate to continue to find otherwise "infringing" use still within the safe harbors of paragraphs 4(c)(i) or 4(c)(ii). The obvious case that comes to mind is when the respondent had nothing to do with the intervening circumstances that changed things – a trademark is registered after initial registration but before renewal, and the use to which the respondent puts the domain name remains materially unchanged, for example. That is a matter for panels in future cases.

[39] Based upon the record in this proceeding, the Panel deems Respondent's 2009 renewal of the disputed domain name to be the date on which to measure whether the disputed domain name was registered and used in bad faith for purposes of paragraph 4(a)(iii), and finds that the Respondent registered and used the disputed domain name in bad faith. The Panel further finds that Respondent's use of it to redirect to a website that includes hyperlinks to Complainant's competitors not legitimate under paragraph 4(a)(ii).

7. Decision

[40] For all the foregoing reasons, in accordance with Paragraphs 4(i) of the Policy and 15 of the Rules, the Panel orders that the domain name, <sporto.com> be transferred to the Complainant.

Richard G. Lyon

Sole Panelist

Dated: March 1, 2010

b. The Uniform Rapid Suspension System

In 2011, ICANN's Board of Directors approved an enormous expansion of the generic top-level domain (gTLD) system beyond the the 22 gTLDs[1] then operating. In January, 2012, ICANN began accepting applications from private companies or organizations that wished to administer new gTLDs consisting essentially of any string of characters, including non-Latin characters. In October, 2013, ICANN "delegated" the first new gTLDs: شبكة (Arabic for "web/network", International Domain Registry Pty. Ltd), онлайн (Cyrillic for "online", CORE Association), сайт (Cyrillic for "site", CORE Association) and 游戏 (Chinese for "game(s)", Spring Fields, LLC). From October 2013 through December 2016, ICANN delegated over 1,200 new gTLDs.[2]

ICANN has established a sophisticated process very much akin to a national trademark registration process for the evaluation of new gTLD applications (which cost $185,000 per gTLD). Objections can be raised against a new gTLD application on the ground, among others, that it conflicts with preexisting trademark rights. Students wishing to know more about this process should consult the [ICANN *gTLD Applicant Guidebook*](#).

Our focus here, however, is not on the implications for trademark owners of the ICANN new gTLD delegation process (though those implications can be profound), but rather on a new system by which trademark owners can oppose the registration of second-level domains *within* these new gTLDs. For example, if a third-party seeks to register the second-level domain "microsoft" within the شبكة gTLD, (thus microsoft.شبكة), Microsoft may avail itself of a new means of opposing the registration that is even faster and less expensive that the UDRP. This new process, which applies only to second-level domains within new gTLDs established since 2013, is the Uniform Rapid Suspension System (URS). Students wishing to read the URS Procedure may find the document at http://newgtlds.icann.org/en/applicants/urs.

The URS is designed for especially clear, essentially "slam-dunk" cases of bad faith second-level domain registration. The URS specifies that the complainant must show:

> [1] that the registered domain name is identical or confusingly similar to a word mark: (i) for which the Complainant holds a valid national or regional registration and that is in current use; or (ii) that has been validated through court proceedings; or (iii) that is specifically

[1] These were: .aero, .arpa, .asia, .biz, .cat, .com, .coop, .edu, .gov, .info, .int, .jobs, .mil, .mobi, .names, .net, .org, .post, .pro, .tel, .travel and .xxx. *See* Jacqueline Lipton & Mary Wong, Trad*emark and Freedom of Expression in ICANN's New gTLD Process*, 38 MONASH U. L. REV. 188, 192 (2012).

[2] See http://newgtlds.icann.org/en/program-status/delegated-strings.

protected by a statute or treaty in effect at the time the URS complaint is filed.

a. Use can be shown by demonstrating that evidence of use — which can be a declaration and one specimen of current use in commerce — was submitted to, and validated by, the Trademark Clearinghouse.

b. Proof of use may also be submitted directly with the URS Complaint.

and

[2] that the Registrant has no legitimate right or interest to the domain name; and

[3] that the domain was registered and is being used in bad faith.

URS, 1.2.6.1-1.2.6.3. Note that the URS Procedure explicitly states that "[t]he burden of proof shall be clear and convincing evidence." *Id*. at 8.2

The URS process is very fast. The URS provider (such as the National Arbitration Forum) must review the complaint within two business days from the filing of the complaint. If the complaint complies with all filing requirements, the URS provider notifies the relevant registry operator, who must "lock" the targeted domain within 24 hours (locking a domain in this context merely means that the registrant cannot make any changes to registration data; the domain still resolves to a website). Within 24 hours of locking the domain, the registry operator must notify the registrant of the complaint. The registrant then has 14 days to file a response of no more than 2,500 words. If the registrant defaults on that 14 day period, the registrant still has six months from the date of a Notice of Default to reopen proceedings de novo.

The remedy available to the successful complainant is suspension of the domain name and resolution of the domain to an informational page stating that the domain name has been suspended after a URS proceeding. Unlike the UDRP, the successful complainant cannot win transfer of the domain.

The fee for a URS proceeding, which is conducted entirely electronically and only in English, is $375 to $500, depending on the number of domain names complained of. By comparison, UDRP filing fees start at $1500.

Below is the first URS decision ever issued, with respect to the domain name facebok.pw. (.pw is the TLD of the Pacific nation of Palau and was the first TLD to adopt the URS).

Facebook Inc. v. Radoslav
Claim No. FA1308001515825 (Nat'l Arb. Forum, Sept. 27, 2013)

DOMAIN NAME

<facebok.pw>

PARTIES

Complainant: Facebook Inc. of Menlo Park, California, United States of America.

Complainant Representative:

Complainant Representative: Hogan Lovells (Paris) LLP of Paris, France.

Respondent: Radoslav of Presov, California, SK.

Respondent Representative:

REGISTRIES and REGISTRARS

Registries:

Registrars: Dynadot, LLC

EXAMINER

[1] The undersigned certifies that he has acted independently and impartially and to the best of his knowledge has no known conflict in serving as the Examiner in this proceeding.

Darryl C. Wilson, as Examiner.

PROCEDURAL HISTORY

Complainant submitted: August 21, 2013

Commencement: September 11, 2013

Default Date: September 26, 2013

[2] Having reviewed the communications records, the Examiner finds that the National Arbitration Forum has discharged its responsibility under URS Procedure Paragraphs 3 and 4 and Rule 4 of the Rules for the Uniform Rapid Suspension System (the "Rules") .

RELIEF SOUGHT

[3] Complainant requests that the domain name be suspended for the life of the registration.

STANDARD OF REVIEW

[4] Clear and convincing evidence.

FINDINGS and DISCUSSION

[5] Complainant is Facebook Inc. which lists its address as Menlo Park, CA, USA. Complainant states that since it began doing business in 2004 it has become the

world's leading provider of online social networking services with more than 1.11 billion registered users around the world. Complainant also asserts that "it is ranked as the first most visited website in the world, and has the second highest traffic in Slovakia (where the Respondent is based)." Complainant owns numerous domestic and international registrations for its FACEBOOK mark including; FACEBOOK - Community Trade Mark No. 006455687 registered on 07 October 2008.

[6] Complainant contends that Respondent's domain name, <facebok.pw>, is confusingly similar to its FACEBOOK mark, and was registered and is being used in bad faith by the Respondent who has no rights or legitimate interests in the domain name.

[7] Respondent is Radoslav Stach whose address is listed as Presnov, Slovakia. Respondent registered the disputed domain name on or about March 26, 2013. Respondent did not provide a response to the Complaint in accordance with the URS rules of procedure; however Respondent did provide correspondence which stated, "Im was offline, could you pleas tell me what I have doing ? I want removed this domain from my account!"

IDENTICAL OR CONFUSINGLY SIMILAR

[8] The only difference between the Domain Name, <facebok.pw>, and the Complainant's FACEBOOK mark is the absence of one letter ("o") in the Domain Name. In addition, it is well accepted that the top level domain is irrelevant in assessing identity or confusing similarity, thus the ".pw" is of no consequence here. The Examiner finds that the Domain Name is confusingly similar to Complainant's FACEBOOK mark.

NO RIGHTS OR LEGITIMATE INTERESTS

[9] To the best of the Complainant's knowledge, the Respondent does not have any rights in the name FACEBOOK or "facebok" nor is the Respondent commonly known by either name. Complainant has not authorized Respondent's use of its mark and has no affiliation with Respondent. The Domain Name points to a web page listing links for popular search topics which Respondent appears to use to generate click through fees for Respondent's personal financial gain. Such use does not constitute a bona fide offering of goods or services and wrongfully misappropriates Complainant's mark's goodwill. The Examiner finds that the Respondent has established no rights or legitimate interests in the Domain Name.

BAD FAITH REGISTRATION AND USE

[10] The Domain Name was registered and is being used in bad faith.

[11] The Domain Name was registered on or about March 26, 2013, nine years after the Complainant's FACEBOOK marks were first used and began gaining global notoriety.

[12] The Examiner finds that the Respondent has engaged in a pattern of illegitimate domain name registrations (See Complainant's exhibit URS Site Screenshot) whereby Respondent has either altered letters in, or added new letters to, well-known trademarks. Such behavior supports a conclusion of Respondent's bad faith registration and use. Furthermore, the Complainant submits that the Respondent is using the Domain Name in order to attract for commercial gain Internet users to its parking website by creating a likelihood of confusion as to the source, sponsorship or affiliation of the website. The Examiner finds such behavior to further evidence Respondent's bad faith registration and use.

DETERMINATION

[13] After reviewing the Complainant's submissions, the Examiner determines that the Complainant has demonstrated all three elements of the URS by a standard of clear and convincing evidence; the Examiner hereby Orders the following domain names be SUSPENDED for the duration of the registration.

<facebok.pw>

Darryl C. Wilson, Examiner

Dated: September 27, 2013

Questions and Comments

1. *The Trademark Clearinghouse*. To help trademark owners cope with the challenges presented by a greatly expanded domain name system, ICANN oversaw the development of the Trademark Clearinghouse, www.trademark-clearinghouse.com. Trademark owners that register their trademarks with the Clearinghouse (and pay the associated fees) may benefit from two main services. First, the Clearinghouse gives Clearinghouse registrants access to the "Sunrise period" for every new gTLD. During this period (which must last at least 30 days), Clearinghouse registrants enjoy priority registration of their marks as domain names within the new gTLD before that gTLD's domain name registration process is opened up to the general public. To qualify for the Sunrise Service, Clearinghouse registrants must submit proof that they are actually using the mark they have registered with the Clearinghouse. Second, the Clearinghouse will notify Clearinghouse registrants on an ongoing basis of any third-party attempt to register (or eventual success in registering) within a new gTLD a domain name that matches the Clearinghouse registrant's trademark. It is then left to the trademark owner to decide whether to pursue an infringement claim against the third-party domain name applicant or registrant.

E. Secondary Liability

The Lanham Act does not explicitly provide for secondary liability. Instead, as the court in *Tiffany (NJ) Inc. v. eBay Inc*. explains, secondary liability in trademark law is an entirely judge-made doctrine. *Tiffany v eBay* has become essentially the law of the land for online auction site liability for infringing conduct occurring on those sites. In reading through the opinion, consider the following question:

- As a policy matter, has the court chosen the most efficient result? Who can more efficiently bear the burden of policing eBay's website for counterfeit Tiffany merchandise?
- Are you persuaded that eBay was not willfully blind to the sale of counterfeits on its auction site?

Tiffany (NJ) Inc. v. eBay Inc.
600 F.3d 93 (2d Cir. 2010)

Sack, Circuit Judge:

[1] eBay, Inc. ("eBay"), through its eponymous online marketplace, has revolutionized the online sale of goods, especially used goods. It has facilitated the buying and selling by hundreds of millions of people and entities, to their benefit and eBay's profit. But that marketplace is sometimes employed by users as a means to perpetrate fraud by selling counterfeit goods.

[2] Plaintiffs Tiffany (NJ) Inc. and Tiffany and Company (together, "Tiffany") have created and cultivated a brand of jewelry bespeaking high-end quality and style. Based on Tiffany's concern that some use eBay's website to sell counterfeit Tiffany merchandise, Tiffany has instituted this action against eBay, asserting various causes of action—sounding in trademark infringement, trademark dilution and false advertising—arising from eBay's advertising and listing practices. For the reasons set forth below, we affirm the district court's judgment with respect to Tiffany's claims of trademark infringement and dilution but remand for further proceedings with respect to Tiffany's false advertising claim.

BACKGROUND

[3] By opinion dated July 14, 2008, following a week-long bench trial, the United States District Court for the Southern District of New York (Richard J. Sullivan, *Judge*) set forth its findings of fact and conclusions of law. *Tiffany (NJ) Inc. v. eBay, Inc.,* 576 F.Supp.2d 463 (S.D.N.Y.2008) ("*Tiffany*"). When reviewing a judgment following a bench trial in the district court, we review the court's findings of fact for clear error and its conclusions of law *de novo. Giordano v. Thomson,* 564 F.3d 163, 168 (2d Cir.2009). Except where noted otherwise, we conclude that the district court's findings of fact are not clearly erroneous. We therefore rely upon those non-erroneous findings in setting forth the facts of, and considering, this dispute.

eBay

[4] eBay[3] is the proprietor of www.ebay.com, an Internet-based marketplace that allows those who register with it to purchase goods from and sell goods to one another. It "connect[s] buyers and sellers and [ ] enable[s] transactions, which are carried out directly between eBay members." *Tiffany,* 576 F.Supp.2d at 475.[4] In its auction and listing services, it "provides the venue for the sale [of goods] and support for the transaction[s], [but] it does not itself sell the items" listed for sale on the site, *id.* at 475, nor does it ever take physical possession of them, *id.* Thus, "eBay generally does not know whether or when an item is delivered to the buyer." *Id.*

[5] eBay has been enormously successful. More than six million new listings are posted on its site daily. *Id.* At any given time it contains some 100 million listings. *Id.*

[6] eBay generates revenue by charging sellers to use its listing services. For any listing, it charges an "insertion fee" based on the auction's starting price for the goods being sold and ranges from $0.20 to $4.80. *Id.* For any completed sale, it charges a "final value fee" that ranges from 5.25% to 10% of the final sale price of the item. *Id.* Sellers have the option of purchasing, at additional cost, features "to differentiate their listings, such as a border or bold-faced type." *Id.*

[7] eBay also generates revenue through a company named PayPal, which it owns and which allows users to process their purchases. PayPal deducts, as a fee for each transaction that it processes, 1.9% to 2.9% of the transaction amount, plus $0.30. *Id.* This gives eBay an added incentive to increase both the volume and the price of the goods sold on its website. *Id.*

Tiffany

[8] Tiffany is a world-famous purveyor of, among other things, branded jewelry. *Id.* at 471-72. Since 2000, all new Tiffany jewelry sold in the United States has been available exclusively through Tiffany's retail stores, catalogs, and website, and through its Corporate Sales Department. *Id.* at 472-73. It does not use liquidators, sell overstock merchandise, or put its goods on sale at discounted prices. *Id.* at 473. It does not—nor can it, for that matter—control the "legitimate secondary market in authentic Tiffany silvery jewelry," i.e., the market for second-hand Tiffany wares. *Id.* at 473. The record developed at trial "offere[d] little basis from which to discern the

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[3] eBay appears to be short for Echo Bay—the name of eBay's founder's consulting firm was Echo Bay Technology Group. The name "EchoBay" was already in use, so eBay was employed as the name for the website. *See* http:// en. wikipedia. org/ wiki/ EBay# Origins_ and_ history (last visited Feb. 26, 2010); http:// news. softpedia. com/ news/ eBay- Turns- Ten- Happy- Birthday- 7502. shtml (last visited Feb. 26, 2010).

[4] In addition to providing auction-style and fixed-priced listings, eBay is also the proprietor of a traditional classified service. *Id.* at 474.

actual availability of authentic Tiffany silver jewelry in the secondary market." *Id.* at 474.

[9] Sometime before 2004, Tiffany became aware that counterfeit Tiffany merchandise was being sold on eBay's site. Prior to and during the course of this litigation, Tiffany conducted two surveys known as "Buying Programs," one in 2004 and another in 2005, in an attempt to assess the extent of this practice. Under those programs, Tiffany bought various items on eBay and then inspected and evaluated them to determine how many were counterfeit. *Id.* at 485. Tiffany found that 73.1% of the purported Tiffany goods purchased in the 2004 Buying Program and 75.5% of those purchased in the 2005 Buying Program were counterfeit. *Id.* The district court concluded, however, that the Buying Programs were "methodologically flawed and of questionable value," *id.* at 512, and "provide[d] limited evidence as to the total percentage of counterfeit goods available on eBay at any given time," *id.* at 486. The court nonetheless decided that during the period in which the Buying Programs were in effect, a "significant portion of the 'Tiffany' sterling silver jewelry listed on the eBay website ... was counterfeit," *id.,* and that eBay knew "that some portion of the Tiffany goods sold on its website might be counterfeit," *id.* at 507. The court found, however, that "a substantial number of authentic Tiffany goods are [also] sold on eBay." *Id.* at 509.

[10] Reducing or eliminating the sale of all second-hand Tiffany goods, including genuine Tiffany pieces, through eBay's website would benefit Tiffany in at least one sense: It would diminish the competition in the market for genuine Tiffany merchandise. *See id.* at 510 n. 36 (noting that "there is at least some basis in the record for eBay's assertion that one of Tiffany's goals in pursuing this litigation is to shut down the legitimate secondary market in authentic Tiffany goods"). The immediate effect would be loss of revenue to eBay, even though there might be a countervailing gain by eBay resulting from increased consumer confidence about the bona fides of other goods sold through its website.

Anti-Counterfeiting Measures

[11] Because eBay facilitates many sales of Tiffany goods, genuine and otherwise, and obtains revenue on every transaction, it generates substantial revenues from the sale of purported Tiffany goods, some of which are counterfeit. "eBay's Jewelry & Watches category manager estimated that, between April 2000 and June 2004, eBay earned $4.1 million in revenue from completed listings with 'Tiffany' in the listing title in the Jewelry & Watches category." *Id.* at 481. Although eBay was generating revenue from all sales of goods on its site, including counterfeit goods, the district court found eBay to have "an interest in eliminating counterfeit Tiffany merchandise from eBay ... to preserve the reputation of its website as a safe place to do business." *Id.* at 469. The buyer of fake Tiffany goods might, if and when the forgery was detected, fault eBay. Indeed, the district court found that "buyers ... complain[ed] to eBay" about the sale of counterfeit Tiffany goods. *Id.* at 487. "[D]uring the last six weeks of 2004, 125 consumers complained to eBay about

purchasing 'Tiffany' items through the eBay website that they believed to be counterfeit." *Id.*

[12] Because eBay "never saw or inspected the merchandise in the listings," its ability to determine whether a particular listing was for counterfeit goods was limited. *Id.* at 477-78. Even had it been able to inspect the goods, moreover, in many instances it likely would not have had the expertise to determine whether they were counterfeit. *Id.* at 472 n. 7 ("[I]n many instances, determining whether an item is counterfeit will require a physical inspection of the item, and some degree of expertise on the part of the examiner.").

[13] Notwithstanding these limitations, eBay spent "as much as $20 million each year on tools to promote trust and safety on its website." *Id.* at 476. For example, eBay and PayPal set up "buyer protection programs," under which, in certain circumstances, the buyer would be reimbursed for the cost of items purchased on eBay that were discovered not to be genuine. *Id.* at 479. eBay also established a "Trust and Safety" department, with some 4,000 employees "devoted to trust and safety" issues, including over 200 who "focus exclusively on combating infringement" and 70 who "work exclusively with law enforcement." *Id.* at 476.

[14] By May 2002, eBay had implemented a "fraud engine," "which is principally dedicated to ferreting out illegal listings, including counterfeit listings." *Id.* at 477. eBay had theretofore employed manual searches for keywords in listings in an effort to "identify blatant instances of potentially infringing ... activity." *Id.* "The fraud engine uses rules and complex models that automatically search for activity that violates eBay policies." *Id.* In addition to identifying items actually advertised as counterfeit, the engine also incorporates various filters designed to screen out less-obvious instances of counterfeiting using "data elements designed to evaluate listings based on, for example, the seller's Internet protocol address, any issues associated with the seller's account on eBay, and the feedback the seller has received from other eBay users." *Id.* In addition to general filters, the fraud engine incorporates "Tiffany-specific filters," including "approximately 90 different keywords" designed to help distinguish between genuine and counterfeit Tiffany goods. *Id.* at 491. During the period in dispute,[5] eBay also "periodically conducted [manual] reviews of listings in an effort to remove those that might be selling counterfeit goods, including Tiffany goods." *Id.*

[15] For nearly a decade, including the period at issue, eBay has also maintained and administered the "Verified Rights Owner ('VeRO') Program"—a "'notice-and-takedown' system" allowing owners of intellectual property rights,

[5] In its findings, the district court often used the past tense to describe eBay's anticounterfeiting efforts. We do not take this usage to suggest that eBay has discontinued these efforts, but only to emphasize that its findings are issued with respect to a particular period of time prior to the completion of trial and issuance of its decision.

including Tiffany, to "report to eBay any listing offering potentially infringing items, so that eBay could remove such reported listings." *Id.* at 478. Any such rights-holder with a "good-faith belief that [a particular listed] item infringed on a copyright or a trademark" could report the item to eBay, using a "Notice Of Claimed Infringement form or NOCI form." *Id.* During the period under consideration, eBay's practice was to remove reported listings within twenty-four hours of receiving a NOCI, but eBay in fact deleted seventy to eighty percent of them within twelve hours of notification. *Id.*

[16] On receipt of a NOCI, if the auction or sale had not ended, eBay would, in addition to removing the listing, cancel the bids and inform the seller of the reason for the cancellation. If bidding had ended, eBay would retroactively cancel the transaction. *Id.* In the event of a cancelled auction, eBay would refund the fees it had been paid in connection with the auction. *Id.* at 478-79.

[17] In some circumstances, eBay would reimburse the buyer for the cost of a purchased item, provided the buyer presented evidence that the purchased item was counterfeit. *Id.* at 479.[6] During the relevant time period, the district court found, eBay "never refused to remove a reported Tiffany listing, acted in good faith in responding to Tiffany's NOCIs, and always provided Tiffany with the seller's contact information." *Id.* at 488.

[18] Thus, it may be difficult for a purchaser to proffer evidence to eBay supporting a suspicion that the "Tiffany" merchandise he or she bought is counterfeit.

[19] In addition, eBay has allowed rights owners such as Tiffany to create an "About Me" webpage on eBay's website "to inform eBay users about their products, intellectual property rights, and legal positions." *Id.* at 479. eBay does not exercise control over the content of those pages in a manner material to the issues before us.

[20] Tiffany, not eBay, maintains the Tiffany "About Me" page. With the headline "**BUYER BEWARE,**" the page begins: "**Most of the purported TIFFANY & CO. silver jewelry and packaging available on eBay is counterfeit.**" Pl.'s Ex. 290 (bold face type in original). It also says, *inter alia*:

> The only way you can be certain that you are purchasing a genuine TIFFANY & CO. product is to purchase it from a Tiffany & Co. retail store, via our website (www. tiffany. com) or through a Tiffany & Co. catalogue. Tiffany & Co. stores do not authenticate merchandise. A good jeweler or appraiser may be able to do this for you.

Id.

[21] In 2003 or early 2004, eBay began to use "special warning messages when a seller attempted to list a Tiffany item." *Tiffany,* 576 F.Supp.2d at 491. These

[6] We note, however, that, Tiffany's "About Me" page on the eBay website states that Tiffany does not authenticate merchandise. Pl.'s Ex. 290.

messages "instructed the seller to make sure that the item was authentic Tiffany merchandise and informed the seller that eBay 'does not tolerate the listing of replica, counterfeit, or otherwise unauthorized items' and that violation of this policy 'could result in suspension of [the seller's] account.'" *Id.* (alteration in original). The messages also provided a link to Tiffany's "About Me" page with its "buyer beware" disclaimer. *Id.* If the seller "continued to list an item despite the warning, the listing was flagged for review." *Id.*

[22] In addition to cancelling particular suspicious transactions, eBay has also suspended from its website "'hundreds of thousands of sellers every year,' tens of thousands of whom were suspected [of] having engaged in infringing conduct." *Id.* at 489. eBay primarily employed a "'three strikes rule'" for suspensions, but would suspend sellers after the first violation if it was clear that "the seller 'listed a number of infringing items,' and '[selling counterfeit merchandise] appears to be the only thing they've come to eBay to do.'" *Id.* But if "a seller listed a potentially infringing item but appeared overall to be a legitimate seller, the 'infringing items [were] taken down, and the seller [would] be sent a warning on the first offense and given the educational information, [and] told that ... if they do this again, they will be suspended from eBay.'" *Id.* (alterations in original).[7]

[23] By late 2006, eBay had implemented additional anti-fraud measures: delaying the ability of buyers to view listings of certain brand names, including Tiffany's, for 6 to 12 hours so as to give rights-holders such as Tiffany more time to review those listings; developing the ability to assess the number of items listed in a given listing; and restricting one-day and three-day auctions and cross-border trading for some brand-name items. *Id.* at 492.

[24] The district court concluded that "eBay consistently took steps to improve its technology and develop anti-fraud measures as such measures became technologically feasible and reasonably available." *Id.* at 493.

eBay's Advertising

[25] At the same time that eBay was attempting to reduce the sale of counterfeit items on its website, it actively sought to promote sales of premium and

[7] According to the district court, "eBay took appropriate steps to warn and then to suspend sellers when eBay learned of potential trademark infringement under that seller's account." *Tiffany,* 576 F.Supp.2d at 489. The district court concluded that it was understandable that eBay did not have a "hard-and-fast, one-strike rule" of suspending sellers because a NOCI "did not constitute a definitive finding that the listed item was counterfeit" and because "suspension was a very serious matter, particularly to those sellers who relied on eBay for their livelihoods." *Id.* The district court ultimately found eBay's policy to be "appropriate and effective in preventing sellers from returning to eBay and re-listing potentially counterfeit merchandise." *Id.*

branded jewelry, including Tiffany merchandise, on its site. *Id.* at 479-80. Among other things,

> eBay "advised its sellers to take advantage of the demand for Tiffany merchandise as part of a broader effort to grow the Jewelry & Watches category." *Id.* at 479. And prior to 2003, eBay advertised the availability of Tiffany merchandise on its site. eBay's advertisements trumpeted "Mother's Day Gifts!," Pl.'s Exs. 392, 1064, a "Fall FASHION BRAND BLOWOUT," Pl.'s Ex. 392, "Jewelry Best Sellers," *id.,* "GREAT BRANDS, GREAT PRICES," Pl.'s Ex. 1064, or "Top Valentine's Deals," Pl.'s Ex. 392, among other promotions. It encouraged the viewer to "GET THE FINER THINGS." Pl.'s Ex. 392. These advertisements provided the reader with hyperlinks, at least one of each of which was related to Tiffany merchandise—"Tiffany," "Tiffany & Co. under $150," "Tiffany & Co," "Tiffany Rings," or "Tiffany & Co. under $50." Pl.'s Exs. 392, 1064.

eBay also purchased sponsored-link advertisements on various search engines to promote the availability of Tiffany items on its website. *Tiffany,* 576 F.Supp.2d at 480. In one such case, in the form of a printout of the results list from a search on Yahoo! for "tiffany," the second sponsored link read "**Tiffany** on eBay. Find **tiffany** items at low prices. With over 5 million items for sale every day, you'll find all kinds of unique [unreadable] Marketplace. www. ebay. com." Pl.'s Ex. 1065 (bold face type in original). Tiffany complained to eBay of the practice in 2003, and eBay told Tiffany that it had ceased buying sponsored links. *Tiffany,* 576 F.Supp.2d at 480. The district court found, however, that eBay continued to do so indirectly through a third party. *Id.*

Procedural History

[26] By amended complaint dated July 15, 2004, Tiffany initiated this action. It alleged, *inter alia,* that eBay's conduct—i.e., facilitating and advertising the sale of "Tiffany" goods that turned out to be counterfeit—constituted direct and contributory trademark infringement, trademark dilution, and false advertising. On July 14, 2008, following a bench trial, the district court, in a thorough and thoughtful opinion, set forth its findings of fact and conclusions of law, deciding in favor of eBay on all claims.

[27] Tiffany appeals from the district court's judgment for eBay.

DISCUSSION

[28] We review the district court's findings of fact for clear error and its conclusions of law *de novo. Giordano v. Thomson,* 564 F.3d 163, 168 (2d Cir.2009).

I. Direct Trademark Infringement

[*The court found that eBay did not directly infringe Tiffany's trademark when it used the mark on its website and when it purchased sponsored links on Google and Yahoo! triggered by the Tiffany mark*.]

II. Contributory Trademark Infringement

[29] The more difficult issue, and the one that the parties have properly focused our attention on, is whether eBay is liable for contributory trademark infringement—i.e., for culpably facilitating the infringing conduct of the counterfeiting vendors. Acknowledging the paucity of case law to guide us, we conclude that the district court correctly granted judgment on this issue in favor of eBay.

A. Principles

[30] Contributory trademark infringement is a judicially created doctrine that derives from the common law of torts. *See, e.g., Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.,* 955 F.2d 1143, 1148 (7th Cir.1992); *cf. Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.,* 545 U.S. 913, 930 (2005) ("[T]hese doctrines of secondary liability emerged from common law principles and are well established in the law.") (citations omitted). The Supreme Court most recently dealt with the subject in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,* 456 U.S. 844 (1982). There, the plaintiff, Ives, asserted that several drug manufacturers had induced pharmacists to mislabel a drug the defendants produced to pass it off as Ives'. *See id.* at 847-50. According to the Court, "if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit." *Id.* at 854.[8] The Court ultimately decided to remand the case

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[8] The Supreme Court cited two cases in support of this proposition: *William R. Warner & Co. v. Eli Lilly & Co.,* 265 U.S. 526 (1924), and *Coca-Cola Co. v. Snow Crest Beverages, Inc.,* 64 F.Supp. 980 (D.Mass.1946) (Wyzanski, J.), *aff'd,* 162 F.2d 280 (1st Cir.), *cert. denied,* 332 U.S. 809 (1947).

Like *Inwood, Eli Lilly* involved an allegation by a plaintiff drug manufacturer that a defendant drug manufacturer had intentionally induced distributors to pass off the defendant's drug to purchasers as the plaintiff's. 265 U.S. at 529-30. The Supreme Court granted the plaintiff's request for an injunction, stating that "[o]ne who induces another to commit a fraud and furnishes the means of consummating it is equally guilty and liable for the injury." *Id.* at 530-31.

In *Snow Crest,* the Coca-Cola Company claimed that a rival soft drink maker had infringed Coca-Cola's mark because bars purchasing the rival soft drink had substituted it for Coca-Cola when patrons requested a "rum (or whiskey) and Coca-Cola." 64 F.Supp. at 982, 987. Judge Wyzanski entered judgment in favor of the defendant primarily because there was insufficient evidence of such illicit substitutions taking place. *Id.* at 990. In doing so, the court stated that "[b]efore he to the Court of Appeals after concluding it had improperly rejected factual findings of the district court favoring the defendant manufacturers. *Id.* at 857-59.

[31] *Inwood*'s test for contributory trademark infringement applies on its face to manufacturers and distributors of goods. Courts have, however, extended the test to providers of services.

[32] The Seventh Circuit applied *Inwood* to a lawsuit against the owner of a swap meet, or “flea market,” whose vendors were alleged to have sold infringing Hard Rock Café T-shirts. *See Hard Rock Café,* 955 F.2d at 1148-49. The court “treated trademark infringement as a species of tort,” *id.* at 1148, and analogized the swap meet owner to a landlord or licensor, on whom the common law “imposes the same duty ... [as *Inwood*] impose[s] on manufacturers and distributors,” *id.* at 1149; *see also Fonovisa, Inc. v. Cherry Auction, Inc.,* 76 F.3d 259 (9th Cir.1996) (adopting *Hard Rock Cafe*'s reasoning and applying *Inwood* to a swap meet owner).

[33] Speaking more generally, the Ninth Circuit concluded that *Inwood*'s test for contributory trademark infringement applies to a service provider if he or she exercises sufficient control over the infringing conduct. *Lockheed Martin Corp. v. Network Solutions, Inc.,* 194 F.3d 980, 984 (9th Cir.1999); *see also id.* (“Direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark permits the expansion of *Inwood Lab.*'s ‘supplies a product’ requirement for contributory infringement.”).

[34] We have apparently addressed contributory trademark infringement in only two related decisions, *see Polymer Tech. Corp. v. Mimran,* 975 F.2d 58, 64 (2d Cir.1992) (“*Polymer I* ”); *Polymer Tech. Corp. v. Mimran,* 37 F.3d 74, 81 (2d Cir.1994) (“*Polymer II* ”), and even then in little detail. Citing *Inwood,* we said that “[a] distributor who intentionally induces another to infringe a trademark, or continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, is contributorially liable for any injury.” *Polymer I,* 975 F.2d at 64.

[35] The limited case law leaves the law of contributory trademark infringement ill-defined. Although we are not the first court to consider the application of *Inwood* to the Internet, *see, e.g., Lockheed,* 194 F.3d 980, *supra* (Internet domain name registrar), we are apparently the first to consider its application to an online marketplace.[9]

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can himself be held as a wrongdoer o[r] contributory infringer one who supplies another with the instruments by which that other commits a tort, must be shown to have knowledge that the other will or can reasonably be expected to commit a tort with the supplied instrument.” *Id.* at 989.

[9] European courts have done so. A Belgian court declined to hold eBay liable for counterfeit cosmetic products sold through its website. *See Lancôme v. eBay,* Brussels Commercial Court (Aug. 12, 2008), Docket No. A/07/06032. French courts, by contrast, have concluded that eBay violated applicable trademark laws. *See, e.g.,*

B. Discussion

1. Does Inwood *Apply?*

[36] In the district court, the parties disputed whether eBay was subject to the *Inwood* test. *See Tiffany,* 576 F.Supp.2d at 504. eBay argued that it was not because it supplies a service while *Inwood* governs only manufacturers and distributors of products. *Id.* The district court rejected that distinction. It adopted instead the reasoning of the Ninth Circuit in *Lockheed* to conclude that *Inwood* applies to a service provider who exercises sufficient control over the means of the infringing conduct. *Id.* at 505-06. Looking "to the extent of the control exercised by eBay over its sellers' means of infringement," the district court concluded that *Inwood* applied in light of the "significant control" eBay retained over the transactions and listings facilitated by and conducted through its website. *Id.* at 505-07.

[37] On appeal, eBay no longer maintains that it is not subject to *Inwood.*[10] We therefore assume without deciding that *Inwood*'s test for contributory trademark infringement governs.

2. Is eBay Liable Under Inwood*?*

[38] The question that remains, then, is whether eBay is liable under the *Inwood* test on the basis of the services it provided to those who used its website to sell counterfeit Tiffany products. As noted, when applying *Inwood* to service

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S.A. Louis Vuitton Malletier v. eBay, Inc., Tribunal de Commerce de Paris, Premiere Chambre B. (Paris Commercial Court), Case No. 200677799 (June 30, 2008); *Hermes v. eBay,* Troyes High Court (June 4, 2008), Docket No. 06/0264; *see also* Max Colchester, "EBay to Pay Damages To Unit of LVMH," *The Wall Street Journal,* Feb. 12, 2010, http:// online. wsj. com/ article_ email/ SB 1000142405 274870433700 457505952301 8541764- l My Q j Ax MTAw MDEw M j Ex NDIy Wj. html (last visited Mar. 1, 2010) ("A Paris court Thursday ordered eBay to pay Louis Vuitton Q200,000 ($275,000) in damages and to stop paying search engines to direct certain key words to the eBay site."); *see generally,* Valerie Walsh Johnson & Laura P. Merritt, *TIFFANY v. EBAY:* A Case of Genuine Disparity in International Court Rulings on Counterfeit Products, 1 No. 2 Landslide 22 (2008) (surveying decisions by European courts in trademark infringement cases brought against eBay).

[10] Amici do so claim. *See* Electronic Frontier Foundation et al. Amici Br. 6 (arguing that *Inwood* should "not govern where, as here, the alleged contributory infringer has no direct means to establish whether there is any act of direct infringement in the first place"). We decline to consider this argument. "Although an *amicus* brief can be helpful in elaborating issues properly presented by the parties, it is normally not a method for injecting new issues into an appeal, at least in cases where the parties are competently represented by counsel." *Universal City Studios, Inc. v. Corley,* 273 F.3d 429, 445 (2d Cir.2001).

providers, there are two ways in which a defendant may become contributorially liable for the infringing conduct of another: first, if the service provider "intentionally induces another to infringe a trademark," and second, if the service provider "continues to supply its [service] to one whom it knows or has reason to know is engaging in trademark infringement." *Inwood,* 456 U.S. at 854. Tiffany does not argue that eBay induced the sale of counterfeit Tiffany goods on its website—the circumstances addressed by the first part of the *Inwood* test. It argues instead, under the second part of the *Inwood* test, that eBay continued to supply its services to the sellers of counterfeit Tiffany goods while knowing or having reason to know that such sellers were infringing Tiffany's mark.

[39] The district court rejected this argument. First, it concluded that to the extent the NOCIs that Tiffany submitted gave eBay reason to know that particular listings were for counterfeit goods, eBay did not continue to carry those listings once it learned that they were specious. *Tiffany,* 576 F.Supp.2d at 515-16. The court found that eBay's practice was promptly to remove the challenged listing from its website, warn sellers and buyers, cancel fees it earned from that listing, and direct buyers not to consummate the sale of the disputed item. *Id.* at 516. The court therefore declined to hold eBay contributorially liable for the infringing conduct of those sellers. *Id.* at 518. On appeal, Tiffany does not appear to challenge this conclusion. In any event, we agree with the district court that no liability arises with respect to those terminated listings.

[40] Tiffany disagrees vigorously, however, with the district court's further determination that eBay lacked sufficient knowledge of trademark infringement by sellers behind other, non-terminated listings to provide a basis for *Inwood* liability. Tiffany argued in the district court that eBay knew, or at least had reason to know, that counterfeit Tiffany goods were being sold ubiquitously on its website. *Id.* at 507-08. As evidence, it pointed to, *inter alia,* the demand letters it sent to eBay in 2003 and 2004, the results of its Buying Programs that it shared with eBay, the thousands of NOCIs it filed with eBay alleging its good faith belief that certain listings were counterfeit, and the various complaints eBay received from buyers claiming that they had purchased one or more counterfeit Tiffany items through eBay's website. *Id.* at 507. Tiffany argued that taken together, this evidence established eBay's knowledge of the widespread sale of counterfeit Tiffany products on its website. Tiffany urged that eBay be held contributorially liable on the basis that despite that knowledge, it continued to make its services available to infringing sellers. *Id.* at 507-08.

[41] The district court rejected this argument. It acknowledged that "[t]he evidence produced at trial demonstrated that eBay had *generalized* notice that some portion of the Tiffany goods sold on its website might be counterfeit." *Id.* at 507 (emphasis in original). The court characterized the issue before it as "whether eBay's *generalized* knowledge of trademark infringement on its website was sufficient to meet the 'knowledge or reason to know' prong of the *Inwood* test." *Id.* at 508 (emphasis in original). eBay had argued that "such generalized knowledge is

insufficient, and that the law demands more specific knowledge of individual instances of infringement and infringing sellers before imposing a burden upon eBay to remedy the problem." *Id.*

[42] The district court concluded that "while eBay clearly possessed general knowledge as to counterfeiting on its website, such generalized knowledge is insufficient under the *Inwood* test to impose upon eBay an affirmative duty to remedy the problem." *Id.* at 508. The court reasoned that *Inwood*'s language explicitly imposes contributory liability on a defendant who "continues to supply its product [—in eBay's case, its service—] to *one* whom it knows or has reason to know is engaging in trademark infringement." *Id.* at 508 (emphasis in original). The court also noted that plaintiffs "bear a high burden in establishing 'knowledge' of contributory infringement," and that courts have

> been reluctant to extend contributory trademark liability to defendants where there is some uncertainty as to the extent or the nature of the infringement. In *Inwood,* Justice White emphasized in his concurring opinion that a defendant is not "require[d] ... to refuse to sell to dealers who merely *might* pass off its goods."

Id. at 508-09 (quoting *Inwood,* 456 U.S. at 861, 102 S.Ct. 2182) (White, J., concurring) (emphasis and alteration in original).[11]

[43] Accordingly, the district court concluded that for Tiffany to establish eBay's contributory liability, Tiffany would have to show that eBay "knew or had reason to know of specific instances of actual infringement" beyond those that it addressed upon learning of them. *Id.* at 510. Tiffany failed to make such a showing.

[44] On appeal, Tiffany argues that the distinction drawn by the district court between eBay's general knowledge of the sale of counterfeit Tiffany goods through its website, and its specific knowledge as to which particular sellers were making such sales, is a "false" one not required by the law. Appellants' Br. 28. Tiffany posits that the only relevant question is "whether all of the knowledge, when taken together, puts [eBay] on notice that there is a substantial problem of trademark infringement. If so and if it fails to act, [eBay] is liable for contributory trademark infringement." *Id.* at 29.

[45] We agree with the district court. For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.

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[11] The district court found the cases Tiffany relied on for the proposition that general knowledge of counterfeiting suffices to trigger liability to be inapposite. *Id.* at 510.

[46] We are not persuaded by Tiffany's proposed interpretation of *Inwood.* Tiffany understands the "lesson of *Inwood* " to be that an action for contributory trademark infringement lies where "the evidence [of infringing activity]—direct or circumstantial, taken as a whole—... provide[s] a basis for finding that the defendant knew or should have known that its product or service was being used to further illegal counterfeiting activity." Appellants' Br. 30. We think that Tiffany reads *Inwood* too broadly. Although the *Inwood* Court articulated a "knows or has reason to know" prong in setting out its contributory liability test, the Court explicitly declined to apply that prong to the facts then before it. *See Inwood,* 456 U.S. at 852 n. 12, 102 S.Ct. 2182 ("The District Court also found that the petitioners did not continue to provide drugs to retailers whom they knew or should have known were engaging in trademark infringement. The Court of Appeals did not discuss that finding, and we do not address it.") (internal citation omitted). The Court applied only the inducement prong of the test. *See id.* at 852-59.

[47] We therefore do not think that *Inwood* establishes the contours of the "knows or has reason to know" prong. Insofar as it speaks to the issue, though, the particular phrasing that the Court used—that a defendant will be liable if it "continues to supply its product to *one* whom it knows or has reason to know is engaging in trademark infringement," *id.* at 854, 102 S.Ct. 2182 (emphasis added)—supports the district court's interpretation of *Inwood,* not Tiffany's.

[48] We find helpful the Supreme Court's discussion of *Inwood* in a subsequent *copyright* case, *Sony Corp. of America v. Universal City Studios, Inc.,* 464 U.S. 417 (1984). There, defendant Sony manufactured and sold home video tape recorders. *Id.* at 419. Plaintiffs Universal Studios and Walt Disney Productions held copyrights on various television programs that individual television-viewers had taped using the defendant's recorders. *Id.* at 419-20. The plaintiffs contended that this use of the recorders constituted copyright infringement for which the defendants should be held contributorily liable. *Id.* In ruling for the defendants, the Court discussed *Inwood* and the differences between contributory liability in trademark versus copyright law.

> If *Inwood*'s *narrow standard* for contributory trademark infringement governed here, [the plaintiffs'] claim of contributory infringement would merit little discussion. Sony certainly does not 'intentionally induce[ ]' its customers to make infringing uses of [the plaintiffs'] copyrights, nor does it supply its products to *identified individuals known by it* to be engaging in continuing infringement of [the plaintiffs'] copyrights.

Id. at 439 n. 19 (quoting *Inwood,* 456 U.S. at 855; emphases added).

[49] Thus, the Court suggested, had the *Inwood* standard applied in *Sony,* the fact that Sony might have known that some portion of the purchasers of its product used it to violate the copyrights of others would not have provided a sufficient basis for contributory liability. *Inwood*'s "narrow standard" would have required

knowledge by Sony of "identified individuals" engaging in infringing conduct. Tiffany's reading of *Inwood* is therefore contrary to the interpretation of that case set forth in *Sony.*

[50] Although the Supreme Court's observations in *Sony,* a copyright case, about the "knows or has reason to know" prong of the contributory trademark infringement test set forth in *Inwood* were dicta, they constitute the only discussion of that prong by the Supreme Court of which we are aware. We think them to be persuasive authority here.[12]

[51] Applying *Sony*'s interpretation of *Inwood,* we agree with the district court that "Tiffany's general allegations of counterfeiting failed to provide eBay with the knowledge required under *Inwood*." *Tiffany,* 576 F.Supp.2d at 511. Tiffany's demand letters and Buying Programs did not identify particular sellers who Tiffany thought were then offering or would offer counterfeit goods. *Id.* at 511-13.[13] And although the NOCIs and buyer complaints gave eBay reason to know that certain sellers had been selling counterfeits, those sellers' listings were removed and repeat offenders were suspended from the eBay site. Thus Tiffany failed to demonstrate that eBay was supplying its service to individuals who it knew or had reason to know were selling counterfeit Tiffany goods.

[52] Accordingly, we affirm the judgment of the district court insofar as it holds that eBay is not contributorially liable for trademark infringement.

3. Willful Blindness.

[53] Tiffany and its amici express their concern that if eBay is not held liable except when specific counterfeit listings are brought to its attention, eBay will have no incentive to root out such listings from its website. They argue that this will effectively require Tiffany and similarly situated retailers to police eBay's website—and many others like it—"24 hours a day, and 365 days a year." Council of Fashion Designers of America, Inc. Amicus Br. 5. They urge that this is a burden that most mark holders cannot afford to bear.

[54] First, and most obviously, we are interpreting the law and applying it to the facts of this case. We could not, even if we thought it wise, revise the existing law in order to better serve one party's interests at the expense of the other's.

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[12] In discussing *Inwood*'s "knows or has reason to know" prong of the contributory infringement test, *Sony* refers to a defendant's knowledge, but not to its constructive knowledge, of a third party's infringing conduct. *Sony,* 464 U.S. at 439 n. 19, 104 S.Ct. 774. We do not take the omission as altering the test *Inwood* articulates.

[13] The demand letters did say that eBay should presume that sellers offering five or more Tiffany goods were selling counterfeits, *id.* at 511, but we agree with the district court that this presumption was factually unfounded, *id.* at 511-12.

[55] But we are also disposed to think, and the record suggests, that private market forces give eBay and those operating similar businesses a strong incentive to minimize the counterfeit goods sold on their websites. eBay received many complaints from users claiming to have been duped into buying counterfeit Tiffany products sold on eBay. *Tiffany,* 576 F.Supp.2d at 487. The risk of alienating these users gives eBay a reason to identify and remove counterfeit listings.[14] Indeed, it has spent millions of dollars in that effort.

[56] Moreover, we agree with the district court that if eBay had reason to suspect that counterfeit Tiffany goods were being sold through its website, and intentionally shielded itself from discovering the offending listings or the identity of the sellers behind them, eBay might very well have been charged with knowledge of those sales sufficient to satisfy *Inwood*'s "knows or has reason to know" prong. *Tiffany,* 576 F.Supp.2d at 513-14. A service provider is not, we think, permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way. *See, e.g., Hard Rock Café,* 955 F.2d at 1149 ("To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate."); *Fonovisa,* 76 F.3d at 265 (applying *Hard Rock Café*'s reasoning to conclude that "a swap meet can not disregard its vendors' blatant trademark infringements with impunity").[15] In the words of the Seventh Circuit, "willful blindness is equivalent to actual knowledge for purposes of the Lanham Act." *Hard Rock Café,* 955 F.2d at 1149.[16]

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[14] At the same time, we appreciate the argument that insofar as eBay receives revenue from undetected counterfeit listings and sales through the fees it charges, it has an incentive to permit such listings and sales to continue.

[15] To be clear, a service provider is not contributorially liable under *Inwood* merely for failing to anticipate that others would use its service to infringe a protected mark. *Inwood,* 456 U.S. at 854 n. 13, 102 S.Ct. 2182 (stating that for contributory liability to lie, a defendant must do more than "reasonably anticipate" a third party's infringing conduct (internal quotation marks omitted)). But contributory liability may arise where a defendant is (as was eBay here) made aware that there was infringement on its site but (unlike eBay here) ignored that fact.

[16] The principle that willful blindness is tantamount to knowledge is hardly novel. *See, e.g. Harte-Hanks Commc'ns, Inc. v. Connaughton,* 491 U.S. 657, 659, 692, 109 S.Ct. 2678, 105 L.Ed.2d 562 (1989) (concluding in public-official libel case that "purposeful avoidance of the truth" is equivalent to "knowledge that [a statement] was false or [was made] with reckless disregard of whether it was false" (internal quotation marks omitted)); *United States v. Khorozian,* 333 F.3d 498, 504 (3d Cir.2003) (acting with willful blindness satisfies the intent requirement of the federal bank fraud statute); *Friedman v. Comm'r,* 53 F.3d 523, 525 (2d Cir.1995)

[57] eBay appears to concede that it knew as a general matter that counterfeit Tiffany products were listed and sold through its website. *Tiffany,* 576 F.Supp.2d at 514. Without more, however, this knowledge is insufficient to trigger liability under *Inwood.* The district court found, after careful consideration, that eBay was not willfully blind to the counterfeit sales. *Id.* at 513. That finding is not clearly erroneous.[17] eBay did not ignore the information it was given about counterfeit sales on its website.

[*The Court went on to find that eBay had not diluted Tiffany's marks and did not engage in false advertising*.]

Questions and Comments

1. The *Tiffany* court asserted that trademark law's contributory infringement doctrine "derives from the common law of torts." In *Probabilistic Knowledge of Third-Party Trademark Infringement*, 2011 STAN. TECH. L. REV. 10 (2011), Mark

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("The 'innocent spouse' exemption [from the rule that married couples who file a joint tax return are jointly and severally liable for any tax liability found] was not designed to protect willful blindness or to encourage the deliberate cultivation of ignorance."); *Mattingly v. United States,* 924 F.2d 785, 792 (8th Cir.1991) (concluding in civil tax fraud case that "the element of knowledge may be inferred from deliberate acts amounting to willful blindness to the existence of fact or acts constituting conscious purpose to avoid enlightenment."); *Morrow Shoe Mfg. Co. v. New England Shoe Co.,* 57 F. 685, 694 (7th Cir.1893) ("The mind cannot well avoid the conclusion that if they did not know of the fraudulent purposes of Davis it was because they were willfully blind. Such facility of belief, it has been well said, invites fraud, and may justly be suspected of being its accomplice."); *State Street Trust Co. v. Ernst,* 278 N.Y. 104, 112, 15 N.E.2d 416, 419 (1938) ("[H]eedlessness and reckless disregard of consequence [by an accountant] may take the place of deliberate intention.").

[17] Tiffany's reliance on the "flea market" cases, *Hard Rock Café* and *Fonovisa*, is unavailing. eBay's efforts to combat counterfeiting far exceeded the efforts made by the defendants in those cases. *See Hard Rock Café,* 955 F.2d at 1146 (defendant did not investigate any of the seizures of counterfeit products at its swap meet, even though it knew they had occurred); *Fonovisa,* 76 F.3d at 265 (concluding that plaintiff stated a claim for contributory trademark infringement based on allegation that swap meet "disregard[ed] its vendors' blatant trademark infringements with impunity"). Moreover, neither case concluded that the defendant was willfully blind. The court in *Hard Rock Café* remanded so that the district court could apply the correct definition of "willful blindness," 955 F.2d at 1149, and the court in *Fonovisa* merely sustained the plaintiff's complaint against a motion to dismiss, 76 F.3d at 260-61, 265.

McKenna argues that trademark contributory liability doctrine varies substantially from standard tort doctrine:

> [T]he secondary liability standard the Supreme Court articulated in *Inwood v. Ives* is a higher one than tort law employs. This is not particularly surprising, both because the Supreme Court didn't actually engage tort cases in developing the *Inwood* standard, and because, even if it had, the most analogous tort cases involve not secondary liability for the actions of third parties, but negligence claims for unreasonably exposing the plaintiff to harm. That is, if trademark secondary liability really derived from tort law, liability would exist in cases of probabilistic knowledge only when the defendant unreasonably failed to take precautions in the face of the known risk of infringement. Unreasonableness would be measured, as it generally is in tort cases, by evaluating the probability of harm to the plaintiff and the potential magnitude of that harm, and comparing the product to the cost of the foregone precautions.

Id. at 2. Who would benefit (for example, Tiffany or eBay?) if trademark law adopted this approach instead of the *Inwood v. Ives* approach to secondary liability?

In *Perfect 10, Inc. v. Visa Intern. Service Ass'n*, 494 F.3d 788 (9th Cir. 2007), the Ninth Circuit declined to hold credit card providers liable for providing payment services to websites that infringed the plaintiff's copyrights in pornographic images. Judge Kozinski dissented. *See id*. at 810 (Kozinski, J., "dissenting for the most part"). In the following opinion, the S.D.N.Y. had to decide whether to hold credit card providers liable for providing payment services to website operators that sold counterfeit merchandise.

Gucci America, Inc. v. Frontline Processing Corp.
721 F.Supp.2d 228 (S.D.N.Y. 2010)

HAROLD BAER, JR., District Judge:

[1] Gucci America, Inc. is a well-known manufacturer of luxury goods. The company holds a variety of trademarks in its products and designs, and invests substantial capital in ensuring that the marks maintain a reputation for quality. Seeking to capitalize on the popularity of Gucci products, certain internet merchants have sold "replica," counterfeit Gucci products that infringe Gucci marks at significantly lower prices and of lower quality. Gucci recently concluded a successful litigation against one such merchant that operated a website called TheBagAddiction.com. The owners of the website admitted that they sold counterfeit Gucci products to customers across the country through the website. In its continuing effort to root out and prevent infringement of its trademarks, Gucci

now brings suit against three entities, which while a step down in the "food chain," allegedly ensured that TheBagAddiction.com was able to sell these counterfeit products. These defendants allegedly established the credit card processing services used to complete the online sales of fake Gucci items. The three defendants have jointly moved to dismiss the case for lack of personal jurisdiction and for failure to state a claim. For the reasons that follow, the defendants' motion to dismiss is DENIED.

I. BACKGROUND

[2] Gucci America, Inc. ("Plaintiff" or "Gucci") is a New York company, with its principal place of business in New York City. Compl. ¶ 11. It is the sole, exclusive distributor in the United States of items labeled with the "Gucci Marks," including leather goods, jewelry, home products, and clothing. *Id.* The Gucci Marks are a series of marks—the Gucci name, the Gucci crest, the "non-interlocking GG monogram," the "repeating GG design," etc.—registered by Gucci with the United States Patent and Trademark Office. *See* Compl. ¶¶ 24–25 (reproduction of marks), Ex. 1 (Patent Office registration certificates). According to Plaintiff, the marks are well-known and recognizable in the United States and around the world. Gucci promotes the marks widely, and relies on "strict quality control standards" for its products, and as a result has achieved and retains a reputation for quality. *Id.* ¶ 28. The company spends hundreds of millions of dollars to advertise and promote its products and marks, and enjoys billions in sales of the Gucci products. "Based on the extensive sales of the Gucci [p]roducts and such products' wide popularity," claims Plaintiff, "the Gucci Marks have developed a secondary meaning and significance in the minds of the purchasing public, and the services and products utilizing and/or bearing such marks and names are immediately identified by the purchasing public with Plaintiff." *Id.* ¶ 30.

[3] This case arises out of Plaintiff's attempts to eliminate online sales of counterfeit products and the unauthorized use of the Gucci Marks. In *Gucci America, Inc., et al. v. Laurette Company, Inc., et al.,* No. 08 Civ. 5065(LAK), Gucci brought suit in this District against certain defendants, collectively known as the "Laurette Counterfeiters" or "Laurette," for the sale of counterfeit Gucci products on a website called "TheBagAddiction.com."[1] Through this website, the Laurette Counterfeiters sold a variety of "replica" luxury products, and, in particular, sold replica Gucci products under the Gucci name, with the various Gucci registered trademarks, and at fractions of the retail price for an authentic version. *See* Compl. ¶¶ 33–36 (describing and providing images of counterfeit Gucci products sold on

[1] *See* TheBagAddiction.com, http:// www. The Bag Addiction. com. This site can [no] longer be accessed because it was shut down following Gucci's lawsuit, but archived versions of the website can be browsed at The Internet Archive Wayback Machine. *See* http:// web. archive. org/ web/*/ http:// the bag addiction. com (last visited May 23, 2010).

TheBagAddiction.com). The website itself was replete with the use of the Gucci name and trademarks. *See id.* ¶ 41 (image of TheBagAddiction.com website). According to Plaintiff, the Laurette Counterfeiters "openly boasted" about the sale of counterfeit products, because the website expressly noted that the products were not authentic but rather "mirror images" of Gucci products. *See id.* ¶ 32. Though they are inferior in quality and workmanship, they appear to the naked eye to be similar if not identical to Gucci products. Gucci claims that, as a result of the sale of these counterfeit products, customers were deceived and misled "into believing that the products sold by the Laurette Counterfeiters on TheBagAddiction.com were authorized or sponsored by the Plaintiff." *Id.* ¶ 40. Eventually, Laurette consented to the entry of judgment and admitted liability for counterfeiting activities. According to Plaintiff, "the Laurette [c]ounterfeiters admitted ... that, without authorization or license ... they willfully and intentionally used, reproduced and/or copied the Gucci [m]arks in connection with their manufacturing, distributing, exporting, importing, advertising, marketing, selling and/or offering to sell their [c]ounterfeit [p]roducts." *Id.* ¶ 31.

[4] Plaintiff now seeks to bring the present action against three companies, Durango Merchant Services, Frontline Processing Corporation, and Woodforest National Bank,[2] who allegedly assisted the Laurette Counterfeiters and other similar website operators. Durango Merchant Services ("Durango") is a Wyoming corporation with its business address in Durango, Colorado. According to Defendants, Durango has only five employees, and has no offices, no employees, and no property located in New York. Durango's business is predicated on assisting merchants in setting up credit card processing services with institutions that provide credit card merchant accounts. Durango does business with New York-based companies, but maintains that this accounts for less than one percent of its revenue. Frontline Processing Corporation ("Frontline") is a Nevada corporation with its principal place of business in Bozeman, Montana. Frontline is a "nationwide provider of credit card processing and electronic payment services for merchants, banks, and sales agents," and is an "Independent Service Organization" and "Merchant Service Provider" with Visa and MasterCard, respectively. Compl. ¶ 58. Similar to Durango, Defendants claim that Frontline has no office, no employees, and no property in New York. A small minority of the businesses it has worked with maintain addresses in New York. Finally, Woodforest National Bank ("Woodforest") is a bank organized under the laws of the United States, with its business address in The Woodlands, Texas. Similar to Frontline, Woodforest also "provides certain credit card processing services." *Id.* ¶ 14. Like the other two defendants, Woodforest

[2] Gucci also brings suit against certain other "ABC Companies," unknown companies who engaged with the known defendants "in the manufacture, distribution, sale, and advertisement of [c]ounterfeit [p]roducts," Compl. ¶ 17, and "John Does," unknown individuals who also participated with the named defendants in the infringement and counterfeiting of Gucci products. *Id.* ¶ 18.

claims to have no New York offices or property in New York, while a small percentage of its business comes from New York-based clients. Gucci alleges that Woodforest provides some of its services through an affiliate with an office in New York, Merchants' Choice Card Services Corporation ("MCCS"), though Woodforest disputes the nature of the relationship.

[5] To understand the roles of the three defendants and their alleged liability, a summary explanation of the credit card transaction process is necessary. A customer will initiate the process when he or she purchases a product from the merchant with a credit card. Once the credit card information is "swiped" on a terminal, or entered on a website, the merchant terminal transmits an authorization request to the merchant's "acquiring bank," who in this case was Frontline and Woodforest. The acquiring bank sends the credit card request through an electronic network to the cardholder's issuing bank. Based on the cardholder's credit limit or other factors, the issuing bank will send a message back through the network to the acquiring bank, who forwards it back to the merchant, which states that the merchant should either approve or decline the transaction. If approved, the merchant will complete the transaction and the acquiring bank will credit the merchant's account with the appropriate amount of funds. This entire process typically takes a matter of seconds. Some days to months after the sale is completed, the acquiring bank will submit the transaction information to the issuing bank, which will seek payment from the cardholder and settle with the acquiring bank.

[6] Gucci's overarching theory of the case is that Durango arranged for web companies that sold counterfeit Gucci products to establish credit card processing services with companies like Woodforest and Frontline. These processors then provided the credit card services necessary for the sale of the faux Gucci items. The complaint focuses largely on the allegedly representative conduct of Defendants with the Laurette Counterfeiters. According to Plaintiff, Durango acted as an agent for the defendant credit card processing companies[3] to locate potential customers, including the Laurette Counterfeiters and other similar infringing online operations. Durango collected a referral fee for bringing together these online merchants with banks and companies like Frontline and Woodforest. Durango's website billed the company as specializing in services for "High Risk Merchant Accounts," including those who sell "Replica Products." Compl. ¶ 48. ***239** Gucci alleges that the Laurette Counterfeiters entered into a "Merchant Service Agreement" with Durango through one of its sales representatives, Nathan Counley and, through this relationship, "procur[ed] merchant accounts with credit card processing agencies, including Defendants Frontline and Woodforest." *Id.* ¶ 51. Gucci asserts that, through email

[3] Neither party has provided sufficiently clear terminology to describe Woodforest or Frontline. For the purposes of this opinion, terms like "acquiring bank" and "credit card processors" are intended to have the same meaning and do not imply anything about their services beyond what is alleged in the complaint.

and other documents, Durango was aware that TheBagAddiction.com sold counterfeit "replica" Gucci products and nevertheless chose to do business with them.

…

[7] Gucci maintains that the credit card processing services established by these three defendants was essential to the Laurette Counterfeiters' sale of counterfeit Gucci products. These services "facilitated the Laurette Counterfeiters ability to quickly and efficiently transact sales for [c]ounterfeit [p]roducts through their website by enabling customers to use personal credit cards to pay for purchases on TheBagAddiction.com." Compl. ¶ 87. Without credit card processing, Plaintiff claims, websites like TheBagAddiction.com could not operate or functionally exist. As such, Gucci believes that Durango, Frontline, and Woodforest are equally responsible for the infringement and counterfeiting engaged in by Laurette through their website. Based on these allegations, Plaintiff brings causes of action for (1) trademark infringement and counterfeiting under the Lanham Act, 15 U.S.C. §§ 1114, 1125, 1116, 1117; (2) contributory trademark infringement and counterfeiting pursuant to the Lanham Act; (3) vicarious liability for trademark infringement and counterfeiting under the Lanham Act; and (4) trademark infringement and unfair competition under New York state law, *see* N.Y. Gen. Bus. Law §§ 360–k, 360–o. Defendants jointly moved to dismiss these claims based on a purported lack of personal jurisdiction, and because Plaintiff has failed to state a claim, pursuant to Rule 12(b)(2) and (6) of the Federal Rules of Civil Procedure.

II. DISCUSSION

A. Personal Jurisdiction

[The court found personal jurisdiction over the defendants.]

B. Trademark Infringement Liability

1. Standard of review

[8] To survive a motion to dismiss, a plaintiff must "plead enough facts to state a claim to relief that is plausible on its face." *Bell Atl. Corp. v. Twombly,* 550 U.S. 544, 570, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007). A facially plausible claim is one where "the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Ashcroft v. Iqbal,* ––– U.S. ––––, 129 S.Ct. 1937, 1949 (2009). Where the court finds well-pleaded factual allegations, it should assume their veracity and determine whether they "plausibly give rise to an entitlement to relief." *Id.* at 1950. To decide the motion to dismiss, a court may consider "any written instrument attached to [the complaint] as an exhibit, materials incorporated in it by reference, and documents that, although not incorporated by reference, are 'integral' to the complaint." *Sira v. Morton,* 380 F.3d 57, 67 (2d Cir.2004) (internal citations omitted); *see also NewMarkets Partners LLC v. Oppenheim,* 638 F.Supp.2d 394, 404 (S.D.N.Y.2009). "[W]here the well-pleaded

facts do not permit the court to infer more than the mere possibility of misconduct," however, dismissal is appropriate. *Starr v. Sony BMG Music Entm't,* 592 F.3d 314, 321 (2d Cir.2010) (quoting *Iqbal,* 129 S.Ct. at 1950.).

[9] Pursuant to Section 32 of the Lanham Act, "the owner of a mark registered with the Patent and Trademark Office can bring a civil action against a person alleged to have used the mark without the owner's consent." *Tiffany, Inc. v. eBay Inc.,* 600 F.3d 93, 102 (2d Cir.2010) (quoting *ITC Ltd. v. Punchgini, Inc.,* 482 F.3d 135, 145–46 (2d Cir.2007)); *see also* 15 U.S.C. § 1114(1)(a). Gucci offers three theories of liability to hold Defendants accountable for the infringing sales of counterfeit products by others: direct, vicarious, and contributory liability.[4]

2. Direct and Vicarious Liability

[10] Gucci has not put forth sufficient factual allegations to support trademark infringement claims based on either direct or vicarious theories of liability. Direct liability for trademark infringement requires a valid mark entitled to protection under the Lanham Act, and that the defendant used the mark in commerce in connection with the sale or advertising of goods or services, without the plaintiff's consent. *1–800 Contacts, Inc. v. WhenU.Com, Inc.,* 414 F.3d 400, 406–07 (2d Cir. 2005) (internal quotations and citations omitted). In addition, Plaintiff must show that the Defendant's use of the mark is likely to cause confusion. *Id.* The problem for Gucci is that there is no indication that any of the defendants actually "used the mark in commerce." Knowledge alone of another party's sale of counterfeit or infringing items is insufficient to support direct liability, *see eBay,* 600 F.3d at 103, and there are otherwise no factual allegations that Durango, Woodforest, or Frontline themselves advertised or sold infringing goods.

[11] Gucci's allegations are also unable to support a claim for vicarious liability. Vicarious trademark infringement, a theory of liability considered elsewhere but not yet the subject of a decision by this Circuit, "requires a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product." *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.,* 955 F.2d 1143, 1150 (7th Cir.1992); *Perfect 10, Inc. v. Visa Intern. Serv. Ass'n,* 494 F.3d 788, 807 (9th Cir.2007); *see also Banff Ltd. v. Limited, Inc.,* 869 F.Supp. 1103, 1111 (S.D.N.Y.1994) (noting lack of consideration in Second Circuit). Though Gucci has raised a number of factual allegations that indicate that Defendants' services were crucial to a website like TheBagAddiction.com's sale of infringing goods, there is insufficient evidence to plausibly infer an actual or apparent partnership. The vague, puffery-like references to a "partnership" between these companies and website merchants are not enough to support vicarious liability. *See Louis Vuitton*

[4] Federal law and state common law infringement claims are analyzed identically. *See, e.g., eBay,* 600 F.3d at 102 n. 6.

Malletier, S.A. v. Akanoc Solutions, Inc., 591 F.Supp.2d 1098, 1113 (N.D.Cal.2008) ("off-hand references to customers as 'partners' is insufficient to exhibit the type of behavior and relationship that can be considered an actual or apparent partnership."). While Defendants may have sufficient control over the sale of counterfeit goods to support contributory liability, *see infra,* the facts alleged do not support an inference that they had the type of control over a company like Laurette as a whole, i.e. akin to joint ownership, necessary for vicarious liability.

3. Contributory Liability

[12] Gucci's only plausible theory of liability here is contributory trademark infringement. The Supreme Court has determined that liability can extend "beyond those who actually mislabel goods with the mark of another." *Inwood Lab., Inc. v. Ives Lab., Inc.,* 456 U.S. 844, 853 (1982).... As the Seventh Circuit noted, however, the Supreme Court's test for contributory liability is not as easily applied to service providers as it is to a manufacturer. *See Hard Rock,* 955 F.2d at 1148 ("it is not clear how the doctrine applies to people who do not actually manufacture or distribute the good that is ultimately palmed off as made by someone else"); *see also Tiffany Inc. v. eBay, Inc.,* 576 F.Supp.2d 463, 504 (S.D.N.Y.2008) (reversed on other grounds). While the "intentional inducement" prong of the *Inwood* test still applies, *see eBay,* 600 F.3d at 106, courts have crafted a slightly different test for service providers that "continue [ ] to supply its [services] to one whom it knows or has reason to know is engaging in trademark infringement." *Inwood,* 456 U.S. at 853. To avoid imputing liability on truly ancillary figures like a "temporary help service" that may set up a flea market stand for a counterfeiting merchant, *see Hard Rock,* 955 F.2d at 1148, courts in other circuits have determined that a plaintiff must also show "direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark." *See, e.g., Perfect 10,* 494 F.3d at 807; *Lockheed Martin Corp. v. Network Solutions, Inc.,* 194 F.3d 980, 984 (9th Cir.1999). While the Second Circuit has yet to directly contemplate the validity of this modified part of the *Inwood* test, I concur with Judge Sullivan that this is a "persuasive synthesis." *See eBay,* 576 F.Supp.2d at 505–06. As such, Gucci can proceed with its action against Defendants if it can show that they (1) intentionally induced the website to infringe through the sale of counterfeit goods or (2) knowingly supplied services to websites and had sufficient control over infringing activity to merit liability.

(a) Intentional Inducement

[13] A party can be held liable for trademark infringement if it intentionally induces another to engage in trademark infringement. With regards to the role played by Durango, Plaintiff's inducement theory is supported by sufficient factual allegations. Durango's website reaches out to "high risk merchant accounts," including those who sell "replica products." *Id.* ¶ 48. The website further boasts that 95% of merchant accounts are approved and that Durango "specialize[s] in hard to

acquire accounts." *See* Coyle Decl., Ex. 10 (printed copies of Durango website pages). Similar to the companies that promise the extension of credit or loans to those who are rejected by traditional lending institutions for having bad credit, Gucci's complaint suggests that Durango bills itself as a company that sets up a certain quality of business with credit card processing services that accept these "high risk" clients. These allegations can fairly be construed as Durango's attempt to induce less savory businesses, like those who sell counterfeit "replicas" of luxury goods. Moreover, Gucci alleges that Durango's sales representative, Nathan Counley, specifically discussed Laurette's difficulty in finding a credit card processor because they were "replica" merchants, which Gucci argues was synonymous on the internet for a counterfeiter.[5] Durango "communicated an inducing message to [its] ... users," and while there is of yet no evidence that they expressly sought out counterfeiters, Gucci has pled sufficient facts to infer that Durango crafted "advertisement[s] or solicitation[s] that broadcast[ ] a message designed to stimulate others to commit violations." *Perfect 10,* 494 F.3d at 801 (discussing contributory copyright infringement, but suggesting later that the analysis applies to trademark infringement as well). Finally, Gucci alleges that Counley and Durango helped the Laurette Counterfeiters set up a system to avoid chargebacks, which required customers to check a box that said "I understand these are replicas." This suggests "affirmative steps taken to foster infringement" or "that Defendants promoted their payment system as a means to infringe." *Id.* at 800–01.

[14] On the other hand, Gucci has failed to plausibly support a claim that either Woodforest or Frontline intentionally induced Laurette to sell counterfeit products. Durango, not Woodforest or Frontline, helped set up the Laurette Counterfeiters with credit card processing services. Though both companies allegedly advertised for high risk merchants, they did not bring Laurette to the table the way Durango allegedly did. Gucci notes that they both charged higher fees for processing high risk merchants, and that Frontline reviewed the language of the aforementioned acknowledgement of receipt of a replica product. These claims, however, are not enough to suggest that either Woodforest or Frontline took the affirmative steps necessary to foster infringement. *See Perfect 10,* 494 F.3d at 801.

[5] Defendants challenge the meaning of both "replica" and "high risk," and claim that both are much more innocuous terms than Gucci suggests. First, "replica" is in fact often used in conjunction, or interchangeably, with the term "counterfeit" in case law on trademark infringement. *See, e.g., Hermes Int'l v. Lederer de Paris Fifth Ave., Inc.,* 219 F.3d 104, 106 (2d Cir.2000) ("Appellees Lederer and Artbag sell replicas of various Hermès products"); *eBay,* 600 F.3d at 100 (Defendant internet auction house has disclaimer that it "does not tolerate" replicas); *Akanoc,* 591 F.Supp.2d at 1103 ("Plaintiff believes that each of them is a counterfeit replica of Plaintiff's products which infringe Plaintiff's copyrights and trademarks."). Second, the precise meaning of the term is a fact-specific issue that can be dealt with through discovery, and I may rely on Gucci's pleadings at this stage of the litigation.

(b) Control and knowledge

[15] Even if a defendant does not seek out and intentionally induce a third-party to commit trademark infringement, it may still be held liable for the infringement if it supplied services with knowledge or by willfully shutting its eyes to the infringing conduct, while it had sufficient control over the instrumentality used to infringe. *See eBay,* 576 F.Supp.2d at 505–06; *Perfect 10,* 494 F.3d at 807. Knowledge in this context means that "a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods ... [s]ome contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary." *eBay,* 600 F.3d at 107. A showing of willful blindness to this information is also sufficient. *Id.* at 109–10 ("When [a service provider] has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way.").

[16] Here, Gucci has made substantial factual allegations about the knowledge of all three defendants. These allegations at the very least provide a strong inference that each knew that Laurette traded in counterfeit products, or were willfully blind to that fact. As described previously, Durango allegedly held itself out to high risk replica merchants. Its sales agent, Counley, traded emails with the Laurette Counterfeiters who expressly told him that they were unable to get credit card services because they sold "replica" items. Counley later wrote back to say he had found a U.S. bank that "can do replica accounts now." Compl. ¶ 54. Surely, a connection between an inability to get the services needed to transact goods online and the sale of replicas should have attracted Durango's attention.

[17] Frontline likewise is alleged to have sufficient knowledge of trademark infringement by the Laurette Counterfeiters. According to Gucci, Laurette completed an application to obtain Frontline's services, and Nathan Counley, though a Durango employee, is listed as Frontline's sales agent. Counley "acted as Frontline's agent in soliciting and directing credit card processing business from replica merchants like the Laurette Counterfeiters" and therefore Frontline may be charged with his knowledge, including his understanding of Laurette's difficulty to obtain services for selling replicas. Compl. ¶ 56. Gucci alleges that the "replica acknowledgment" described above that was created for the Laurette website with Counley's assistance was also reviewed by Frontline, who made suggestions as to where they should place this warning on the website. Even more significantly, Frontline allegedly performed its own investigation of products sold through TheBagAddiction.com as part of Frontline's chargeback reviews. When faced with a chargeback, Gucci claims that Frontline received supporting documentation from Laurette that included information about the specific item ordered, including a description of the item purchased. Not only did Frontline allegedly review the specific item description, Plaintiff also claims that the relatively small price tag for the item, as well as specific

complaints from customers who made chargebacks about not receiving what the website purported to sell, e.g. a product made of genuine leather, should have alerted Frontline that these were infringing products. These fact-specific claims are enough to at least infer that Frontline knew or consciously avoided knowing that the counterfeit products were sold on TheBagAddiction.com

[18] Gucci claims that Woodforest's situation is similar to Frontline. As was the case with Frontline, Counley represented himself on Laurette's application as Woodforest's sales agent. *See* Compl. ¶ 72. The application itself said that Laurette was a "wholesale/retail designer [of] handbags," and listed the supplier as a Chinese bag manufacturer rather than Gucci. *See* Compl., Ex. 6. Gucci also claims that Woodforest specifically reviewed the website and the products listed on it as part of its initial decision to do business with Laurette. A Woodforest employee allegedly completed an "Internet Merchant Review Checklist," which required him or her to review the website and confirm whether it contained a complete description of the goods offered. *See* Compl. ¶ 75. Based on these claims and the website images provided by Plaintiff, even a cursory review of the TheBagAddiction.com would indicate that they claimed to sell replica Gucci products. Indeed, Plaintiff alleges that Woodforest printed out a number of pages that displayed goods that were for sale, including counterfeit Gucci products, and maintained these pages as part of their business records. Woodforest would also perform a second-level review, performed repeatedly after it accepted the business, where an employee would complete a purchase and request a refund. Finally, like Frontline, Woodforest investigated chargeback disputes and received supporting documentation that allegedly should have tipped them off to the infringing conduct. These claims are more than sufficient to suggest, at this stage of the litigation, that Woodforest knew or shielded themselves from the knowledge that Laurette was selling counterfeit Gucci products with their credit card processing system.

[19] The most significant dispute between the parties with regard to contributory liability is whether any or all of the Defendants had sufficient control over Laurette and TheBagAddiction.com website to render them liable for the web merchant's counterfeiting practices. As noted above, the control element was incorporated by the Seventh Circuit to establish a limiting principle that would exclude those service providers that do not really contribute to the infringing conduct; this Circuit has yet to directly consider the merits or contours of this modified form of the *Inwood* test. *See eBay,* 600 F.3d at 105–06 (noting control element but "assum[ing] without deciding that *Inwood* 's test for contributory trademark infringement governs"). Although the concept of control arose out of the flea market context and is based on common law landlord-tenant tort principles, *see Hard Rock,* 955 F.2d at 1149–50, the concept of control is not limited to that context. *Inwood* "laid down no limiting principle that would require defendant to be a manufacturer or distributor," and "whether the venue is online or in brick and mortar is immaterial." *eBay,* 576 F.Supp.2d at 505; *see also Fonovisa, Inc. v. Cherry Auction, Inc.,* 76 F.3d 259, 265 (9th Cir.1996); *Lockheed Martin,* 194 F.3d at 984. The

only relevant inquiry is the "extent of control ... over the third party's means of infringement," *eBay,* 576 F.Supp.2d at 505; *Lockheed Martin,* 194 F.3d at 984, and courts have found sufficient control in an array of service contexts. *See, e.g., eBay,* 576 F.Supp.2d at 505 (online auction house); *Cartier Intern. B.V. v. Liu,* No. 02 Civ. 7926, 2003 WL 1900852, at *3 (S.D.N.Y.2003) (company that shipped goods for counterfeiter); *Akanoc,* 591 F.Supp.2d at 1112 (internet service provider).

[20] Here, Plaintiff provides sufficient factual allegations to establish a claim that Woodforest and Frontline had some control over the directly infringing third-party, but fails to provide enough facts to show control on the part of Durango. Though Gucci has made an adequate showing of intentional inducement by Durango, there is little indication that they had much control over the website's sales process. Durango appears to be the veritable middleman in this case. Though there allegedly was an ongoing relationship between Durango and the Laurette Counterfeiters, Gucci provides little indication that once Laurette received services from Frontline and Woodforest, Durango had any particular ability to stop or prohibit sales. Plaintiff's allegations suggest both inducement and knowledge, but "procuring merchant accounts with credit card processing agencies," Compl. ¶ 51, does not demonstrate that Durango could thereafter prevent the sale of any or all of the counterfeit products.

[21] In contrast, Gucci's complaint indicates that Frontline and Woodforest's credit card processing services are a necessary element for the transaction of counterfeit goods online, and were essential to sales from TheBagAddiction.com. Although other methods of online payment exist, such as online escrow-type services like PayPal,[6] generally speaking "credit cards serve as the primary engine of electronic commerce." *Perfect 10,* 494 F.3d at 794. Indeed, Gucci points out that Durango's website claims that "9 out of 10 people use a credit card for their online orders." Compl. ¶ 3. As such, without the credit card processing operation set up by these two defendants, Gucci alleges that TheBagAddiction.com would largely have been unable to sell its counterfeit Gucci products. They further support this claim with an affidavit by one of the website owners, who states that "[a]pproximately 99% of payments from my customers were made using credit cards." Kirk Decl. ¶ 1. Both Frontline and Woodforest processed transactions for cardholders with major credit card institutions—Visa, MasterCard, and so forth—and, according to Gucci, Laurette sold over $500,000 in counterfeit products "during the time they utilized Defendants' merchant bankcard services." Compl. ¶ 44. By processing these transactions, both companies allegedly earned significant revenue from the transaction fees they charged. Put another way, "[t]hey knowingly provide a financial bridge between buyers and sellers of [counterfeit products], enabling them to consummate infringing transactions, while making a profit on every sale." *Perfect*

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[6] *See* PayPal, https:// www. paypal. com (last visited May 26, 2010).

10, 494 F.3d at 810–11 (Kozinski, J., dissenting).[7] Though both Frontline and Woodforest insist they are middlemen with no ability to prevent a transaction, they do not dispute that they could have simply refused to do business with "replica" internet merchants, just like the flea market purveyor who refuses to provide a booth to a counterfeiter. *See* Compl. ¶¶ 87–89 (Woodforest and Frontline "facilitated the Laurette Counterfeiters ability to quickly and efficiently transact sales for Counterfeit Products through their website by enabling customers to use personal credit cards to pay for purchases on TheBagAddiction.com"). According to one of the website operators, "[i]f I did not receive an approval for a credit card charge, I would not ship the customer's order." Kirk Decl. ¶ 2. These allegations indicate that the infringing products "are delivered to the buyer only after defendants approve the transaction ... This is not just an economic incentive for infringement; it's an essential step in the infringement process." *Perfect 10,* 494 F.3d at 811–12 (Kozinski, J., dissenting).

[22] Frontline and Woodforest insist that these allegations are insufficient because they do not allege direct or complete control over the website itself. However, the ability to literally shut down the website is not needed given the facts of this case. The circuits that have considered this issue look for control and monitoring over the "instrumentality used ... to infringe the plaintiff's mark." *Perfect 10,* 494 F.3d at 807. Based on Gucci's claims, the instrumentality in this case is the combination of the website and the credit card network, since both are allegedly necessary elements for the infringing act—the sale and distribution of the counterfeit good.[8] Defendants' rely on the fact that, in *Perfect 10,* the Ninth Circuit declined to hold certain credit card processors liable for a website's trademark infringement. There, however, the infringing conduct was the publication *on the website* of trademarked images of nude models, and the distribution occurred via individuals viewing and taking the image directly from the website. *See Perfect 10,* 494 F.3d at 796 ("the infringement rests on the reproduction, alteration, display and distribution of Perfect 10's images over the internet"); *Perfect 10, Inc. v. Visa Inter. Serv. Assoc.,* No. C 04–00371, 2004 WL 3217732 (N.D.Cal. Dec. 3, 2004) ("Plaintiff alleges that a number of websites routinely and illicitly publish Plaintiff's images-and thereby infringe."). Plaintiff in that case failed or perhaps was unable to allege that the credit card service providers had the "power to remove infringing material" or "directly stop their distribution" because the infringement occurred on the

[7] Judge Kozinski's analysis, like that of the majority in *Perfect 10,* is largely set in the context of copyright infringement. However, he later states that his dissent on trademark infringement is based on "precisely the same reasons." *Perfect 10,* 494 F.3d at 822.

[8] Indeed, Frontline and Woodforest's credit card processing system were likely integrated to some degree, since some sort of credit card "portal" necessarily had to be embedded in the website for a customer to make a purchase.

website itself and a credit card transaction was not needed for the website to continue to infringe. *See Perfect 10,* 494 F.3d at 807. This is not the case here.

[23] Rather, Gucci's allegations indicate that they are concerned primarily with the sale of tangible counterfeit goods to customers around the country, which allegedly could not be accomplished without Woodforest and Frontline's ability to process the credit card-based purchases. In the words of the Supreme Court, these defendants "furnish[ed] the means of consummating" the trademark infringement. *See eBay,* 600 F.3d at 104 (quoting *William R. Warner & Co. v. Eli Lilly & Co.,* 265 U.S. 526, 530, 44 S.Ct. 615, 68 L.Ed. 1161 (1924)). While in *Perfect 10* the credit card services may not have been needed for a website to display infringing photographs, the infringement here occurred through the sale of the counterfeit products. "It's not possible to distribute by sale without receiving compensation, so payment is in fact part of the infringement process." *Perfect 10,* 494 F.3d at 814 (Kozinski, J., dissenting). This action resembles cases with defendants who helped consummate infringing transactions by delivering the counterfeit or infringing goods to the customer. In *Getty Petroleum Corp. v. Aris Getty, Inc.,* the First Circuit found a defendant common carrier contributorily liable because it delivered unbranded gasoline to gas stations it knew would re-sell the gasoline under the Getty brand name. *See* 55 F.3d 718, 719 (1st Cir.1995). Lack of title to the gasoline did not matter; the defendant "supplied[ ] an essential factor-physical possession of the property to which the trademark was to be attached." *Id.* at 720. Similarly, these defendants allegedly provided an "essential factor" to the infringement because the goods could not be sold and shipped without their credit card services. "[I]t makes no difference that defendants control only the means of payment, not the mechanics of transferring the material ... In a commercial environment, distribution and payment are ... like love and marriage-you can't have one without the other. If cards don't process payments, pirates don't deliver booty." *Perfect 10,* 494 F.3d at 818 (Kozinski, J., dissenting). If, as Gucci alleges, the Laurette website was functionally dependent upon Woodforest and Frontline's credit card processing services to sell counterfeit Gucci products, it would be sufficient to demonstrate the control needed for liability. * * *

[24] Gucci has sufficiently alleged facts to support personal jurisdiction and its trademark claims against Durango, Woodforest, and Frontline. Although Plaintiff has not sufficiently pled facts to support either direct or vicarious theories of liability, claims against all three defendants may proceed based on a contributory liability theory. The factual allegations are sufficient to infer that Durango intentionally induced trademark infringement, and that Woodforest and Frontline exerted sufficient control over the infringing transactions and knowingly provided its services to a counterfeiter.

III. CONCLUSION

[25] For the foregoing reasons, Defendant's motion to dismiss is DENIED.

SO ORDERED.

III. Defenses to Trademark Infringement and Related Limitations on Trademark Rights

A. Descriptive Fair Use

In a typical descriptive fair use situation, the plaintiff uses a term as a trademark (e.g., SWEETARTS for candy) that the defendant also uses merely to describe its own goods (e.g., "sweet-tart" to describe the taste of OCEAN SPRAY cranberry juice). *See Sunmark, Inc. v. Ocean Spray Cranberries, Inc*., 64 F.3d 1055 (7th Cir. 1995) (finding defendant's descriptive, non-trademark use of the term "sweet-tart" to be a descriptive fair use). The affirmative defense of descriptive fair use (sometimes called "classic" fair use) is based on Lanham Act § § 33(b)(4), 15 U.S.C. § 1115(b)(4), which establishes a defense to trademark infringement on the ground:

> (4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin;

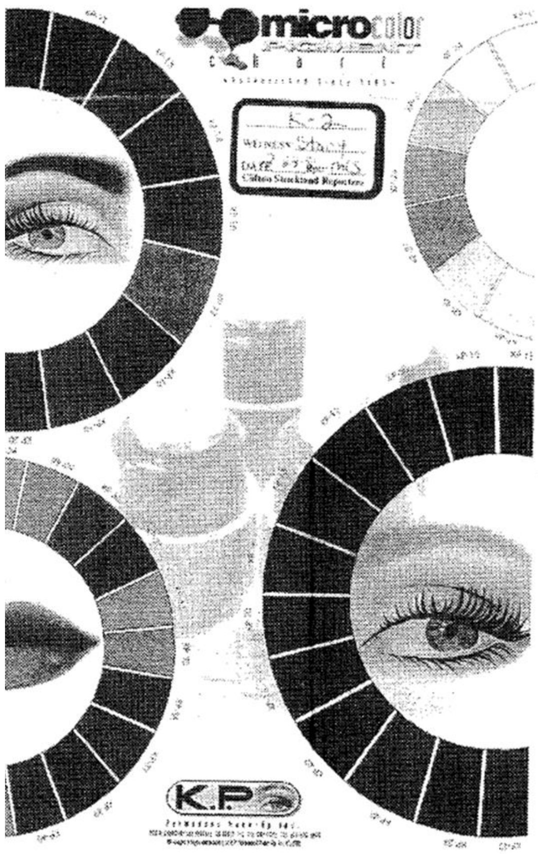
We begin our review of descriptive fair use in Part III.A.1 with *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc*., 543 U.S. 111 (2004). *KP Permanent* does not apparently set forth any specific test that the circuits should apply to adjudicate a descriptive fair use claim. The opinion is included here primarily because of the importance of the Court's clear holding that in determining descriptive fair use, a court may find the defendant's conduct to be a descriptive fair use even if that conduct causes some degree of consumer confusion as to source.

We then turn In Part III.A.2 to the basic three-step test that most courts apply to evaluate a claim of descriptive fair use.

1. Descriptive Fair Use and Consumer Confusion

In *KP Permanent*, the declaratory plaintiff used the term "microcolor" in advertisements for its "permanent makeup" (shown below on the left). The defendant had previously registered the trademark MICRO COLORS at the PTO (on the right). In the excerpt that follows, the Supreme Court finally overruled the Ninth

Circuit's bizarre doctrine that any likelihood of consumer confusion defeats a defense of descriptive fair use.



KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.
543 U.S. 111 (2004)

SOUTER, J., delivered the opinion of the Court, in which REHNQUIST, C.J., and STEVENS, O'CONNOR, KENNEDY, THOMAS, and GINSBURG, JJ., joined, in which SCALIA, J., joined as to all but footnotes 4 and 5 [footnotes 1 and 2 in this excerpt], and in which BREYER, J., joined as to all but footnote 6 [footnote 3 in this excerpt].

…

[1] On appeal, 328 F.3d 1061 (2003), the Court of Appeals for the Ninth Circuit thought it was error for the District Court to have addressed the fair use defense without delving into the matter of possible confusion on the part of consumers about the origin of KP's goods. The reviewing court took the view that no use could be recognized as fair where any consumer confusion was probable, and although the court did not pointedly address the burden of proof, it appears to have placed it on KP to show absence of consumer confusion. *Id.*, at 1072 ("Therefore, KP can only

benefit from the fair use defense if there is no likelihood of confusion between KP's use of the term 'micro color' and Lasting's mark"). Since it found there were disputed material facts relevant under the Circuit's eight-factor test for assessing the likelihood of confusion, it reversed the summary judgment and remanded the case.

[2] We granted KP's petition for certiorari, 540 U.S. 1099 (2004), to address a disagreement among the Courts of Appeals on the significance of likely confusion for a fair use defense to a trademark infringement claim, and the obligation of a party defending on that ground to show that its use is unlikely to cause consumer confusion. Compare 328 F.3d, at 1072 (likelihood of confusion bars the fair use defense); *PACCAR Inc. v. TeleScan Technologies, L.L.C.,* 319 F.3d 243, 256 (C.A.6 2003) ("[A] finding of a likelihood of confusion forecloses a fair use defense"); and *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.,* 698 F.2d 786, 796 (C.A.5 1983) (alleged infringers were free to use words contained in a trademark "in their ordinary, descriptive sense, so long as such use [did] not tend to confuse customers as to the source of the goods"), with *Cosmetically Sealed Industries, Inc. v. Chesebrough–Pond's USA Co.,* 125 F.3d 28, 30–31 (C.A.2 1997) (the fair use defense may succeed even if there is likelihood of confusion); *Shakespeare Co. v. Silstar Corp. of Am., Inc.,* 110 F.3d 234, 243 (C.A.4 1997) ("[A] determination of likely confusion [does not] preclud[e] considering the fairness of use"); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.,* 64 F.3d 1055, 1059 (C.A.7 1995) (finding that likelihood of confusion did not preclude the fair use defense). We now vacate the judgment of the Court of Appeals.

II

A.

…

[3] Two points are evident [from this review of the relevant statutory sections]. Section 1115(b) places a burden of proving likelihood of confusion (that is, infringement) on the party charging infringement even when relying on an incontestable registration. And Congress said nothing about likelihood of confusion in setting out the elements of the fair use defense in § 1115(b)(4).

[4] Starting from these textual fixed points, it takes a long stretch to claim that a defense of fair use entails any burden to negate confusion. It is just not plausible that Congress would have used the descriptive phrase "likely to cause confusion, or to cause mistake, or to deceive" in § 1114 to describe the requirement that a markholder show likelihood of consumer confusion, but would have relied on the phrase "used fairly" in § 1115(b)(4) in a fit of terse drafting meant to place a defendant under a burden to negate confusion. "'[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.'" *Russello v. United States,* 464 U.S. 16, 23

(1983) (quoting *United States v. Wong Kim Bo,* 472 F.2d 720, 722 (C.A.5 1972); alteration in original).[1]

[5] Nor do we find much force in Lasting's suggestion that "used fairly" in § 1115(b)(4) is an oblique incorporation of a likelihood-of-confusion test developed in the common law of unfair competition. Lasting is certainly correct that some unfair competition cases would stress that use of a term by another in conducting its trade went too far in sowing confusion, and would either enjoin the use or order the defendant to include a disclaimer. See, *e.g., Baglin v. Cusenier Co.,* 221 U.S. 580, 602 (1911) ("[W]e are unable to escape the conclusion that such use, in the manner shown, was to serve the purpose of simulation ..."); *Herring–Hall–Marvin Safe Co. v. Hall's Safe Co.,* 208 U.S. 554, 559 (1908) ("[T]he rights of the two parties have been reconciled by allowing the use, provided that an explanation is attached"). But the common law of unfair competition also tolerated some degree of confusion from a descriptive use of words contained in another person's trademark. See, *e.g., William R. Warner & Co. v. Eli Lilly & Co.,* 265 U.S. 526, 528 (1924) (as to plaintiff's trademark claim, "[t]he use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product"); *Canal Co. v. Clark,* 13 Wall. 311, 327, 20 L.Ed. 581 (1872) ("Purchasers may be mistaken, but they are not deceived by false representations, and equity will not enjoin against telling the truth"); see also 3 L. Altman, Callmann on Unfair Competition, Trademarks and Monopolies § 18:2, pp. 18–8 to 18–9, n. 1 (4th ed.2004) (citing cases). While these cases are consistent with taking account of the likelihood of consumer confusion as one consideration in deciding whether a use is fair, see Part II–B, *infra,* they do not stand for the proposition that an assessment of confusion alone may be dispositive. Certainly one cannot get out of them any defense burden to negate it entirely.

[6] Finally, a look at the typical course of litigation in an infringement action points up the incoherence of placing a burden to show nonconfusion on a defendant. If a plaintiff succeeds in making out a prima facie case of trademark infringement, including the element of likelihood of consumer confusion, the defendant may offer rebutting evidence to undercut the force of the plaintiff's evidence on this (or any) element, or raise an affirmative defense to bar relief even if the prima facie case is sound, or do both. But it would make no sense to give the defendant a defense of showing affirmatively that the plaintiff cannot succeed in proving some element

[1] Not only that, but the failure to say anything about a defendant's burden on this point was almost certainly not an oversight, not after the House Subcommittee on Trademarks declined to forward a proposal to provide expressly as an element of the defense that a descriptive use be "'[un]likely to deceive the public.'" Hearings on H.R. 102 et al. before the Subcommittee on Trade–Marks of the House Committee on Patents, 77th Cong., 1st Sess., 167–168 (1941) (hereinafter Hearings) (testimony of Prof. Milton Handler).

(like confusion); all the defendant needs to do is to leave the factfinder unpersuaded that the plaintiff has carried its own burden on that point. A defendant has no need of a court's true belief when agnosticism will do. Put another way, it is only when a plaintiff has shown likely confusion by a preponderance of the evidence that a defendant could have any need of an affirmative defense, but under Lasting's theory the defense would be foreclosed in such a case. "[I]t defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant." *Shakespeare Co. v. Silstar Corp.,* 110 F.3d, at 243. Nor would it make sense to provide an affirmative defense of no confusion plus good faith, when merely rebutting the plaintiff's case on confusion would entitle the defendant to judgment, good faith or not.

…

B

[7] Since the burden of proving likelihood of confusion rests with the plaintiff, and the fair use defendant has no free-standing need to show confusion unlikely, it follows (contrary to the Court of Appeals's view) that some possibility of consumer confusion must be compatible with fair use, and so it is. The common law's tolerance of a certain degree of confusion on the part of consumers followed from the very fact that in cases like this one an originally descriptive term was selected to be used as a mark, not to mention the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first. *Canal Co. v. Clark,* 13 Wall., at 323–324, 327. The Lanham Act adopts a similar leniency, there being no indication that the statute was meant to deprive commercial speakers of the ordinary utility of descriptive words. "If any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase." *Cosmetically Sealed Industries, Inc. v. Chesebrough–Pond's USA Co.,* 125 F.3d, at 30. See also *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.,* 469 U.S. 189, 201 (1985) (noting safeguards in Lanham Act to prevent commercial monopolization of language); *Car–Freshner Corp. v. S.C. Johnson & Son, Inc.,* 70 F.3d 267, 269 (C.A.2 1995) (noting importance of "protect[ing] the right of society at large to use words or images in their primary descriptive sense").[2] This right to describe is the reason that descriptive terms qualify for registration as trademarks only after taking on secondary meaning as "distinctive of the applicant's goods," 15 U.S.C. § 1052(f), with the registrant getting an exclusive right not in the original, descriptive sense, but only in the secondary one associated with the markholder's goods, 2 McCarthy, *supra,* § 11:45, p. 11–90 ("The only aspect of the mark which is

[2] See also Hearings 72 (testimony of Wallace Martin, Chairman, American Bar Association Committee on Trade–Mark Legislation) ("Everybody has got a right to the use of the English language and has got a right to assume that nobody is going to take that English language away from him").

given legal protection is that penumbra or fringe of secondary meaning which surrounds the old descriptive word").

[8] While we thus recognize that mere risk of confusion will not rule out fair use, we think it would be improvident to go further in this case, for deciding anything more would take us beyond the Ninth Circuit's consideration of the subject. It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair. Two Courts of Appeals have found it relevant to consider such scope, and commentators and *amici* here have urged us to say that the degree of likely consumer confusion bears not only on the fairness of using a term, but even on the further question whether an originally descriptive term has become so identified as a mark that a defendant's use of it cannot realistically be called descriptive. See *Shakespeare Co. v. Silstar Corp.,* 110 F.3d, at 243 ("[T]o the degree that confusion is likely, a use is less likely to be found fair ..." (emphasis deleted)); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.,* 64 F.3d, at 1059; Restatement § 28; Brief for American Intellectual Property Law Association as *Amicus Curiae* 13–18; Brief for Private Label Manufacturers Association as *Amicus Curiae* 16–17; Brief for Society of Permanent Cosmetic Professionals et al. as *Amici Curiae* 8–11.

[9] Since we do not rule out the pertinence of the degree of consumer confusion under the fair use defense, we likewise do not pass upon the position of the United States, as *amicus,* that the "used fairly" requirement in § 1115(b)(4) demands only that the descriptive term describe the goods accurately. Tr. of Oral Arg. 17. Accuracy of course has to be a consideration in assessing fair use, but the proceedings in this case so far raise no occasion to evaluate some other concerns that courts might pick as relevant, quite apart from attention to confusion. The Restatement raises possibilities like commercial justification and the strength of the plaintiff's mark. Restatement § 28. As to them, it is enough to say here that the door is not closed.

III

[10] In sum, a plaintiff claiming infringement of an incontestable mark must show likelihood of consumer confusion as part of the prima facie case, 15 U.S.C. § 1115(b), while the defendant has no independent burden to negate the likelihood of any confusion in raising the affirmative defense that a term is used descriptively, not as a mark, fairly, and in good faith, § 1115(b)(4).

[11] Because we read the Court of Appeals as requiring KP to shoulder a burden on the issue of confusion, we vacate the judgment and remand the case for further proceedings consistent with this opinion.[3]

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[3] The record indicates that on remand the courts should direct their attention in particular to certain factual issues bearing on the fair use defense, properly applied. The District Court said that Lasting's motion for summary adjudication conceded

2. The Three-Step Test for Descriptive Fair Use

Dessert Beauty, Inc. v. Fox
568 F.Supp.2d 416 (S.D.N.Y. 2008)

CHIN, District Judge:

[1] At the heart of this litigation are two words: "love potion." Defendant and third-party plaintiff Mara Fox registered the trademark LOVE POTION for perfumed essential oils in 1995 and filed a declaration of incontestability for the LOVE POTION mark in 2001. In 2004, plaintiff Dessert Beauty, Inc. ("DBI") launched a line of beauty products that included two fragrance products described as "love potion fragrance" and "belly button love potion fragrance." At issue is whether DBI's use of the words "love potion" infringed Fox's LOVE POTION trademark, or whether the use was fair use, immune from liability.

[2] DBI seeks a declaratory judgment that it did not violate Fox's trademark; it also seeks to cancel the LOVE POTION trademark registration on the ground that it is generic….

[3] The parties cross-move for summary judgment. For the reasons that follow, I conclude that DBI's use of "love potion" constituted fair use. Thus, DBI's motion is granted to the extent that judgment will be entered declaring that DBI did not engage in trademark infringement….

BACKGROUND

A. The Facts

[4] The following facts are drawn from affidavits, attached exhibits, and deposition testimony submitted by the parties. For purposes of these cross-motions, the facts are construed in the light most favorable to Fox, except with respect to DBI's intentional interference with business relations claim.

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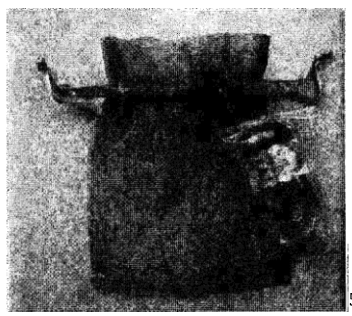
that KP used "microcolor" descriptively and not as a mark. Case No. SA CV 00–276–GLT (EEx), at 8, App. to Pet. for Cert. 29a. We think it is arguable that Lasting made those concessions only as to KP's use of "microcolor" on bottles and flyers in the early 1990's, not as to the stylized version of "microcolor" that appeared in KP's 1999 brochure. See Opposition to Motion for Summary Judgment/Adjudication in Case No. SA CV 00–276–GLT (EEx) (CD Cal.), pp. 18–19; Appellants' Opening Brief in No. 01–56055(CA9), pp. 31–32. We also note that the fair use analysis of KP's employment of the stylized version of "microcolor" on its brochure may differ from that of its use of the term on the bottles and flyers.

1. Fox's Love Potion Perfume

[5] Fox created the "Love Potion Perfume" in 1990. In 1995, she registered the words "love potion" for "perfumed essential oils for personal use" with the U.S. Patent and Trademark Office ("USPTO"). In 2001, Fox filed a declaration of incontestability with the USPTO for the mark LOVE POTION.

[6] Fox concocted the Love Potion Perfume for a friend who "was having no luck in finding a relationship." According to Fox's website www.lovepotionperfume.com, entitled "Love Potion: Magickal Perfumerie & Gift Shoppe," her Love Potion Perfume is the "first Magical, Mystical, Wearable Love Potion," "[c]omprised from Ancient Aphrodisiac Recipes." Fox claims that she uses "the strongest ingredients known to inspire feelings of Love, Lust, Passion and Desire" and that her Love Potion Perfume "REALLY IS A *Love Potion.*"

[7] The Love Potion Perfumes are sold in a clear bottle and packaged in a clear plastic bag and an organza[4] pouch:


[5]

A label with the words "Love Potion Perfume" is affixed to the bottle.

2. DBI's Beauty Products

[8] In 2004, DBI launched a line of beauty products that were endorsed by celebrity Jessica Simpson. As part of DBI's advertising and marketing campaign, Simpson told the story that "every time [her then husband] would kiss [her] lips or skin, he would taste [her] lipstick, body lotion, and perfume—and hate it." Thus, the DBI products were created to "smell and taste good" and were advertised as "lickable, tasteable, and ... kissable." Products such as the "Whipped Body Cream with Candy Sprinkles," "Chocolicious Body Gloss," and "Powdered Sugar Body Shimmer" were named after ingredients used to make desserts to suggest their "edible nature."

[9] In a catalogue entitled "Menu," DBI listed its products available in the Dessert Beauty line, such as "Bath Bubbles" and "Sugar Scrub." Two fragrance

[4] "Organza" is a "sheer, stiff fabric of silk or synthetic material." *The American Heritage Dictionary* 876 (2d College Ed.1991).

[5] [This is the image as-is from the federal opinion].

products are included. The "Love Potion Fragrance" was offered in three varieties: "Creamy, Juicy & Dreamy." The "Belly Button Love Potion Fragrance," offered in "Creamy" and "Juicy," was intended to be applied to the navel and sold in a "roll-on" container. The packages and bottles referred to the fragrance products as the "deliciously kissable love potion fragrance" or the "deliciously kissable belly button love potion."

[10] DBI's trademark was DESSERT, which was indicated as such by the trademark symbol "TM" next to the word "Dessert" on all of its packaging and advertising materials. Its logo consisted of a pink lipstick stain and the mark DESSERT inside a black circle. Beneath the circle was the phrase "Sexy Girls Have Dessert" in script. The DESSERT trademark, in conjunction with the lipstick stain logo and catch phrase (the DBI "indicia"), was displayed prominently on every DBI product and used in all advertising materials.

3. Fox's Actions to Protect Her Trademark

[11] Fox's lawyer routinely issued cease and desist letters to manufacturers and retailers that sold perfume products containing the term "love potion." The record contains approximately 80 such letters sent to different vendors between 2000 and 2006.

[12] After learning in April 2004 that DBI was using the words "love potion" for its fragrance products, Fox's lawyer demanded that Randi Schinder, co-creator of the Dessert Beauty products, and David Suliteanu, president of Sephora USA LLC, "[c]ease and desist from any further use of the [LOVE POTION] mark" and "[p]rovide an accounting of any and all sales made to date." DBI's lawyer, on behalf of both DBI and Sephora, responded in a letter dated April 23, 2004, stating that DBI's "use of the term 'love potion' is fair use within § 33(b)(4) of the Lanham Act." After exchanging several letters regarding whether DBI's use of "love potion" was fair use, DBI voluntarily agreed to "cease and desist from the use of the term 'love potion,'" "change its website as soon as possible," and "delete the term 'love potion' from all bottles, packaging and advertising." DBI steadfastly maintained, however, that its "use of 'love potion' in phrases like 'deliciously kissable love potion fragrance' [was] merely descr[i]ptive." Despite DBI's agreement not to use "love potion," the parties continued to dispute the sufficiency of DBI's actions in removing the words "love potion" from its fragrance products.

[13] In addition to direct communication with DBI and Sephora, Fox filed a report with eBay's Verified Rights Owner ("VeRO") Program, which allows intellectual property owners to flag listings on eBay that purportedly infringe their trademark rights.

[14] Fox also waged a public campaign on her website, which contained the following message:

> WE ARE A SMALL COMPANY DEFENDING OUR RIGHTFUL INCONTESTABLE TRADEMARKS AGAINST A CORPORATION THAT THINKS THEY CAN BULLY U.S. BECAUSE THEY CAN AFFORD IT. IF YOU FEEL YOU MUST SEND AN ANGRY LETTER, PLEASE DIRECT IT TO THEM FOR THEIR ILLEGAL, IMMORAL, UNETHICAL BUSINESS PRACTICE.

She hired a public relations company, which issued a press release in January 2006 about this lawsuit and DBI's alleged infringement of Fox's trademark. The press release, quoting Fox's third-party complaint, stated that DBI "willfully and maliciously initiate[d] a campaign to flood the major internet search engines with key word spamming to direct any inquiries of LOVE POTION to their retailers." Fox was quoted, stating that "in the first month following [DBI]'s launch, her sales were reduced by 96%. The following month, they were down 97%." (*Id.*). The press release also indicated that DBI "reported sales exceeding $120 million dollars." This press release was reported by numerous media publications, including the New York Post, which wrote that "the bimbonic blonde and her business partners ripped off [Fox's] trademarked cosmetics brand."

B. Procedural History

[15] DBI commenced this action against Fox and Love Potion LLC for: (1) a judgment declaring that DBI did not infringe Fox's trademark, (2) cancellation of

Fox's LOVE POTION registration…. Fox filed counterclaims against DBI…asserting: (1) trademark infringement under the Lanham Act and state law, (2) false designation of origin under the Lanham Act….

[16] Both parties now cross-move for summary judgment. DBI and Sephora move again to dismiss Fox's remaining claims on the ground that there is no trademark infringement or, in the alternative, that DBI's use of the term "love potion" is fair use. Fox moves to dismiss DBI's complaint in its entirety. I heard argument on July 15, 2008 and reserved decision.

DISCUSSION

[17] For the following reasons, I conclude that DBI's use of the term "love potion" is fair use within the meaning of section 33(b)(4) of the Lanham Act.[6] Accordingly, I do not address the parties' cross-motions with respect to the trademark infringement claims and proceed directly to the fair use analysis….

B. Fair Use

[18] The fair use doctrine permits the use of protected marks to describe certain aspects of goods, but not as marks to identify the goods. Even if a party's conduct would otherwise constitute infringement of another's trademark, fair use provides an absolute defense to liability. *See* 15 U.S.C. § 1115(b)(4); *see also Cosmetically Sealed Indus., Inc. v. Chesebrough–Pond's USA Co.,* 125 F.3d 28, 30 (2d Cir.1997); *Something Old, Something New, Inc. v. QVC, Inc.,* No. 98 Civ. 7450(SAS), 1999 WL 1125063, at *6 (S.D.N.Y. Dec.8, 1999). Section 33(b)(4) of the Lanham Act defines fair use as "a use, otherwise than as a mark, ... of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of [a] party." § 1115(b)(4). Accordingly, to avail itself of the fair use defense, DBI must have made use of Fox's LOVE POTION mark "(1) other than as a mark, (2) in a descriptive sense, and (3) in good faith." *EMI Catalogue P'ship v. Hill, Holliday, Connors, Cosmopulos Inc.,* 228 F.3d 56, 64 (2d Cir.2000). I address these elements in turn.

1. Non–Trademark Use

[19] A trademark use occurs when a mark indicates the source or origin of consumer products. *See Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC,* 221

[6] There is "substantial congruence in California trademark law and the Lanham Act," and the fair use analysis for claims under the Lanham Act applies to claims under California law as well. *Bell v. Harley Davidson Motor Co.,* 539 F.Supp.2d 1249, 1261 (S.D.Cal.2008). Accordingly, I address only the federal claim.

F.Supp.2d 410, 414 (S.D.N.Y.2002) (defining non-trademark use in the context of trademark parody). Here, DBI did not use "love potion" as a trademark because the source of its fragrance products was not identified by that term. Instead, the source was indicated by its own trademark DESSERT in conjunction with the lip stain logo and catch phrase "Sexy Girls Have Dessert," which were prominently displayed on all DBI products. Words on a product's packaging generally do not serve as a trademark where there is also a conspicuously visible trademark that clearly serves that function. *See Cosmetically Sealed,* 125 F.3d at 30–31 (the "non-trademark use of the challenged phrase [is] evidenced by the fact that the source of [plaintiffs'] product is clearly identified by the prominent display of [their] own trademarks"). Moreover, DBI placed a TM symbol only next to the word "Dessert," highlighting the non-trademark use of "love potion." The TM symbol was not placed next to the words "love potion."

[20] Moreover, DBI used the words "love potion" within the phrase "Love Potion Fragrance" or "Belly Button Love Potion Fragrance" to identify particular products within the DBI line. These names are listed in the "Menu" of beauty products along with the descriptive or generic names of other products such as "Bath Bubbles" and "Sugar Scrub." The product names served to distinguish the love potion fragrance products from other DBI products rather than to distinguish them from non-DBI products.

[21] Fox argues that a product name can constitute trademark use. Product names, however, generally do not amount to trademark use because such names, as a "common descriptive name of a product," are generic, *San Francisco Arts & Athletics, Inc. v. U.S. Olympic Comm.,* 483 U.S. 522, 532 n. 7 (1987), and generic terms cannot be trademarked under the Lanham Act, *see, e.g., PaperCutter, Inc. v. Fay's Drug Co.,* 900 F.2d 558, 562 (2d Cir.1990). Product names identify a category or class of goods, but do not indicate the source of the goods. For instance, "perfume" is a product name that indicates that the product emits a fragrant scent when sprayed, but the word "perfume" does not indicate who manufactured the particular product. Accordingly, at least two courts in this Circuit have held that "regardless of whether or not a person knows that [a given word] is a trade-mark, if he uses the trade-mark word as the name of the product, it is used in a descriptive sense and is therefore generic." *Am. Thermos Prods. Co. v. Aladdin Indus., Inc.,* 207 F.Supp. 9, 20 (D.C.Conn.1962); *see also W.R. Grace & Co. v. Union Carbide Corp.,* 581 F.Supp. 148, 154–55 (S.D.N.Y.1983) (holding that a product name is not a trademark use, but is generic). Hence, because DBI used the words "love potion" not to describe the source of the product but as a product name in a generic, descriptive sense, the use was not trademark use.

2. Descriptive Use

[22] Fox argues that "love potion" can never be used in a descriptive sense when referring to perfume products because "love potion" is "a liquid consumable

that is drunk" and "has not been used in its common parlance to describe [or] refer to a fragrance." Fox thus raises the question whether the term "love potion" can describe a product that is not, in actuality, a love potion. I conclude that it may for purposes of the fair use defense.

[23] A use of a mark is descriptive if "the words were used to describe the 'ingredients, quality or composition' of a product, not the source of the product." *JA Apparel Corp. v. Abboud,* No. 07 Civ. 7787(THK), 2008 WL 2329533, at *19 (S.D.N.Y. Jun.5, 2008) (citing *In Re Colonial Stores Inc.,* 55 C.C.P.A. 1049, 394 F.2d 549, 551 (C.C.P.A.1968)). Though the Lanham Act recognizes the fair use defense where the name or term is used "to describe the goods," § 1115(b)(4), the Second Circuit has explained that the statute "has not been narrowly confined to words that describe a characteristic of the goods, such as size or quality. Instead, [the Second Circuit has] recognized that the phrase permits use of words or images that are used, in Judge Leval's helpful expression, in their 'descriptive sense.'" *Cosmetically Sealed,* 125 F.3d at 30 (citing *Car–Freshner Corp. v. S.C. Johnson & Son, Inc.,* 70 F.3d 267, 269 (2d Cir.1995)).

[24] For instance, the Second Circuit has held the fair use defense applicable to a clothing manufacturer's use of the phrase "Come on Strong" as "describing a presumably desirable effect" of its menswear, even though articles of clothing do not literally "come on strong." *B & L Sales Assocs. v. H. Daroff & Sons, Inc.,* 421 F.2d 352, 354 (2d Cir.1970). The Second Circuit has also held that even though "the words 'Seal it with a Kiss' do not describe a characteristic of the defendants' [lipstick], they surely are used in their 'descriptive sense'—to describe an action that the sellers hope consumers will take, using their product.'' *Cosmetically Sealed,* 125 F.3d at 30. In *Jean Patou, Inc. v. Jacqueline Cochran, Inc.,* 201 F.Supp. 861 (S.D.N.Y.1962), *aff'd,* 312 F.2d 125 (2d Cir.1963), the plaintiff was the owner of the registered trademark JOY for use on perfumes and sought to enjoin the defendant from using the phrase "Joy of Bathing" on its bath products. But the court concluded that the challenged phrase was "designed to suggest the pleasure which will accompany the use of defendant's product in one's bath, and thus performs a descriptive function." *Jean Patou,* 201 F.Supp. at 865. Accordingly, when determining whether a use is descriptive, courts in the Second Circuit consider not only "whether the mark used describes certain aspects of the alleged infringer's own goods," but also "whether the mark as used describes an action the alleged infringer hopes consumers will make of its product." *EMI Catalogue,* 228 F.3d at 64–65.

[25] Viewed in this broad sense, it is clear that DBI used "love potion" descriptively. First, the words, by themselves, are descriptive. Dictionary.com defines "love potion" as a product "believed to arouse love or sexual passion toward a specified person." *See Radio Channel Networks, Inc. v. Broadcast.Com, Inc.,* No. 98 Civ. 4799(RPP), 1999 WL 124455, at *3 (S.D.N.Y. Mar.8, 1999) (consulting dictionary definitions when determining whether term "radio channel" was used in the descriptive sense). Although the words "love potion" do not describe an actual quality of DBI's fragrance products, they are used to describe the effects that the

products may have on whoever "kisses" or "tastes" the products worn by the wearer, or at least to describe the purpose with which consumers will use the product.

[26] Second, the term "love potion" is a common term in the English language. The very fact that "love potion" is defined in several dictionaries as a product used for the purpose of attracting the opposite sex reflects the ordinary usage of the term to describe products used for those purposes. Moreover, the record contains approximately 80 cease and desist letters that were sent by Fox, indicating that "love potion" was commonly used by many sellers in the cosmetics industry to describe a product's purported effect on others.

[27] Third, that many merchants received warning letters from Fox for using "love potion" demonstrates that there is no other reasonably available word to describe the meaning captured by the term "love potion," namely, that the opposite sex will be attracted to the wearer of the product. Descriptive use is evident in such situations "[w]here a mark incorporates a term that is the only reasonably available means of describing a characteristic of another's goods." *EMI Catalogue,* 228 F.3d at 65; *see also New Kids on the Block v. News Am. Publ'g, Inc.,* 971 F.2d 302, 308 (9th Cir.1992); 2 McCarthy on Trademarks and Unfair Competition § 10:14 (4th Ed.1999) ("Since the use of a descriptive title cannot serve to prevent others from using the title in a descriptive, non-trademark sense, others may be able to use the title as the only term available."). "To expect [plaintiffs] to use unwieldy or long terms would be contrary to the purpose of the fair use defense, [and Fox] cannot monopolize words and images that are used descriptively." *Something Old,* 1999 WL 1125063, at *7.

[28] Finally, descriptive use is often evident in the manner of use, such as the "physical nature of the use in terms of size, location, and other characteristics in comparison with the appearance of other descriptive matter or other trademarks," *EMI Catalogue,* 228 F.3d at 65 (quoting Restatement (Third) of Unfair Competition § 28 cmt. c. (1995)), as well as "the presence of the defendant's own trademark in conjunction with the descriptive term," § 28 cmt. c; *see also Something Old,* 1999 WL 1125063, at *6 ("In determining descriptive use, the total context of the allegedly infringing term is considered, including lettering, type style, size and placement."). The factors noted above that indicated non-trademark usage—such as the prominent use of the DESSERT brand name—also demonstrate DBI's descriptive use of "love potion." For instance, the presence of a TM symbol next to DESSERT, contrasted with the absence of the symbol next to the words "love potion," suggests not only that "love potion" on the DBI products was a non-trademark use, but also that it constituted descriptive use. Moreover, on all the packaging, the words "love potion" were placed off-center and printed in a smaller font size than the trademark DESSERT. Most indicative of descriptive use is that "love potion" was used with other words to form a phrase describing the products.

3. Good Faith

[29] Fair use analysis also requires a finding that defendants used the protected mark in good faith. A "lack of good faith [is equated] with the subsequent user's intent to trade on the good will of the trademark holder by creating confusion as to source or sponsorship." *EMI Catalogue,* 228 F.3d at 66. In analyzing the good faith element, "the focus of the inquiry is ... whether defendant in adopting its mark intended to capitalize on plaintiff's good will." *Id.* Furthermore, "[b]ecause the good faith inquiry in a fair use analysis necessarily concerns the question whether the user of a mark intended to create consumer confusion as to source or sponsorship, ... the same contextual considerations [evaluated in a likelihood of confusion analysis for a trademark infringement claim] apply to a court's analysis of good faith in the fair use defense." *Id.* at 66–67. Thus, "a court must take into account the overall context in which the marks appear and the totality of factors that could cause consumer confusion" just as it would "[w]hen considering the likelihood of confusion and assessing the similarity of two marks." *Id.* at 66. In addition, the court, on a motion for summary judgment, must consider all evidence in the record pointing to the alleged infringer's both good and bad faith. *Id.* at 76.

[30] Turning to the evidence in the record, Fox argues that the following facts raise a material issue for trial concerning plaintiffs' alleged bad faith: first, DBI did not conduct a trademark search prior to the launch of its beauty products; and second, … DBI … failed to take necessary action to discontinue the sale of allegedly infringing products after receiving Fox's cease and desist letters.

[31] With respect to DBI's failure to conduct a trademark search, it is well established that "failure to perform an official trademark search ... does not, standing alone, prove ... bad faith." *Savin Corp. v. Savin Group,* 391 F.3d 439, 460 (2d Cir.2004) (citing *Streetwise Maps, Inc. v. VanDam, Inc.,* 159 F.3d 739, 746 (2d Cir.1998)) (internal citations omitted); *see also EMI Catalogue,* 228 F.3d at 67; *Car–Freshner,* 70 F.3d at 270. Even if plaintiffs had prior knowledge of Fox's trademark, that fact would not demonstrate lack of good faith without additional evidence supporting an inference of bad faith. *See, e.g., Savin Corp.,* 391 F.3d at 460; *Arrow Fastener Co. v. Stanley Works,* 59 F.3d 384, 397 (2d Cir.1995); *EMI Catalogue,* 228 F.3d at 67; *Car–Freshner,* 70 F.3d at 270. Thus, as a matter of law, DBI's failure to conduct a trademark search prior to using "love potion," standing alone, does not demonstrate bad faith.

[32] Fox also points to DBI's alleged failure to discontinue the sale of products with the words "love potion" after she provided notice of the alleged trademark infringement. But the "failure to completely abandon the use after receiving a cease and desist letter is insufficient to support an allegation of bad faith" as a matter of law. *Something Old,* 1999 WL 1125063, at *7; *see also Wonder Labs, Inc. v. Procter & Gamble Co.,* 728 F.Supp. 1058, 1064 (S.D.N.Y.1990) (failure to abort advertising campaign upon receipt of cease and desist letter "is absolutely no proof that the defendant acted in bad faith to capitalize on the plaintiff's trademark"). Notice of

Fox's trademark rights—either by her trademark registration or the cease and desist letters—"does not preclude use of the words contained in [Fox's] registered mark in their primary [, descriptive] sense," *Wonder Labs,* 728 F.Supp. at 1064, especially where DBI believed that its use was descriptive, *see Something Old,* 1999 WL 1125063, at *7. Indeed, the numerous letters exchanged between the parties indicate that DBI had maintained the position that its use of "love potion" was fair use. (*See, e.g.,* 4/23/04 Letter ("our client's use of the term 'love potion' is fair use"); 5/24/04 Letter (same)). In its June 4, 2004 letter to Fox, DBI "for business reasons, [agreed] to cease and desist from the use of the term 'love potion,'" but nevertheless maintained that its "use of 'love potion' in phrases like 'deliciously kissable love potion fragrance' [was] merely descr[i]ptive." (6/4/04 Letter). These letters show that DBI believed that its use of "love potion" was descriptive.

[33] On the record before the Court, no reasonable jury could find bad faith; to the contrary, a reasonable jury could only conclude that DBI acted in good faith. An indication of good faith is "the display of defendant's own name or trademark in conjunction with the mark it allegedly infringes." *EMI Catalogue,* 228 F.3d at 67, citing *Cosmetically Sealed,* 125 F.3d at 30. This is so because the use of a distinct trademark minimizes any likelihood of confusion as to the source or sponsorship of a product. *See W.W.W. Pharmaceutical Co., Inc. v. Gillette Co.,* 984 F.2d 567, 573 (2d Cir.1993) ("Where a similar mark is used in conjunction with a company name, the likelihood of confusion may be lessened."). As discussed above, all DBI products had the DESSERT trademark and indicia, reflecting DBI's efforts to differentiate its products in the marketplace rather than to trade on Fox's, or any other seller's, good will.

[34] Furthermore, in light of "the overall context in which the marks appear and the totality of factors that could cause consumer confusion," *EMI Catalogue,* 228 F.3d at 66–67, the dissimilarities between the products are patently obvious as to dispel any inference that DBI was trying to pass its products as one of Fox's Love Potion Perfumes or to confuse consumers as to source or sponsorship. The only similarity is the term "love potion," which alone is insufficient to establish a likelihood of confusion. *See Clairol, Inc. v. Cosmair, Inc.,* 592 F.Supp. 811, 815 (S.D.N.Y.1984) ("the mere fact that two marks may share words in common is not determinative" in assessing likelihood of confusion).

[35] The differences between the products and their marks, however, are manifest—a fact that Fox herself concedes. "Love potion" is written in different fonts on the parties' products; on the DBI labels, "deliciously kissable love potion fragrance" is written in sans serif font, but "Love Potion Perfume" is written in cursive. In addition, "Love Potion Perfume" is written on a white label strung to the perfume bottle. In contrast, the DBI product names and trademark are emblazoned directly on the bottles and packaging. Moreover, Fox's Love Potion Perfumes are sold in a diamond-shaped bottle and packaged in a clear plastic bag and organza pouch. On the other hand, DBI's love potion fragrance is packaged in a long,

cylindrical tube with a pumping device; its belly button love potion fragrance is sold in a roll-on container and packaged in a rectangular box.

[36] Notwithstanding both parties' usage of the words "love potion," a reasonable jury could only find that it was not likely that consumers would be confused. In short, no reasonable jury could conclude that plaintiff acted in bad faith to capitalize on Fox's trademark. Indeed, the evidence only shows plaintiff's good faith. Because there is no material issue warranting trial with respect to the fair use defense, plaintiff's motion for summary judgment on the trademark claims is granted and Fox's cross motion is denied.

…

Sorensen v. WD-40 Company
792 F.3d 712 (7th Cir. 2015)

[Plaintiff Jeffrey Sorensen produces, through a corporate entity, a line of rust-inhibiting products containing a substance called volatile corrosion inhibitor ("VCI"). This line of products is branded with the federally registered trademark THE INHIBITOR, which was registered on the PTO's Principal Register on August 6, 2002 and became incontestable in August 2008. Some of Sorensen's line of THE INHIBITOR products are shown below:

Items in THE INHIBITOR Line

In 2011, the WD–40 Company, a very well-known maker of spray lubricant, introduced a new sub-brand of products known as the WD–40 Specialist product line (shown below). One of these products is called WD–40 Specialist Long–Term Corrosion Inhibitor (shown below). It contains VCI and has a purpose similar to that of Sorensen's products. Sorensen sued on the grounds that WD-40 created a likelihood of consumer confusion in (1) its use of the term "inhibitor" and (2) its use of a crosshair design similar to Sorensen's.

The district court granted summary judgment in favor of WD–40 on all counts. The Seventh Circuit affirmed. Excerpted here is the Seventh Circuit's analysis of WD-40's claim that it made a descriptive fair use of the term "inhibitor."]

FLAUM, Circuit Judge.

…

II. Discussion

A. Descriptive fair use

[1] The district court found that no reasonable jury could conclude that WD–40 is liable for infringing Sorensen's THE INHIBITOR word mark because WD–40's use of the word "inhibitor" in the name of its Long–Term Corrosion Inhibitor is a descriptive fair use of the word. Under 15 U.S.C. § 1115(b)(4), a defendant in a trademark infringement action may invoke the fair use defense by demonstrating that the alleged infringement "is a use, otherwise than as a mark ... which is descriptive of and used fairly and in good faith only to describe the goods or services of such party." This defense "is based on the principle that no one should be able to appropriate descriptive language through trademark registration." *Packman*

v. Chi. Tribune Co., 267 F.3d 628, 639 (7th Cir.2001). The hypothetical producer of "Crunchy" brand potato chips, for example, cannot block its competitors from describing their chips as crunchy. It may, though, be able to block its competitors from selling chips that are *branded* "Crunchy."

[2] To prevail on a fair use defense, a defendant must show that: (1) it did not use the mark as a trademark; (2) the use is descriptive of its goods or services; and (3) it used the mark fairly and in good faith. *Id.* The fair use defense is available even against federally registered trademarks that are incontestable, such as Sorensen's THE INHIBITOR mark. *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.,* 64 F.3d 1055, 1058 (7th Cir.1995).

i. Non-trademark use

[3] "A word or phrase functions as a trademark when it is used by a source of a product to identify itself to the public as the source of its product and to create in the public consciousness an awareness of the uniqueness of the source and of its products." *Sands, Taylor & Wood Co. v. Quaker Oats Co.,* 978 F.2d 947, 953 (7th Cir.1992) (internal quotation marks omitted).

[4] In finding that there was no genuine factual dispute that WD–40's use of "inhibitor" was a non-trademark use, the district court reasoned that the word could not function as a source indicator because the Long–Term Corrosion Inhibitor bottle also displays the famous WD–40 shield, and it is the shield that serves as the source indicator for customers. That reasoning is in some tension with our analysis in *Sands, Taylor & Wood Co.* There, the defendant—the producer of Gatorade—argued that the words "Thirst Aid" could not function as a trademark because they were used in conjunction with the well-known "Gatorade" mark. *Id.* We disagreed, noting that, in the related context of determining likelihood of confusion, "some courts have observed that the conjunction of defendant's trademark and the allegedly infringed term 'may actually increase the misappropriation by linking defendant's name to plaintiff's goodwill.'" *Id.* at 954 (quoting *Banff, Ltd. v. Federated Dep't Stores, Inc.,* 841 F.2d 486, 492 (2d Cir.1988)). "Clearly, then," we held, "the fact that the Gatorade trademark always appears in Quaker's 'Thirst Aid' advertisements does not preclude a finding that those advertisements also use "Thirst Aid' as a trademark." *Id.*

[5] Moreover, the district court's reasoning rested on the premise that a given product can only contain *one* indicator of source. That, we know, is incorrect—WD–40's Specialist products contain at least three registered trademarks: the WD–40 shield, the word mark "Specialist," and the WD–40 crosshair mark. The fact that the WD–40 shield serves as a source indicator, therefore, does not mean that the word "inhibitor" does not also serve to indicate the product's source.

[6] The district court supported its conclusion in three other ways that we think are worth mentioning. First, it pointed out that WD–40 did not use the words "the inhibitor" on its product, but rather just the word "inhibitor." This fact, however,

goes to whether Sorensen's trademark was *infringed,* not whether WD–40 used the word as a mark. Had WD–40 called its product "Inhibitor" and placed that word in large, bold letters on its can, we think it probable that a jury would find that to be trademark use, despite the lack of the word "the." Whether that trademark use infringed upon *Sorensen's* mark would be a separate question. Next, the district court, citing to *McCarthy on Trademarks,* noted that there are competing products on the market that also use the word "inhibitor" to describe their products. But, as McCarthy makes clear, the use of a term by other sellers of similar goods is an indicia of the *descriptiveness* of the term, not of its being used in a non-trademark manner. *See* 2 *McCarthy on Trademarks and Unfair Competition* § 11:20 (4th ed.). In *Sands, Taylor & Wood Co.,* we cautioned against conflating these two elements of the fair use defense. 978 F.2d at 954. Descriptive terms, after all, are protectable as a trademark if they have developed secondary meaning. *See id.* Finally, the district court said that the fact that WD–40 uses the word "inhibitor" on only one of its Specialist line of products, rather than on every product in the line, is an indicia that the word is not being used as a mark. That is partially correct: Sorensen's argument would be much stronger if "inhibitor" appeared on all of the products in the Specialist line. However, a mark that is used on only one product within a larger line can nevertheless be a source indicator, not for the whole line, but for *that* product in particular. For example, Gatorade, which we mentioned above, has a line of "Gatorade Frost" energy drinks, in five different flavors. The names of two of those flavors—"Glacier Freeze" and "Glacier Cherry"—are registered as separate trademarks. *See* GLACIER FREEZE, Registration No. 2,098,324; GLACIER CHERRY, Registration No. 4,401,610.

[7] Nonetheless, we agree with the district court's ultimate conclusion that WD–40's use of the word "inhibitor" is a non-trademark use. Simply put, we believe that no reasonable juror looking at a bottle of Long–Term Corrosion Inhibitor could conclude that the word is used as an indicator of source. Compared to other features in the bottle's design, the word "inhibitor" is much less prominent or noticeable. It is much smaller than the bright and eye-catching WD–40 shield. It is also smaller than the stylized and colored word "Specialist" and the colorful crosshair mark. Finally, the word "inhibitor"—which is written in relatively small, white type—is less attention-grabbing than even the word "Corrosion," which is larger and colored in orange. Due to the word's small size, plain color, and non-privileged placement on the bottle, we find that "inhibitor" is not an "attention-getting symbol," and does not function as a source indicator. *See Sands, Taylor & Wood Co.,* 978 F.2d at 954 (quoting 1 *McCarthy, supra* § 11:17, at 476 (1991 Supp.)).

[8] Sorensen argues in response that WD–40's communications guide requires that employees and advertisements only refer to the product at issue as "WD–40 Specialist Long–Term Corrosion Inhibitor;" no shorter name is acceptable. We do not agree with Sorensen that this fact is relevant. He seems to suggest that, because the word "inhibitor" must be included whenever WD–40 mentions the product, it must be a trademark. But though the guideline's requirement that the full name be

used may suggest that the name *as a whole* is an indicator of source, it does not mean that each individual word in the name serves as a mark. We doubt that Sorensen would argue that the word "term" is a trademark for WD40's product.

ii. Descriptive of the product

[9] A descriptive term ordinarily names a characteristic of a product or service. *H–D Mich., Inc. v. Top Quality Serv., Inc.,* 496 F.3d 755, 759 (7th Cir.2007). There can be no dispute here that the word "inhibitor," following the word "corrosion," describes a characteristic of WD–40's product, which contains VCI and is meant to inhibit corrosion for a long period of time. Multiple competing products made by third parties use the word "inhibitor" to describe their products, and WD–40 uses the word multiple times on its bottle in a manner that is clearly non-source identifying.

[10] Sorensen offers little resistance to this aspect of the district court's opinion, though he does argue that the word "inhibitor" is suggestive rather than merely descriptive because it requires "some operation of the imagination" to make the connection between the term "inhibitor" and a rust preventative oil product. *G. Heileman Brewing Co. v. Anheuser–Busch, Inc.,* 873 F.2d 985, 996 (7th Cir.1989). We disagree, but, regardless, this framing of the issue is incorrect. The WD–40 product is called a "Corrosion Inhibitor," not just an "Inhibitor." It takes no operation of the imagination to make a connection between the term "Corrosion Inhibitor" and a product that inhibits rust and other forms of corrosion.

[11] Sorensen points to the case *Fortune Dynamic, Inc. v. Victoria's Secret,* 618 F.3d 1025, 1035 (9th Cir.2010), in which the Ninth Circuit held that a jury—and not a judge on summary judgment—should decide whether the trademarked term DELICIOUS was being used in a descriptive sense. "Delicious," of course—like "inhibitor"—seems like an inherently descriptive word, which would seem to make for an easy case for the judge on summary judgment. But the key to *Fortune Dynamic* was that the word "Delicious" was a trademark for women's shoes, and not for a food or beverage. *Id.* at 1029. Whether or not a term is descriptive depends not only on the term itself, but also on the product for which it serves as a source indicator. "Corrosion Inhibitor," for example, is clearly descriptive of WD–40's VCI spray; if it appeared on a t-shirt, though, our conclusion very well might be different.

iii. Bad faith

[12] Finally, the proponent of a fair use defense must show that it used the plaintiff's mark fairly and in good faith. Sorensen's primary argument regarding this element is that the evidence shows that WD–40 had knowledge of Sorensen, his products, and his THE INHIBITOR word mark when it decided upon the name of its Long–Term Corrosion Inhibitor. Given that WD–40 had this knowledge, Sorensen argues, a jury could infer that WD–40 included the word "inhibitor" in a bad-faith attempt to siphon off business from Sorensen.

[13] The district court concluded that there was no evidence that WD–40 had knowledge of Sorensen's product and word mark, but we disagree. There are multiple documents in the record which were in WD–40's possession and which specifically reference Sorensen and his mark. The district court discounted the relevance of these documents, finding that there is no evidence that WD–40's *marketing department,* the entity that decided upon the name "Long–Term Corrosion Inhibitor," was provided with these documents or had any awareness of Sorensen's mark. Many people at the company, though, clearly did have this information, and a jury could reasonably infer that the marketing department—or at least someone with final decision-making authority—had this knowledge as well.

[14] WD–40's mere knowledge of Sorensen's mark, however, is insufficient to establish that WD–40 acted in bad faith. *Packman,* 267 F.3d at 642. To survive summary judgment, a plaintiff must point to something more that suggests subjective bad faith; Sorensen has not done so here. *See id.* All Sorensen can point to is the fact that WD–40 conducted no trademark search prior to using the word "inhibitor" on its product. A failure to investigate can, in some circumstances, support an inference of bad faith. *See Fortune Dynamic,* 618 F.3d at 1043. In this case, however, this fact cannot help Sorensen survive summary judgment. First, if WD–40 believed—correctly, as we have concluded—that it was not using the word "inhibitor" as a trademark, it had no reason to conduct a trademark search. Second, and more fundamentally, Sorensen's complaint that WD–40 failed to undertake a trademark search is inconsistent with his theory that WD–40 *knew* about his mark, and decided to copy it anyway. Because WD–40 already knew that Sorensen owned a trademark for THE INHIBITOR, a trademark search would have been useless.

[15] Other than pointing to WD–40's mere knowledge of Sorensen's mark, Sorensen has identified no evidence that it acted in subjective bad faith. Because WD–40's use of the word "inhibitor" was also a non-trademark, descriptive use, we therefore agree with the district court's conclusion that WD–40 is entitled to summary judgment on its fair use defense with regard to Sorensen's word mark claims.

3. Further Examples of Descriptive Fair Use Analyses

International Stamp Art v. U.S. Postal Service
456 F.3d 1270 (11th Cir. 2006)

In *International Stamp Art*, ISA produced cards, posters, and prints depicting postage stamps enclosed in a flat-edged perforated border design meant to invoke classic postage stamps. In 1996, it managed to get a registration for this design:

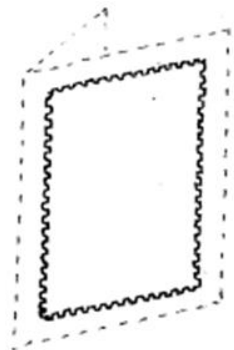
Int. Cl.: 16

Prior U.S. Cls.: 2, 5, 22, 23, 29, 37, 38 and 50

Reg. No. 1,985,056

United States Patent and Trademark Office **Registered July 9, 1996**

TRADEMARK
PRINCIPAL REGISTER



INTERNATIONAL STAMP ART, INC. (SOUTH CAROLINA CORPORATION)
ART CRAFT & FRAME BUILDING
PINEWOOD SHOPPING CENTER1000 NORTH PINE STREET
SPARTANBURG, SC 29303

FOR: PRINTED NOTE CARDS AND GREETING CARDS, IN CLASS 16 (U.S. CLS. 2, 5, 22, 23, 29, 37, 38 AND 50).

FIRST USE 3-4-1987; IN COMMERCE 3-4-1987.

THE MARK CONSISTS OF A PERFORATION DESIGN, PLACED ALONG THE EDGE OF PRINTED NOTE CARDS AND GREETING CARDS. THE MATTER SHOWN BY DOTTED LINES IS NOT PART OF THE MARK AND SERVES MERELY TO INDICATE THE POSITION OF THE MARK ON THE GOODS.

SEC. 2(F).

SER. NO. 74-583,278, FILED 10-7-1994.

KATHLEEN COONEY-PORTER, EXAMINING ATTORNEY

USPS licensed ISA among others to create merchandise incorporating USPS's images. "Stamp images were transmitted to licensees in the form of transparencies, each marked as copyright protected and depicting the entire stamp including any perforated edges." *Id*. at 1272. USPS eventually began to produce its own line of stamp art cards, some of which incorporated the flat-edged perforated border design. ISA sued for trademark infringement. USPS claimed descriptive fair use.

Affirming the district court's grant of summary judgment, the Eleventh Circuit found descriptive fair use. The court devoted the bulk of its analysis to the third step, whether USPS's use was in good faith, i.e., "whether the alleged infringer intended to trade on the good will of the trademark owner by creating confusion as to the source of the goods or services." *Id*. at 1275. The court noted that "the overwhelming majority of stamps the Postal Service produces include perforated edges and have long done so," *id*.; that USPS "prominently places its own familiar Eagle trademark on the backs of its stamp art products thereby identifying them as Postal Service products," *id*.; and that "ISA has not identified any evidence that the Postal Service sought to mislead or confuse consumers into thinking that the source of the cards it produced was actually International Stamp Art," *id*.

ISA claimed that USPS had a "non-infringing, commercially viable alternative" in the form of "cards depicting the art upon which its stamp designs was based, rather than the stamps themselves." *Id*. at 1276. The Eleventh Circuit recognized that "[f]ailure to employ a non-infringing, commercially viable alternative can raise a genuine issue of material fact," *id*., but was ultimately unpersuaded: "This, however, is not an alternative manner of depicting the stamps, but rather a choice not to depict stamps." *Id*.

Bell v. Harley Davidson Motor Co.
539 F.Supp.2d 1249 (S.D. Cal. 2008)

In *Bell v. Harley Davidson Motor Co*., 539 F.Supp.2d 1249 (S.D. Cal. 2008), plaintiff Craig Bell owned three trademark registrations in the phrase RIDE HARD in connection with apparel, decals, and various merchandise (an example of which from Bell's complaint is provided below on the left). Defendant Harley Davidson uses the phrase ride hard in advertising and various merchandise, always accompanied by a Harley Davidson trademark (an example of which below on the right). Bell sued for trademark infringement.

On cross motions for summary judgment, the court first applied the *Sleekcraft* multifactor test for the likelihood of consumer confusion to find no likelihood of confusion. The court then further found descriptive fair use. It cited *KP Permanent* for the proposition that "some possibility of consumer confusion must be compatible with fair use[.]" *KP Permanent*, at 121. It then applied the three-step test to find that Harley Davidson does not use the phrase as a trademark, "i.e., to identify the source of its products," *Bell*, at 1258, and uses the phrase only descriptively. The Court explained: "Although Bell protests that such a use does not describe a specific characteristic of Harley's products or goods, courts do not interpret the Lanham Act's fair use language so narrowly. To the contrary, courts have applied the fair use doctrine in situations where the defendant's use of the trademarked phrase described a feeling inherently associated with the phrase or typically experienced by the consumer upon using defendant's product." *Id*. The court further found good faith. "Harley–Davidson demonstrated its intent not to create confusion by including the Harley–Davidson name or bar- & -shield logo on every advertisement and piece of merchandise bearing the 'Ride Hard' phrase." *Id*. at 1259. Though Bell pointed out that Wrangler Clothing Company abandoned "Ride Hard" and substituted "Ride Rough" in response to Bell's 1999 lawsuit, Harley Davidson was not obligated to use an alternative phrase under these facts.

T-Shirt Front Detail

Fortune Dynamic, Inc. v. Victoria's Secret
618 F.3d 1025 (9th Cir. 2010)

In *Fortune Dynamic, Inc. v. Victoria's Secret*, 618 F.3d 1025 (9th Cir. 2010), Fortune Dynamic sold women's shoes under the registered mark DELICIOUS in the font shown below on the left. To market a new line of products under the trademark BEAUTY RUSH, Victoria's Secret launched a promotion in which anyone who purchased more than $35 worth of BEAUTY RUSH products would receive, among other things, a pink tank top across the chest of which, in silver typescript, was written the word Delicious as shown below on the right. "On the back, in much smaller lettering, there appeared the word "yum," and the phrase "beauty rush" was written in the back collar." Id. at 1025. Victoria's Secret distributed 602,723 such tank top shirts. Fortune Dynamic sued for trademark infringement.

In a lengthy opinion reversing the lower court's grant of summary judgment to Victoria's Secret, the Ninth Circuit first considered the *Sleekcraft* factors for the likelihood of consumer confusion and found that a jury could reasonably find confusion. With respect to Victoria's Secret's fair use defense, the court concluded that a reasonable jury could find that Victoria's Secret was using the term "Delicious" as a trademark given the term's prominent placement on the front of the shirt, similar to where Victoria's Secret had placed two of its own trademarks PINK and VERY SEXY. The court also found issues of material fact on the question of whether Victoria's Secret was using the term "delicious" descriptively:

> Victoria's Secret says that it used "Delicious" merely to "describe the flavorful attributes of Victoria's Secret's BEAUTY RUSH lip gloss and other products that feature the same popular fruit flavors." A jury, however, could reasonably conclude otherwise. For one thing, in its advertisements, Victoria's Secret described its BEAUTY RUSH lip gloss

> as "deliciously sexy," not delicious. For another, Victoria's Secret's executives testified that they wanted "Delicious" to serve as a "playful self-descriptor," as if the wearer of the pink tank top is saying, "I'm delicious." These examples suggest that a jury could reasonably decide that Victoria's Secret did not use "Delicious" "only to describe its goods." 15 U.S.C. § 1115(b)(4)…. [A]lthough we accept some flexibility in what counts as descriptive, we reiterate that the scope of the fair use defense varies with the level of descriptive purity. Thus, as a defendant's use of a term becomes less and less purely descriptive, its chances of prevailing on the fair use defense become less and less likely.

Id. at 1041-42. The court also noted Victoria's Secret's lack of "precautionary measures" to dispel confusion and the "abundance of alternative words" that it could have used. *Id*. at 1042. On good faith, the court found that Victoria's Secret's failure to investigate whether anyone held a "delicious" trademark, combined with other evidence, suggested that a jury could reasonably find no good faith.

Delicious

[7]

B. Nominative Fair Use

1. The Three-Step Test for Nominative Fair Use

[7] From briefcase8.com via seattletrademarklawyer.com.

In *New Kids on the Block v. News Am. Publ'g, Inc*., 971 F.2d 302 (9th Cir. 1992), the Ninth Circuit first developed the concept of nominative fair use The defendants, two newspapers, conducted separate polls asking readers to call a 900 number to vote for their favorite member of the boy band New Kids on the Block. As *The Star* put it: "Which of the New Kids on the Block would you most like to move next door?" *Id*. at 305. The band sued for, among other things, trademark infringement. Affirming the district court's grant of summary judgment to the defendants, Judge Kozinski held that a "*nominative use* of a mark—where the only word reasonably available to describe a particular thing is pressed into service—lies outside the strictures of trademark law," *id*. at 308 (emphasis in original), and set out three "requirements" that a defendant's use must meet to qualify as nominative fair use:

> First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service;[8] and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

Id. at 307. The Lanham Act did not then explicitly include any basis for the defense of nominative fair use and even now it only references nominative fair use in connection with dilution, see §43(c)(3)(A), 15 U.S.C. § 1125(c)(3)(A)). On the issue of confusion, the defense remains essentially judge-made law.

Note the conceptual distinction between descriptive (or "classic") fair use and nominative fair use:

> The nominative fair use analysis is appropriate where a defendant has used the plaintiff's mark to describe the plaintiff's product, even if the defendant's ultimate goal is to describe his own product. Conversely, the classic fair use analysis is appropriate where a defendant has used the plaintiff's mark only to describe his own product, and not at all to describe the plaintiff's product.

Cairns v. Franklin Mint Co., 292 F.3d 1139, 1151 (9th Cir. 2002).

In the opinion below, Judge Kozinski returned to the concept of nominative fair use, this time in connection with domain names – and in light of *KP Permanent*. In reading through the opinion, consider the following questions:

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[8] The opinion included here the following footnote: "Thus, a soft drink competitor would be entitled to compare its product to Coca–Cola or Coke, but would not be entitled to use Coca–Cola's distinctive lettering. *See Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 352 (9th Cir. 1969) ("Church did not use Volkswagen's distinctive lettering style or color scheme, nor did he display the encircled 'VW' emblem")…."

- Why should the *New Kids* factors *replace* the *Sleekcraft* multifactor test for the likelihood of consumer confusion? Why shouldn't a court first work through the *Sleekcraft* test to determine if plaintiff has even made out its case and, if it has, then turn to the defendant's affirmative defense?
- What sense do you make of the final excerpted paragraphs of Judge Kozinski's opinion? How exactly should a Ninth Circuit court now proceed to evaluate a nominative fair use "defense"?
- Do you find the concurrence's concerns valid?

Toyota Motor Sales, U.S.A., Inc. v. Tabari
610 F.3d 1171 (2010)

KOZINSKI, Chief Judge:

[1] In this trademark infringement case, we consider the application of the nominative fair use doctrine to internet domain names.

Facts

[2] Farzad and Lisa Tabari are auto brokers—the personal shoppers of the automotive world. They contact authorized dealers, solicit bids and arrange for customers to buy from the dealer offering the best combination of location, availability and price. Consumers like this service, as it increases competition among dealers, resulting in greater selection at lower prices. For many of the same reasons, auto manufacturers and dealers aren't so keen on it, as it undermines dealers' territorial exclusivity and lowers profit margins. Until recently, the Tabaris offered this service at buy-a-lexus.com and buyorleaselexus.com.

[3] Toyota Motor Sales U.S.A. ("Toyota") is the exclusive distributor of Lexus vehicles in the United States, and jealous guardian of the Lexus mark. A Toyota marketing executive testified at trial that Toyota spends over $250 million every year promoting the Lexus brand. In the executive's estimation, "Lexus is a very prestigious luxury brand and it is an indication of an exclusive luxury experience." No doubt true.

[4] Toyota objected to the Tabaris' use on their website of copyrighted photography of Lexus vehicles and the circular "L Symbol Design mark." Toyota also took umbrage at the Tabaris' use of the string "lexus" in their domain names, which it believed was "likely to cause confusion as to the source of [the Tabaris'] web site." The Tabaris removed Toyota's photography and logo from their site and added a disclaimer in large font at the top. But they refused to give up their domain names. Toyota sued, and the district court found infringement after a bench trial. It ordered the Tabaris to cease using their domain names and enjoined them from using the Lexus mark in any other domain name. Pro se as they were at trial, the Tabaris appeal.

Nominative Fair Use

[5] When customers purchase a Lexus through the Tabaris, they receive a genuine Lexus car sold by an authorized Lexus dealer, and a portion of the proceeds ends up in Toyota's bank account. Toyota doesn't claim the business of brokering Lexus cars is illegal or that it has contracted with its dealers to prohibit selling through a broker. Instead, Toyota is using this trademark lawsuit to make it more difficult for consumers to use the Tabaris to buy a Lexus.

[6] The district court applied the eight-factor test for likelihood of confusion articulated in *AMF Inc. v. Sleekcraft Boats,* 599 F.2d 341, 348–49 (9th Cir. 1979), and found that the Tabaris' domain names—buy-a-lexus.com and buyorleaselexus.com—infringed the Lexus trademark. But we've held that the *Sleekcraft* analysis doesn't apply where a defendant uses the mark to refer to the trademarked good itself. *See Playboy Enters., Inc. v. Welles,* 279 F.3d 796, 801 (9th Cir. 2002); *New Kids on the Block v. News Am. Publ'g, Inc.,* 971 F.2d 302, 308 (9th Cir. 1992).[9] The Tabaris are using the term Lexus to describe their business of brokering Lexus automobiles; when they say Lexus, they mean Lexus. We've long held that such use of the trademark is a fair use, namely nominative fair use. And fair use is, by definition, not infringement. The Tabaris did in fact present a nominative fair use defense to the district court.

[7] In cases where a nominative fair use defense is raised, we ask whether (1) the product was "readily identifiable" without use of the mark; (2) defendant used more of the mark than necessary; or (3) defendant falsely suggested he was sponsored or endorsed by the trademark holder. *Welles,* 279 F.3d at 801 (quoting *New Kids,* 971 F.2d at 308–09). This test "evaluates the likelihood of confusion in nominative use cases." *Id.* It's designed to address the risk that nominative use of the mark will inspire a mistaken belief on the part of consumers that the speaker is sponsored or endorsed by the trademark holder. The third factor speaks directly to the risk of such confusion, and the others do so indirectly: Consumers may reasonably infer sponsorship or endorsement if a company uses an unnecessary trademark or "more" of a mark than necessary. But if the nominative use satisfies the three-factor *New Kids* test, it doesn't infringe. If the nominative use does not satisfy all the *New Kids* factors, the district court may order defendants to modify

[9] This is no less true where, as here, "the defendant's ultimate goal is to describe his own product." *Cairns v. Franklin Mint Co.,* 292 F.3d 1139, 1151 (9th Cir.2002) (emphasis omitted). In *Welles,* for instance, we applied our nominative fair use analysis to a former playmate's use of the Playboy mark to describe herself and her website. 279 F.3d at 801. We observed that, in those circumstances, "application of the *Sleekcraft* test, which focuses on the similarity of the mark used by the plaintiff and the defendant, would lead to the incorrect conclusion that virtually all nominative uses are confusing." *Id.*

their use of the mark so that all three factors are satisfied; it may not enjoin nominative use of the mark altogether.[10]

A.

[8] The district court enjoined the Tabaris from using "any ... domain name, service mark, trademark, trade name, meta tag or other commercial indication of origin that includes the mark LEXUS." A trademark injunction, particularly one involving nominative fair use, can raise serious First Amendment concerns because it can interfere with truthful communication between buyers and sellers in the marketplace. *See Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.,* 425 U.S. 748, 763–64 (1976). Accordingly, "we must [e]nsure that [the injunction] is tailored to eliminate only the specific harm alleged." *E. & J. Gallo Winery v. Gallo Cattle Co.,* 967 F.2d 1280, 1297 (9th Cir. 1992). To uphold the broad injunction entered in this case, we would have to be convinced that consumers are likely to believe a site is sponsored or endorsed by a trademark holder whenever the domain name contains the string of letters that make up the trademark.

[9] In performing this analysis, our focus must be on the "'reasonably prudent consumer' in the marketplace." *Cf. Dreamwerks Prod. Grp., Inc. v. SKG Studio,* 142 F.3d 1127, 1129 (9th Cir. 1998) (describing the test for likelihood of confusion in analogous *Sleekcraft* context). The relevant marketplace is the online marketplace, and the relevant consumer is a reasonably prudent consumer accustomed to shopping online; the kind of consumer who is likely to visit the Tabaris' website when shopping for an expensive product like a luxury car. *See, e.g., Interstellar Starship Servs., Ltd. v. Epix, Inc.,* 304 F.3d 936, 946 (9th Cir. 2002). Unreasonable, imprudent and inexperienced web-shoppers are not relevant.

[10] The injunction here is plainly overbroad—as even Toyota's counsel grudgingly conceded at oral argument—because it prohibits domain names that on their face dispel any confusion as to sponsorship or endorsement. The Tabaris are prohibited from doing business at sites like independent-lexus-broker.com and we-are-definitely-not-lexus.com, although a reasonable consumer wouldn't believe Toyota sponsors the websites using those domains. Prohibition of such truthful and non-misleading speech does not advance the Lanham Act's purpose of protecting consumers and preventing unfair competition; in fact, it undermines that rationale by frustrating honest communication between the Tabaris and their customers.

[11] Even if we were to modify the injunction to exclude domain names that expressly disclaim sponsorship or endorsement (like the examples above), the injunction would still be too broad. The Tabaris may not do business at lexusbroker.com, even though that's the most straightforward, obvious and truthful

[10] If defendants are unable or unwilling to modify their use of the mark to comply with *New Kids,* then the district court's order to modify may effectively enjoin defendants from using the mark at all.

way to describe their business. The nominative fair use doctrine allows such truthful use of a mark, even if the speaker fails to expressly disavow association with the trademark holder, so long as it's unlikely to cause confusion as to sponsorship or endorsement. *See Welles,* 279 F.3d at 803 n.26. In *New Kids,* for instance, we found that use of the "New Kids on the Block" mark in a newspaper survey did not infringe, even absent a disclaimer, because the survey said "nothing that expressly or by fair implication connotes endorsement or joint sponsorship." 971 F.2d at 309. Speakers are under no obligation to provide a disclaimer as a condition for engaging in truthful, non-misleading speech.

[12] Although our opinion in *Volkswagenwerk Aktiengesellschaft v. Church* remarked on that defendant's "prominent use of the word 'Independent' whenever the terms 'Volkswagen' or 'VW' appeared in his advertising," 411 F.2d 350, 352 (9th Cir. 1969), it isn't to the contrary. The inclusion of such words will usually negate any hint of sponsorship or endorsement, which is why we mentioned them in concluding that there was no infringement in *Volkswagenwerk. Id.* But that doesn't mean such words are required, and *Volkswagenwerk* doesn't say they are. Our subsequent cases make clear they're not. *See Welles,* 279 F.3d at 803 n.26; *New Kids,* 971 F.2d at 309.[11]

[13] The district court reasoned that the fact that an internet domain contains a trademark will "generally" suggest sponsorship or endorsement by the trademark holder. When a domain name consists *only* of the trademark followed by .com, or some other suffix like .org or .net, it will typically suggest sponsorship or endorsement by the trademark holder. *Cf. Panavision Int'l, L.P. v. Toeppen,* 141 F.3d 1316, 1327 (9th Cir. 1998).[12] This is because "[a] customer who is unsure about a

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[11] The Sixth Circuit enjoined a domain name in part because it did "not include words like 'independent' or 'unaffiliated,'" but in that case there were additional factors indicating sponsorship or endorsement, including the use of stylized versions of the plaintiff's marks on the site. *PACCAR Inc. v. TeleScan Techs., L.L.C.,* 319 F.3d 243, 256–57 (6th Cir. 2003). Where these or other factors suggest that nominative use is likely to cause confusion, a disclaimer may well be necessary. But a disclaimer is not required every time a URL contains a mark.

[12] Of course, not every trademark.com domain name is likely to cause consumer confusion. *See Interstellar Starship,* 304 F.3d at 944–46. For instance, we observed in *Interstellar Starship* that an apple orchard could operate at the website apple.com without risking confusion with Apple Computers, in light of the vast difference between their products. *Id.* at 944. "If, however, the apple grower ... competed directly with Apple Computer by selling computers, initial interest confusion probably would result," as the apple grower would be using the apple.com domain to appropriate the goodwill Apple Computer had developed in its trademark. *Id.*

When a website deals in goods or services related to a trademarked brand, as in this case, it is much closer to the second example, where apple.com competes with company's domain name will often guess that the domain name is also the company's name." *Id.* (quoting *Cardservice Int'l v. McGee,* 950 F.Supp. 737, 741 (E.D.Va. 1997)) (internal quotation marks omitted); *see also Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.,* 174 F.3d 1036, 1045 (9th Cir. 1999). If customers type in trademark.com and find the site occupied by someone other than the trademark holder, they may well believe it *is* the trademark holder, despite contrary evidence on the website itself. Alternatively, they may become discouraged and give up looking for the trademark holder's official site, believing perhaps that such a website doesn't exist. *Panavision,* 141 F.3d at 1327.

[14] But the case where the URL consists of nothing but a trademark followed by a suffix like .com or .org is a special one indeed. *See Brookfield,* 174 F.3d at 1057. The importance ascribed to trademark.com in fact suggests that far less confusion will result when a domain making nominative use of a trademark includes characters in addition to those making up the mark. *Cf. Entrepreneur Media, Inc. v. Smith,* 279 F.3d 1135, 1146–47 (9th Cir.2002). Because the official Lexus site is almost certain to be found at lexus.com (as, in fact, it is), it's far less likely to be found at other sites containing the word Lexus. On the other hand, a number of sites make nominative use of trademarks in their domains but are not sponsored or endorsed by the trademark holder: You can preen about your Mercedes at mercedesforum.com and mercedestalk.net, read the latest about your double-skim-no-whip latte at starbucksgossip.com and find out what goodies the world's greatest electronics store has on sale this week at fryselectronics-ads.com. Consumers who use the internet for shopping are generally quite sophisticated about such matters and won't be fooled into thinking that the prestigious German car manufacturer sells boots at mercedesboots.com, or homes at mercedeshomes.com, or that comcastsucks.org is sponsored or endorsed by the TV cable company just because the string of letters making up its trademark appears in the domain.

[15] When people go shopping online, they don't start out by typing random URLs containing trademarked words hoping to get a lucky hit. They may start out by typing trademark.com, but then they'll rely on a search engine or word of mouth.[13] If word of mouth, confusion is unlikely because the consumer will usually be aware of

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Apple Computers. If a company that repaired iPods, iPads and iPhones were to set up at apple.com, for instance, consumers would naturally assume that the company was sponsored or endorsed by Apple (or, more likely, that it *was* Apple). Where a site is used to sell goods or services related to the trademarked brand, a trademark.com domain will therefore suggest sponsorship or endorsement and will not generally be nominative fair use.

[13] By "word of mouth" we, of course, refer not merely to spoken recommendations from friends and acquaintances, but to the whole range of information available to online shoppers, including chat rooms, discussion forums, feedback and evaluation websites, and the like.

who runs the site before typing in the URL. And, if the site is located through a search engine, the consumer will click on the link for a likely-relevant site without paying much attention to the URL. Use of a trademark in the site's domain name isn't materially different from use in its text or metatags in this context; a search engine can find a trademark in a site regardless of where exactly it appears. In *Welles,* we upheld a claim that use of a mark in a site's metatags constituted nominative fair use; we reasoned that "[s]earchers would have a much more difficult time locating relevant websites" if the law outlawed such truthful, non-misleading use of a mark. 279 F.3d at 804. The same logic applies to nominative use of a mark in a domain name.

[16] Of course a domain name containing a mark cannot be nominative fair use if it suggests sponsorship or endorsement by the trademark holder. We've already explained why trademark.com domains have that effect. *See* pp. 1177–78 *supra.* Sites like trademark-USA.com, trademark-of-glendale.com or e-trademark.com will also generally suggest sponsorship or endorsement by the trademark holder; the addition of "e" merely indicates the electronic version of a brand, and a location modifier following a trademark indicates that consumers can expect to find the brand's local subsidiary, franchise or affiliate. *See Visa Int'l Serv. Ass'n v. JSL Corp.,* No. 08–15206, 2010 WL 2559003, 610 F.3d 1088 (9th Cir. June 28, 2010). For even more obvious reasons, domains like official-trademark-site.com or we-are-trademark.com affirmatively suggest sponsorship or endorsement by the trademark holder and are not nominative fair use.[14] But the district court's injunction is not limited to this narrow class of cases and, indeed, the Tabaris' domain names do not fall within it.

[17] When a domain name making nominative use of a mark does not actively suggest sponsorship or endorsement, the worst that can happen is that some consumers may arrive at the site uncertain as to what they will find. But in the age of FIOS, cable modems, DSL and T1 lines, reasonable, prudent and experienced internet consumers are accustomed to such exploration by trial and error. *Cf. Interstellar Starship,* 304 F.3d at 946. They skip from site to site, ready to hit the back button whenever they're not satisfied with a site's contents. They fully expect

[14] Domain names containing trademarks may also be prohibited because they dilute the value of those marks—for instance, by creating negative associations with the brand. *Cf. Playboy Enters., Inc. v. Netscape Commc'ns Corp.,* 354 F.3d 1020, 1033 (9th Cir.2004). For example, the website People of Walmart, which publishes rude photos of Walmart shoppers at peopleofwalmart.com, might dilute the Walmart trademark by associating it with violations of customers' privacy and the idea that a visitor to Walmart stores risks being photographed and ridiculed on the internet. *See* Jeffrey Zaslow, *Surviving the Age of Humiliation,* Wall St. J., May 5, 2010, at D1. But Toyota does not allege that the Tabaris' site has any such effect.

to find some sites that aren't what they imagine based on a glance at the domain name or search engine summary. Outside the special case of trademark.com, or domains that actively claim affiliation with the trademark holder, consumers don't form any firm expectations about the sponsorship of a website until they've seen the landing page—if then. This is sensible agnosticism, not consumer confusion. *See* Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law,* 27 Cardozo L.Rev. 105, 122–24, 140, 158 (2005). So long as the site as a whole does not suggest sponsorship or endorsement by the trademark holder, such momentary uncertainty does not preclude a finding of nominative fair use.

[18] Toyota argues it is entitled to exclusive use of the string "lexus" in domain names because it spends hundreds of millions of dollars every year making sure everyone recognizes and understands the word "Lexus." But "[a] large expenditure of money does not in itself create legally protectable rights." *Smith v. Chanel, Inc.,* 402 F.2d 562, 568 (9th Cir. 1968); *see also Ty Inc. v. Perryman,* 306 F.3d 509, 513 (7th Cir. 2002); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense,* 108 Yale L.J. 1687, 1714–15 (1999). Indeed, it is precisely because of Toyota's investment in the Lexus mark that "[m]uch useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to [Lexus] by using its trademark." *New Kids,* 971 F.2d at 307.[15]

[19] It is the wholesale prohibition of nominative use in domain names that would be unfair. It would be unfair to merchants seeking to communicate the nature of the service or product offered at their sites. And it would be unfair to consumers, who would be deprived of an increasingly important means of receiving such information. As noted, this would have serious First Amendment implications. The only winners would be companies like Toyota, which would acquire greater control over the markets for goods and services related to their trademarked brands, to the detriment of competition and consumers. The nominative fair use doctrine is designed to prevent this type of abuse of the rights granted by the Lanham Act.

B.

[20] Toyota asserts that, even if the district court's injunction is overbroad, it can be upheld if limited to the Tabaris' actual domain names: buyorleaselexus.com and buy-a-lexus.com. We therefore apply the three-part *New Kids* test to the domain names, and we start by asking whether the Tabaris' use of the mark was "necessary" to describe their business. Toyota claims it was not, because the Tabaris could have

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[15] "Words ... do not worm their way into our discourse by accident." Alex Kozinski, *Trademarks Unplugged,* 68 N.Y.U. L. Rev. 960, 975 (1993). Trademark holders engage in "well-orchestrated campaigns intended to burn them into our collective consciousness." *Id.* Although trademark holders gain something by pushing their trademark into the lexicon, they also inevitably lose a measure of control over their mark.

used a domain name that did not contain the Lexus mark. It's true they could have used some other domain name like autobroker.com or fastimports.com, or have used the text of their website to explain their business. But it's enough to satisfy our test for necessity that the Tabaris needed to communicate that they specialize in Lexus vehicles, and using the Lexus mark in their domain names accomplished this goal. While using Lexus in their domain names wasn't the only way to communicate the nature of their business, the same could be said of virtually any choice the Tabaris made about how to convey their message: Rather than using the internet, they could publish advertisements in print; or, instead of taking out print ads, they could rely on word of mouth. We've never adopted such a draconian definition of necessity, and we decline to do so here. In *Volkswagenwerk,* for instance, we affirmed the right of a mechanic to put up a sign advertising that he specialized in repairing Volkswagen cars, although he could have used a sandwich board, distributed leaflets or shouted through a megaphone. 411 F.2d at 352.[16] One way or the other, the Tabaris need to let consumers know that they are brokers of Lexus cars, and that's nearly impossible to do without mentioning Lexus, *cf. Monte Carlo Shirt, Inc. v. Daewoo Int'l (Am.) Corp.,* 707 F.2d 1054, 1058 (9th Cir.1983), be it via domain name, metatag, radio jingle, telephone solicitation or blimp.

[21] The fact that the Tabaris also broker other types of cars does not render their use of the Lexus mark unnecessary.[17] Lisa Tabari testified: "I in my conviction and great respect for the company always try to convince the consumer to first purchase a Lexus or Toyota product." If customers decide to buy some other type of car, the Tabaris may help with that, but their specialty is Lexus. The Tabaris are entitled to decide what automotive brands to emphasize in their business, and the district court found that the Tabaris do in fact specialize in Lexus vehicles. Potential

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[16] The Seventh Circuit has similarly upheld the right of a seller of Beanie Babies to operate at "bargainbeanies.com" on the grounds that "[y]ou can't sell a branded product without using its brand name." *Ty Inc.,* 306 F.3d at 512. In a prophetic choice of examples, Judge Posner remarked that prohibiting such a domain name "would amount to saying that if a used car dealer truthfully advertised that it sold Toyotas, or if a muffler manufacturer truthfully advertised that it specialized in making mufflers for installation in Toyotas, Toyota would have a claim of trademark infringement." *Id.*

[17]Toyota doesn't suggest that the Tabaris used the Lexus mark to refer to those other cars, or that the Tabaris used the Lexus mark in order to redirect customers to those cars. *See, e.g., Nissan Motor Co. v. Nissan Computer Corp.,* 378 F.3d 1002, 1019 (9th Cir.2004). Everyone seems to concede the Tabaris are bona fide Lexus brokers. We therefore do not consider whether the Tabaris used the Lexus mark in conjunction with brokering vehicles other than Lexus, or whether such use would be infringing.

customers would naturally be interested in that fact, and it was entirely appropriate for the Tabaris to use the Lexus mark to let them know it.

[22] Nor are we convinced by Toyota's argument that the Tabaris unnecessarily used domain names containing the Lexus trademark as their trade name. *See Volkswagenwerk,* 411 F.2d at 352. The Tabaris' business name is not buyorleaselexus.com or buy-a-lexus.com; it's Fast Imports. Toyota points out that the Tabaris' domain names featured prominently in their advertising, but that by no means proves the domain names were synonymous with the Tabaris' business. The Tabaris may have featured their domain names in their advertisements in order to tell consumers where to find their website, as well as to communicate the fact that they can help buy or lease a Lexus. Toyota would have to show significantly more than "prominent" advertisement to establish the contrary. We therefore conclude that the Tabaris easily satisfy the first *New Kids* factor.

[23] As for the second and third steps of our nominative fair use analysis, Toyota suggests that use of the stylized Lexus mark and "Lexus L" logo was more use of the mark than necessary and suggested sponsorship or endorsement by Toyota. This is true: The Tabaris could adequately communicate their message without using the visual trappings of the Lexus brand. *New Kids,* 971 F.2d at 308 n.7. Moreover, those visual cues might lead some consumers to believe they were dealing with an authorized Toyota affiliate. Imagery, logos and other visual markers may be particularly significant in cyberspace, where anyone can convincingly recreate the look and feel of a luxury brand at minimal expense. It's hard to duplicate a Lexus showroom, but it's easy enough to ape the Lexus site.

[24] But the Tabaris submitted images of an entirely changed site at the time of trial: The stylized mark and "L" logo were gone, and a disclaimer appeared in their place. The disclaimer stated, prominently and in large font, "We are not an authorized Lexus dealer or affiliated in any way with Lexus. We are an Independent Auto Broker." While not required, such a disclaimer is relevant to the nominative fair use analysis. *See Welles,* 279 F.3d at 803. Toyota claims the Tabaris' disclaimer came too late to protect against confusion caused by their domain names, as such confusion would occur before consumers saw the site or the disclaimer. *See Brookfield,* 174 F.3d at 1057. But nothing about the Tabaris' domains would give rise to such confusion; the Tabaris did not run their business at lexus.com, and their domain names did not contain words like "authorized" or "official." *See* pp. 1178–79 *supra.* Reasonable consumers would arrive at the Tabaris' site agnostic as to what they would find. Once there, they would immediately see the disclaimer and would promptly be disabused of any notion that the Tabaris' website is sponsored by Toyota. Because there was no risk of confusion as to sponsorship or endorsement, the Tabaris' use of the Lexus mark was fair.

[25] This makeover of the Tabaris' site is relevant because Toyota seeks only forward-looking relief. In *Volkswagenwerk,* we declined to order an injunction where the defendant had likewise stopped all infringing activities by the time of

trial, 411 F.2d at 352, although we've said that an injunction may be proper if there's a risk that infringing conduct will recur, *Polo Fashions, Inc. v. Dick Bruhn, Inc.,* 793 F.2d 1132, 1135–36 (9th Cir.1986). Even assuming some form of an injunction is required to prevent relapse in this case, the proper remedy for infringing use of a mark on a site generally falls short of entirely prohibiting use of the site's domain name, as the district court did here. *See Interstellar Starship,* 304 F.3d at 948. "[O]nly upon proving the rigorous elements of cyber-squatting ... have plaintiffs successfully forced the transfer of an infringing domain name." *Id.* Forced relinquishment of a domain is no less extraordinary.

[26] The district court is in a better position to assess in the first instance the timing and extent of any infringing conduct, as well as the scope of the remedy, if any remedy should prove to be required. We therefore vacate the injunction and remand for reconsideration. The important principle to bear in mind on remand is that a trademark injunction should be tailored to prevent ongoing violations, not punish past conduct. Speakers do not lose the right to engage in permissible speech simply because they may have infringed a trademark in the past.

C.

[27] When considering the scope and timing of any infringement on remand, the district court must eschew application of *Sleekcraft* and analyze the case solely under the rubric of nominative fair use. *Cairns,* 292 F.3d at 1151. The district court treated nominative fair use as an affirmative defense to be established by the Tabaris only after Toyota showed a likelihood of confusion under *Sleekcraft.* This was error; nominative fair use "replaces" *Sleekcraft* as the proper test for likely consumer confusion whenever defendant asserts to have referred to the trademarked good itself. *Id.* (emphasis omitted); *see also Welles,* 279 F.3d at 801.

[28] On remand, Toyota must bear the burden of establishing that the Tabaris' use of the Lexus mark was *not* nominative fair use. A finding of nominative fair use is a finding that the plaintiff has failed to show a likelihood of confusion as to sponsorship or endorsement. *See Welles,* 279 F.3d at 801; *New Kids,* 971 F.2d at 308 ("Because [nominative fair use] does not implicate the source-identification function that is the purpose of trademark, it does not constitute unfair competition.").[18] And, as the Supreme Court has unambiguously instructed, the Lanham Act always places the "burden of proving likelihood of confusion ... on the party charging infringement." *KP Permanent Make–Up, Inc. v. Lasting Impression I, Inc.,* 543 U.S. 111, 118 (2004); *see also id.* at 120–21. In this case, that party is Toyota. "[A]ll the [Tabaris] need[ ] to do is to leave the factfinder unpersuaded." *Id.* at 120.

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[18] This is necessarily so because, unlike classic fair use, nominative fair use is not specifically provided for by statute. A court may find classic fair use despite "proof of infringement" because the Lanham Act authorizes that result. *See* 15 U.S.C. § 1115(b)(4). Nominative fair use, on the other hand, represents a finding of no liability under that statute's basic prohibition of infringing use. *See id.* § 1114.

[29] We have previously said the opposite: "[T]he nominative fair use defense shifts to the defendant the burden of proving no likelihood of confusion." *Brother Records, Inc.,* 318 F.3d at 909 n.5. But that rule is plainly inconsistent with *Lasting Impression* and has been "effectively overruled." *Miller v. Gammie,* 335 F.3d 889, 893 (9th Cir.2003) (en banc); *see also* 4 *McCarthy on Trademarks and Unfair Competition* § 23:11 at 82 n.5 (4th ed.2010). A defendant seeking to assert nominative fair use as a defense need only show that it used the mark to refer to the trademarked good, as the Tabaris undoubtedly have here. The burden then reverts to the plaintiff to show a likelihood of confusion.

....

VACATED AND REMANDED

FERNANDEZ, Circuit Judge, concurring:

[1] I concur in the majority's conclusion that the district court erred in its handling of the nominative fair use defense. I write separately, however, because I cannot concur in all that is said by the majority.

[2] First, and principally, I feel compelled to disassociate myself from statements by the majority which are not supported by the evidence or by the district court's findings. I simply cannot concur in essentially factual statements whose provenance is our musings rather than the record and determinations by trier of fact. For example, on this record I do not see the basis for the majority's assertion that the "relevant consumer is ... accustomed to shopping online"; or that "[c]onsumers who use the internet for shopping are generally quite sophisticated" so that they are not likely to be misled; or that "the worst that can happen is that some consumers may arrive at [a] site uncertain as to what they will find"; or that, in fact, consumers are agnostic and, again, not likely to be misled; or that "[r]easonable consumers would arrive at the Tabaris' site agnostic as to what they would find."

…

[3] Thus, I respectfully concur in the result.

We have long awaited some statement from the Second Circuit as to whether the circuit recognizes the nominative fair use defense, and if it does, how courts should evaluate it. That statement finally came in the following opinion. Does Judge Pooler's approach in the Second Circuit strike you as more sensible than Judge Kozinski's in the Ninth?

Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC
No. 14 Civ. 3456, 2016 WL 2893172 (2d Cir. May 18, 2016)

POOLER, Circuit Judge:

[The plaintiff developed a certification program and the certification mark CISSP to denote a "Certified Information Systems Security Professional" who has passed the plaintiff's certification exam. The defendant offers various courses to prepare individuals for the plaintiff's exam. It was undisputed that the defendant could use the plaintiff's mark to indicate that these courses were directed towards preparing students to take the plaintiff's exam. However, the defendant advertised its courses as taught by "Master CISSP Clement Dupuis", allegedly suggesting that Mr. Dupuis had obtained some higher, "Master" level of certification from the plaintiff. On cross-motions for summary judgment, the district court applied the *New Kids* factors in place of the *Polaroid* factors and found, among other things, that the defendant's use was a nominative fair use. The plaintiff appealed.]

II. Infringement Claims

C. Likelihood of Confusion in Nominative Use Cases

[1] [W]e turn to the question of how the district court should assess likelihood of confusion on remand.

[2] As discussed above, our Court's test for assessing likelihood of confusion is the *Polaroid* test…. This Court has repeatedly urged district courts to apply the *Polaroid* factors even "where a factor is irrelevant to the facts at hand." *Arrow Fastener Co.,* 59 F.3d at 400 ("[I]t 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.").

[3] The district court, rather than applying the *Polaroid* factors, applied the Ninth Circuit's test which applies in cases of nominative use of marks. Nominative use is a "use of another's trademark to identify, not the defendant's goods or services, but the plaintiff's goods or services." McCarthy § 23:11. It is called "nominative" use "because it 'names' the real owner of the mark." *Id.* "The doctrine of nominative fair use allows a defendant to use a plaintiff's trademark to identify the plaintiff's goods so long as there is no likelihood of confusion about the source of the defendant's product or the mark-holder's sponsorship or affiliation." *Tiffany (NJ) Inc. v. eBay Inc.,* 600 F.3d 93, 102 (2d Cir.2010) (alterations and internal quotation marks omitted). Because the *Polaroid* factors—or their analogues in other circuits—are not easily applied in cases of nominative use, various courts have created new tests to apply in such circumstances. The Ninth Circuit's nominative fair use doctrine stems from its decision in *New Kids on the Block v. News America Publishing, Inc.,* 971 F.2d 302 (9th Cir.1992)…. Other circuits have adopted variations of this test. *See, e.g., Universal Commc'n Sys., Inc. v. Lycos, Inc.,* 478 F.3d 413, 424 (1st Cir. 2007); *Century 21 Real Estate Corp. v. Lendingtree, Inc.,* 425 F.3d 211, 220–22 (3d Cir. 2005); *Pebble Beach Co. v. Tour 18 I Ltd.,* 155 F.3d 526, 546–47 (5th Cir. 1998).

[4] In the Ninth Circuit, nominative fair use is not an affirmative defense because it does not protect a defendant from liability if there is, in fact, a likelihood of consumer confusion. Rather, the nominative fair use test replaces the multi-factor

test that the Ninth Circuit typically employs to determine consumer confusion, i.e., it replaces the Ninth Circuit's analogue to the *Polaroid* test. *See Cairns v. Franklin Mint Co.,* 292 F.3d 1139, 1150–51 (9th Cir. 2002); *accord Toyota Motor Sales, U.S.A., Inc. v. Tabari,* 610 F.3d 1171, 1175 (9th Cir. 2010); *see also* McCarthy § 23:11 ("The Ninth Circuit, in crafting a separate category of a 'nominative fair use' analysis, created a specialized tool to analyze a certain class of cases of alleged infringement.... The Ninth Circuit did not intend nominative fair use to constitute an affirmative defense.").

[5] By contrast, the Third Circuit, another court to have developed a nominative fair use doctrine, affords defendants broader protection. The Third Circuit treats nominative fair use as an affirmative defense that may be asserted by the defendant despite a likelihood of consumer confusion. To be entitled to protection based on the affirmative defense, a defendant must show

> (1) that the use of plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service; (2) that the defendant uses only so much of the plaintiff's mark as is necessary to describe plaintiff's product; and (3) that the defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services.

Century 21 Real Estate Corp., 425 F.3d at 222.

[6] To this point, this Court has not adopted either the Ninth Circuit or the Third Circuit's rule on nominative fair use. Nonetheless, district courts within our Circuit frequently use the Ninth Circuit's formulation. *See, e.g., Car–Freshner Corp. v. Getty Images, Inc.,* 822 F.Supp.2d 167, 177–78 (N.D.N.Y. 2011); *Audi AG v. Shokan Coachworks, Inc.,* 592 F.Supp.2d 246, 269–70 (N.D.N.Y. 2008) (collecting cases). Further, as discussed below we have endorsed the principles underlying the nominative fair use doctrine. *See Tiffany (NJ) Inc.,* 600 F.3d at 102–03; *Dow Jones & Co. v. Int'l Sec. Exch., Inc.,* 451 F.3d 295, 308 (2d Cir. 2006).

[7] Having considered the case law, as well as the positions of the United States Patent and Trademark Office, we reject the Third Circuit's treatment of nominative fair use as an affirmative defense. The Lanham Act sets forth numerous affirmative defenses to infringement claims that can be asserted even if the plaintiff has established likelihood of confusion. *See* 15 U.S.C. § 1115(b). The Third Circuit's basis for treating nominative fair use as an affirmative defense is that the Supreme Court has treated classic, or descriptive, fair use as an affirmative defense. *See Century 21 Real Estate Corp.,* 425 F.3d at 222 (citing *KP Permanent Make–Up, Inc. v. Lasting Impression I, Inc.,* 543 U.S. 111, 118–20, 125 S.Ct. 542, 160 L.Ed.2d 440 (2004)). But in treating descriptive fair use as an affirmative defense, the Supreme Court was interpreting a provision of the Lanham Act which provided that claims of infringement are subject to various defenses, including

> That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his

> own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin....

15 U.S.C. § 1115(b)(4); *see KP Permanent Make–Up, Inc.,* 543 U.S. at 118–20, 125 S.Ct. 542 (analyzing 15 U.S.C. § 1115(b)(4) and ultimately concluding that Congress intended descriptive fair use to be an affirmative defense). That is, under the Supreme Court's interpretation, the Lanham Act explicitly provides that descriptive fair use is an affirmative defense. And nominative fair use cannot fall within § 1115(b)(4)'s language, as nominative fair use is not the use of a name, term, or device otherwise than as a mark which is descriptive of and used merely to describe the goods or services of the alleged infringer. *See Cosmetically Sealed Indus., Inc. v. Chesebrough–Pond's USA Co.,* 125 F.3d 28, 30 (2d Cir.1997) (finding descriptive fair use when the alleged infringer engaged in a "non-trademark use of words in their descriptive sense"). Nominative use involves using the mark at issue *as a mark* to specifically invoke the mark-holder's mark, rather than its use, other than as a mark, to describe the alleged infringer's goods or services. If Congress had wanted nominative fair use to constitute an additional affirmative defense, it would have provided as such. We therefore hold that nominative fair use is not an affirmative defense to an infringement claim.

[8] We turn next to the question of whether we should adopt a nominative fair use test, either to supplant or to replace the *Polaroid* test. Although we see no reason to replace the *Polaroid* test in this context, we also recognize that many of the *Polaroid* factors are a bad fit here and that we have repeatedly emphasized that the *Polaroid* factors are non-exclusive. And although we have not expressly rejected or accepted other circuits' nominative fair use tests, we "have recognized that a defendant may lawfully use a plaintiff's trademark where doing so is necessary to describe the plaintiff's product and does not imply a false affiliation or endorsement by the plaintiff of the defendant." *Tiffany (NJ) Inc.,* 600 F.3d at 102–03….

[9] Because we believe that the nominative fair use factors will be helpful to a district court's analysis, we hold that, in nominative use cases, district courts are to consider the Ninth Circuit and Third Circuit's nominative fair use factors, in addition to the *Polaroid* factors. When considering a likelihood of confusion in nominative fair use cases, *in addition to* discussing each of the *Polaroid* factors, courts are to consider: (1) whether the use of the plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service, that is, whether the product or service is not readily identifiable without use of the mark; (2) whether the defendant uses only so much of the plaintiff's mark as is necessary to identify the product or service; and (3) whether the defendant did anything that would, in conjunction with the mark, suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant's conduct or language reflects the true or accurate relationship between plaintiff's and defendant's products or services.

[10] When assessing the second nominative fair use factor, courts are to consider whether the alleged infringer "step[ped] over the line into a likelihood of confusion by using the senior user's mark too prominently or too often, in terms of size, emphasis, or repetition." McCarthy § 23:11; *see, e.g., PACCAR Inc. v. TeleScan Technologies, L.L.C.,* 319 F.3d 243, 256 (6th Cir. 2003) ("Using [the plaintiff's] trademarks in its domain names, repeating the marks in the main titles of the web sites and in the wallpaper underlying the web sites, and mimicking the distinctive fonts of the marks go beyond using the marks 'as is reasonably necessary to identify' [the plaintiff's] trucks, parts, and dealers."), *abrogated on other grounds by KP Permanent Make–Up, Inc.,* 543 U.S. at 116–17; *Brother Records, Inc. v. Jardine,* 318 F.3d 900, 908 (9th Cir.2003) (considering the fact that the defendant used the mark "'The Beach Boys' more prominently and boldly" than the rest of its name "The Beach Boys Family and Friends" such that event organizers and members of the audience were confused about who was performing); *Playboy Enters., Inc. v. Welles,* 279 F.3d 796, 804 (9th Cir. 2002) (holding that defendant's repeated use of the abbreviation "PMOY ′81" meaning "Playmate of the Year 1981" on the background/wallpaper of her website failed to establish nominative fair use because "[t]he repeated depiction of "PMOY ′81" is not necessary to describe [the defendant]"), *abrogated on other grounds by Miller v. Gammie,* 335 F.3d 889 (9th Cir.2003); *cf. Swarovski Aktiengesellschaft v. Building No. 19, Inc.,* 704 F.3d 44, 51–52 (1st Cir.2013) (reversing preliminary injunction restricting discount retailer from using large size font in advertising sale of "Swarovski" crystal figurines because lower court erred by assuming that retailer used "more of the mark than necessary" without determining if large size font was likely to cause consumer confusion).

[11] Additionally, when considering the third nominative fair use factor, courts must not, as the district court did here, consider only source confusion, but rather must consider confusion regarding affiliation, sponsorship, or endorsement by the mark holder. *See Courtenay Commc'ns Corp. v. Hall,* 334 F.3d 210, 213 n. 1 (2d Cir.2003) (vacating dismissal of Lanham Act claims and holding nominative fair use did not supply alternative grounds for dismissal because defendant's "hyperlink connection to a page of endorsements suggests affiliation, sponsorship, or endorsement by" the plaintiff (internal quotation marks omitted)).

[12] We therefore remand for reconsideration of the *Polaroid* factors in addition to the nominative fair use factors….

Questions and Comments

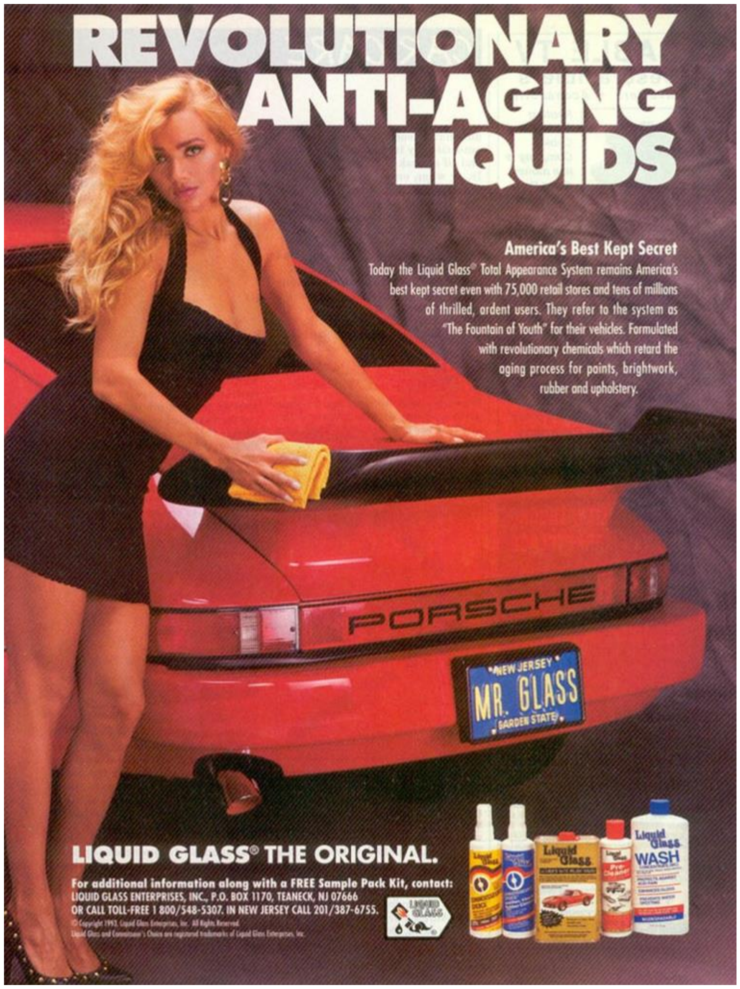
1. *The Ninth Circuit's Burden Shifting Approach*. McCarthy has parsed the burden-shifting language of *Tabari* as follows: "The Ninth Circuit has made it clear that a defendant who raises the nominative fair use issue need only show that it uses the mark to refer to the plaintiff's trademarked goods or services. The burden then reverts to the plaintiff to show a likelihood of confusion under the nominative fair use analysis…. In the Ninth Circuit and in other circuits that follow its approach, the 'nominative fair use' analysis is a 'defense' only in the sense that an accused

infringer in certain cases can use the analysis to argue that there will be no infringement because there will be no likelihood of confusion." McCARTHY § 23:11 (footnote omitted). Does this clarify the approach of the Ninth Circuit and other circuits that follow it?

2. Why Should the *New Kids* factors replace the *Sleekcraft* test? In *Board of Supervisors for Louisiana State University Agricultural and Mechanical College v. Smack Apparel Co*., 550 F.3d 465, the Fifth Circuit evaluated the defendant's nominative fair use claim under two factors ultimately adapted from *New Kids*: "In order to avail oneself of the nominative fair use defense 'the defendant (1) may only use so much of the mark as necessary to identify the product or service and (2) may not do anything that suggests affiliation, sponsorship, or endorsement by the markholder.'" (quoting *Pebble Beach Co. v. Tour 18 I Ltd*., 155 F.3d 526, 546 (5th Cir. 1998)). In elaborating on the nature of the nominative fair use defense, the Smack Apparel court offered one explanation for why the nominative fair use test should replace the traditional multifactor test for the likelihood of confusion: "We have held that a nominative fair use claim is a claim that a mark's use is noninfringing and therefore creates no likelihood of confusion. Thus, we have also said that a court ordinarily should consider a nominative fair use claim in conjunction with its likelihood-of-confusion analysis in order to avoid lowering the standard for confusion." *Smack Apparel*, 550 F.3d at 488-89 (footnote omitted). Does this strike you as a persuasive justification?

3. *The Third Circuit's Hybrid Approach in* Century 21. In *Century 21 Real Estate Corp. v. Lendingtree, Inc*., 425 F.3d 211 (3d Cir. 2005), the Third Circuit rejected the Ninth Circuit's approach in which the *New Kids* factors replace the multifactor test for the likelihood of consumer confusion. Instead, seeking properly to cast the nominative fair use "defense" as a true affirmative defense, the *Century 21* court set forth four factors Third Circuit courts should consider in the nominative fair use context to determine if there was a likelihood of confusion: "(1) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (2) the length of time the defendant has used the mark without evidence of actual confusion; (3) the intent of the defendant in adopting the mark; and (4) the evidence of actual confusion." *Id*. at 225-26. If the plaintiff meets its burden of proving a likelihood of confusion under these factors, then the defendant bears the burden of winning each of the following factors to make out the defense of nominative fair use: "1. Is the use of plaintiff's mark necessary to describe (1) plaintiff's product or service and (2) defendant's product or service? 2. Is only so much of the plaintiff's mark used as is necessary to describe plaintiff's products or services? 3. Does the defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services?" *Id*. at 228. Dissenting, Judge Fisher was highly critical of this new approach. *See id*. at 232 (Fisher, J., dissenting).

2. Further Examples of Nominative Fair Use Analyses



Liquid Glass Enterprises, Inc. v. Dr. Ing. h.c.F. Porsche AG
8 F. Supp. 2d 398 (D.N.J. 1998)

In *Liquid Glass Enterprises, Inc. v. Dr. Ing. h.c.F. Porsche AG*, 8 F. Supp. 2d 398 (D.N.J. 1998), the declaratory plaintiff Liquid Glass ran numerous advertisements incorporating Porsche automobiles. The court focused on two. The first was "an ad appearing in the May 1997 issue of a national car magazine, *Motor Trend*, which portrays a provocatively-dressed woman applying Liquid Glass car polish to a Porsche 911 with the trademark 'PORSCHE' prominently displayed on the car." *Id*. at 399. The second was a ten-minute video for use at trade shows that

> opens with a Porsche 911 (with the Porsche crest plainly visible) accelerating down a highway. Immediately following, the video cuts to a woman who is undressing and taking a shower. Thereafter, the video cuts alternately between a car (not a Porsche) being washed and

> polished and a woman showering, putting on her makeup and getting dressed. The video then illustrates Liquid Glass's uses on numerous expensive cars and ends with a shot of the Porsche 911 speeding down the road.

Id. at 400.

Applying *New Kids*, the court found no nominative fair use and ultimately granted the declaratory defendant's preliminary injunction motion. As to the first factor, "Liquid Glass has asserted no reason why the Porsche trademark or trade dress is necessary in its promotion of Liquid Glass products." *Id*. at 402. As to the second factor, "[n]either does Liquid Glass use only so much of Porsche's trademarks and trade dress as is reasonably necessary. *See, e.g*., *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 352 (9th Cir.1969) (repair shop can only use the word 'Volkswagen' but cannot use the distinctive lettering or the encircled 'VW' emblem)". *Id*. at 402-403. As to the third *New Kids* factor, the court then proceeded through the Third Circuit's *Scott Paper* multifactor test for consumer confusion to find that "Liquid Glass's advertisements could mislead the public into believing that Porsche endorsed Liquid Glass's products or at least approved of their use on Porsche automobiles." *Id*. at 403. (The court also found dilution by blurring).

Toho Co., Ltd. v. William Morrow & Co., Inc.
33 F. Supp. 2d 1206 (C.D. Cal. 1998)

In *Toho Co., Ltd. v. William Morrow & Co., Inc*., 33 F. Supp. 2d 1206 (C.D. Cal. 1998), Toho was the producer of and intellectual property rights holder in the Godzilla motion pictures. The defendant planned to release a 227-page Godzilla compendium book entitled "Godzilla!", the title of which was "written in the distinctive lettering style used by Toho and its licensees in their merchandising activities." *Id*. at 1209. Toho moved for a preliminary injunction.

Applying *New Kids*, the court found, on factor one, that "[t]he product (the Godzilla character) is one not readily identifiable without the use of the trademark. A 'giant sized pre-historic dragon-like monster' may be an adequate description of Plaintiff's product, but use of the 'Godzilla' mark is required to readily identify Plaintiff's product." Id. at 1211. However, on factor two, "the cover of the Morrow Book contains Toho's trademark in bold orange lettering prominently displayed. This prong of the test does not appear to be satisfied because Morrow's use exceeds its legitimate referential purpose." Id. On the third New Kids factor, the court proceeded through the Ninth Circuit's *Sleekcraft* test for the likelihood of consumer confusion to find that "consumer confusion is likely." *Id*. at 1215.

In a separate discussion (placed after its analysis of the first and second New Kids Factors but before its *Sleekcraft* analysis), the court found that the defendant's disclaimers on the front and back of the book were ineffective. The court described the disclaimers:

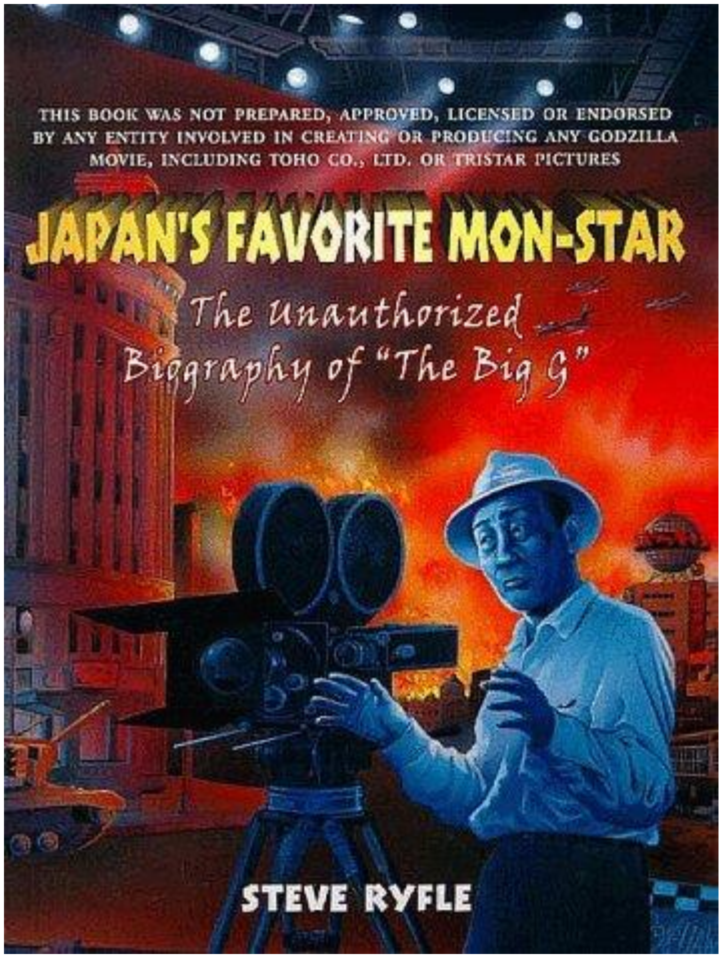
> On the front cover, the word "UNAUTHORIZED" appears at the very top of the page, in relatively small lettering, surrounded by an orange bordering. On the back cover the following disclaimer appears, highlighted by its appearance against a blue background: "THIS BOOK WAS NOT PREPARED, APPROVED, LICENSED OR ENDORSED BY ANY ENTITY INVOLVED IN CREATING OR PRODUCING ANY GODZILLA MOVIE, INCLUDING COLUMBIA/TRISTAR AND TOHO CO. LTD."

Id. at 1212. The court concluded:

> This Court finds that the disclaimers do not alleviate the potential for consumer confusion. The word "UNAUTHORIZED" on the front cover only conveys a limited amount of information. It is not necessarily clear that alerting the average consumer to the word "UNAUTHORIZED" would negate consumer confusion as to Toho's sponsorship or endorsement of the Morrow Book. As the court in T*win Peaks Productions v. Publications Intern*., 996 F.2d 1366, 1379 (2nd Cir.1993) stated, the disclaimer would have been far more effective had it simply stated "that the publication has not been prepared, approved, or licensed by any entity that created or produced the" original Toho Godzilla films. That this information is conveyed on the back cover does not suffice. This Court is of the belief that most consumers look primarily at the front cover of a book prior to purchase. Moreover, the color of the disclaimer on the front cover does not effectively draw the attention of the average consumer as its bordering is in the same shade as the title. Further, the word is placed at the top of the page where most consumers' eyes are not likely to dwell. Perhaps if the information contained on the back cover were placed on the front cover, consumer confusion could be negated. The disclaimer is also not placed on the spine of the Morrow Book, a place where many consumers are likely to view before seeing the cover. Toho also asserts that the advertisement for the Morrow Book placed on the Internet at sites such as "Amazon.com" does not even contain the disclaimer. In summary, this Court finds that the disclaimers are ineffective.

Id. at 1213.

Consider, by contrast, the approach taken by the following book:



C. Expressive Uses of Trademarks

We use the term "expressive" to denote the great variety of unauthorized uses of marks for purposes such as parody, criticism, or social commentary, be they for-profit or entirely non-commercial in nature. Unlike copyright law and its doctrine of copyright fair use, trademark law has no one-size-fits-all doctrine to address the permissibility of such expressive uses. Further complicating matters is that any particular expressive use must be analyzed both for the likelihood that it will cause consumer confusion and for the likelihood that it will cause trademark dilution.

In Part III.C.1, we turn first to a leading example of a court's analysis of a for-profit parodic use both under the multifactor test for the likelihood of consumer confusion and the test under Lanham Act § 43(c), 15 U.S.C. § 1125(c), for the likelihood of trademark blurring and trademark tarnishment. *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007), is a lengthy opinion that is presented here almost in full, but it will reward a thorough reading.

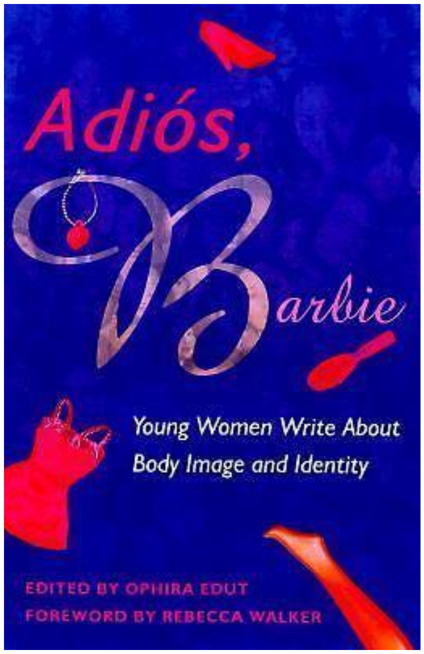
We then turn in Part III.C.2 to the *Rogers v. Grimaldi* test for artistically relevant uses of trademarks. In recent years, this test has become increasingly influential as a replacement for the likelihood of confusion test in expressive use situations. Note importantly, however, that the *Rogers v. Grimaldi* test limits itself only to the question of consumer confusion. It does not address the additional question of whether the expressive use blurs or tarnishes the targeted mark. On that issue, a typical defendant may seek to avail itself of the "Exclusions" from antidilution protection provided by Lanham Act § 43(c)(3), 15 U.S.C. 1125(c)(3).

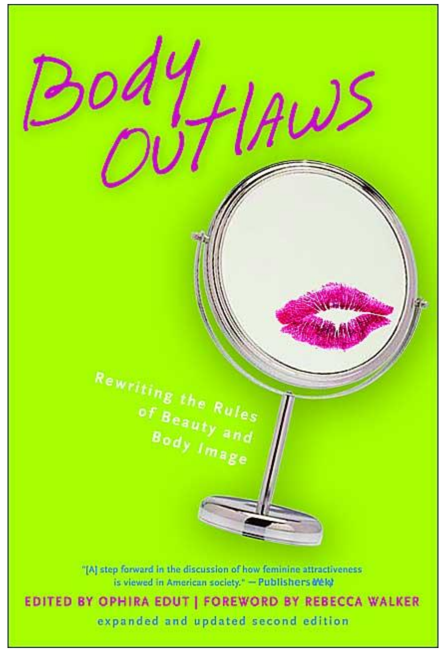
Part III.C.3 provides summaries of further examples of expressive use cases and controversies.

One final preliminary comment, going to the limits of the reading in this subpart: for all of the elaborate doctrine that is meant to limit plaintiffs' trademark rights and allow defendants' expressive uses, the fact is that defendants often cannot afford to avail themselves of these limits. They often settle rather than bankrupt themselves through litigation. Consider one example of this sad reality:

> Seal Press, a small book publisher that specializes in non-fiction and fiction by women writers, published a book, "Adios, Barbie," that examined body image from a feminist perspective [image of first edition book cover shown below on left]. Seal was sued by Mattel for dilution. Commenting on the suit, the Seal Press publisher said "[w]e thought the First Amendment provided us with every right to evoke the outrageousness of tall, thin, and white being the only widely accepted body type." But Mattel overwhelmed the small press. In a settlement, Seal agreed to remove Barbie's name from the book's title and to remove images of the doll's clothing and accoutrements from its cover. "We are a small publisher," said the publisher. "We're not insured for the costs associated with this type of lawsuit."

Julie Zando-Denis, Not Playing Around: The Chilling Power of the Federal Trademark Dilution Act of 1995, 11 CARDOZO WOMEN'S L.J. 599, 614 (2005) (footnotes omitted).





There is simply no question that if Seal Press had had the resources to litigate the matter, it would have prevailed with respect to both confusion and dilution against Mattel — whose reputation for scorched-earth litigation tactics is matched only by its reputation for almost always losing in court against those who stand up to its bullying. *See, e.g.*, *Mattel Inc. v. Walking Mountain Productions*, 353 F.3d 792 (9th Cir. 2003); *Mattel, Inc. v. Pitt*, 229 F. Supp. 2d 315, 318 (S.D.N.Y. 2002). For more on the degree to which the mere threat of litigation can produce very strong "chilling effects" on expressive uses of trademarks, see Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 WISC. L. REV. 625.

1. Expressive Uses and the Tests for Confusion and Dilution

Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC
507 F.3d 252 (4th Cir. 2007)

NIEMEYER, Circuit Judge:

[1] Louis Vuitton Malletier S.A., a French corporation located in Paris, that manufactures luxury luggage, handbags, and accessories, commenced this action against Haute Diggity Dog, LLC, a Nevada corporation that manufactures and sells pet products nationally, alleging trademark infringement under 15 U.S.C. § 1114(1)(a), trademark dilution under 15 U.S.C. § 1125(c), copyright infringement

under 17 U.S.C. § 501, and related statutory and common law violations. Haute Diggity Dog manufactures, among other things, plush toys on which dogs can chew, which, it claims, parody famous trademarks on luxury products, including those of Louis Vuitton Malletier. The particular Haute Diggity Dog chew toys in question here are small imitations of handbags that are labeled "Chewy Vuiton" and that mimic Louis Vuitton Malletier's LOUIS VUITTON handbags.

[2] On cross-motions for summary judgment, the district court concluded that Haute Diggity Dog's "Chewy Vuiton" dog toys were successful parodies of Louis Vuitton Malletier's trademarks, designs, and products, and on that basis, entered judgment in favor of Haute Diggity Dog on all of Louis Vuitton Malletier's claims.

[3] On appeal, we agree with the district court that Haute Diggity Dog's products are not likely to cause confusion with those of Louis Vuitton Malletier and that Louis Vuitton Malletier's copyright was not infringed. On the trademark dilution claim, however, we reject the district court's reasoning but reach the same conclusion through a different analysis. Accordingly, we affirm.

I

[4] Louis Vuitton Malletier S.A. ("LVM") is a well known manufacturer of luxury luggage, leather goods, handbags, and accessories, which it markets and sells worldwide. In connection with the sale of its products, LVM has adopted trademarks and trade dress that are well recognized and have become famous and distinct. Indeed, in 2006, *BusinessWeek* ranked LOUIS VUITTON as the 17th "best brand" of all corporations in the world and the first "best brand" for any fashion business.

[5] LVM has registered trademarks for "LOUIS VUITTON," in connection with luggage and ladies' handbags (the "LOUIS VUITTON mark"); for a stylized monogram of "LV," in connection with traveling bags and other goods (the "LV mark"); and for a monogram canvas design consisting of a canvas with repetitions of the LV mark along with four-pointed stars, four-pointed stars inset in curved diamonds, and four-pointed flowers inset in circles, in connection with traveling bags and other products (the "Monogram Canvas mark"). In 2002, LVM adopted a brightly-colored version of the Monogram Canvas mark in which the LV mark and the designs were of various colors and the background was white (the "Multicolor design"), created in collaboration with Japanese artist Takashi Murakami. For the Multicolor design, LVM obtained a copyright in 2004. In 2005, LVM adopted another design consisting of a canvas with repetitions of the LV mark and smiling cherries on a brown background (the "Cherry design").

[6] The original LOUIS VUITTON, LV, and Monogram Canvas marks, however, have been used as identifiers of LVM products continuously since 1896.

[7] During the period 2003–2005, LVM spent more than $48 million advertising products using its marks and designs…. It sells its products exclusively in LVM stores and in its own in-store boutiques that are contained within department stores such as Saks Fifth Avenue, Bloomingdale's, Neiman Marcus, and Macy's. LVM

also advertises its products on the Internet through the specific websites www.louisvuitton.com and www. eluxury. com.

[8] Although better known for its handbags and luggage, LVM also markets a limited selection of luxury pet accessories—collars, leashes, and dog carriers—which bear the Monogram Canvas mark and the Multicolor design. These items range in price from approximately $200 to $1600. LVM does not make dog toys.

[9] Haute Diggity Dog, LLC, which is a relatively small and relatively new business located in Nevada, manufactures and sells nationally—primarily through pet stores—a line of pet chew toys and beds whose names parody elegant high-end brands of products such as perfume, cars, shoes, sparkling wine, and handbags. These include—in addition to Chewy Vuiton (LOUIS VUITTON)—Chewnel No. 5 (Chanel No. 5), Furcedes (Mercedes), Jimmy Chew (Jimmy Choo), Dog Perignonn (Dom Perignon), Sniffany & Co. (Tiffany & Co.), and Dogior (Dior). The chew toys and pet beds are plush, made of polyester, and have a shape and design that loosely imitate the signature product of the targeted brand. They are mostly distributed and sold through pet stores, although one or two Macy's stores carries Haute Diggity Dog's products. The dog toys are generally sold for less than $20, although larger versions of some of Haute Diggity Dog's plush dog beds sell for more than $100.

[10] Haute Diggity Dog's "Chewy Vuiton" dog toys, in particular, loosely resemble miniature handbags and undisputedly evoke LVM handbags of similar shape, design, and color. In lieu of the LOUIS VUITTON mark, the dog toy uses "Chewy Vuiton"; in lieu of the LV mark, it uses "CV"; and the other symbols and colors employed are imitations, but not exact ones, of those used in the LVM Multicolor and Cherry designs.

[11] In 2002, LVM commenced this action, naming as defendants Haute Diggity Dog; Victoria D.N. Dauernheim, the principal owner of Haute Diggity Dog; and Woofies, LLC, a retailer of Haute Diggity Dog's products, located in Asburn, Virginia, for trademark, trade dress, and copyright infringement. Its complaint includes counts for trademark counterfeiting, under 15 U.S.C. § 1114(1)(a); trademark infringement, under 15 U.S.C. § 1114(1)(a); trade dress infringement, under 15 U.S.C. § 1125(a)(1); unfair competition, under 15 U.S.C. § 1125(a)(1); trademark dilution, under 15 U.S.C. § 1125(c); trademark infringement, under Virginia common law; trade dress infringement, under Virginia common law; unfair competition, under Virginia common law; copyright infringement of the Multicolor design, under 17 U.S.C. § 501; and violation of the Virginia Consumer Protection Act, under Virginia Code § 59.1–200. On cross-motions for summary judgment, the district court granted Haute Diggity Dog's motion and denied LVM's motion, entering judgment in favor of Haute Diggity Dog on all of the claims. It rested its analysis on each count principally on the conclusion that Haute Diggity Dog's products amounted to a successful parody of LVM's marks, trade dress, and copyright. See *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC,* 464 F.Supp.2d 495 (E.D.Va.2006).

[12] LVM appealed and now challenges, as a matter of law, virtually every ruling made by the district court.

II

[13] LVM contends first that Haute Diggity Dog's marketing and sale of its "Chewy Vuiton" dog toys infringe its trademarks because the advertising and sale of the "Chewy Vuiton" dog toys is likely to cause confusion. *See* 15 U.S.C. § 1114(1)(a). LVM argues:

> The defendants in this case are using almost an exact imitation of the house mark VUITTON (merely omitting a second "T"), and they painstakingly copied Vuitton's Monogram design mark, right down to the exact arrangement and sequence of geometric symbols. They also used the same design marks, trade dress, and color combinations embodied in Vuitton's Monogram Multicolor and Monogram Cerises [Cherry] handbag collections. Moreover, HDD did not add any language to distinguish its products from Vuitton's, and its products are not "widely recognized."[19]

[14] Haute Diggity Dog contends that there is no evidence of confusion, nor could a reasonable factfinder conclude that there is a likelihood of confusion, because it successfully markets its products as parodies of famous marks such as those of LVM. It asserts that "precisely because of the [famous] mark's fame and popularity ... confusion is avoided, and it is this lack of confusion that a parodist depends upon to achieve the parody." Thus, responding to LVM's claims of trademark infringement, Haute Diggity Dog argues:

> The marks are undeniably similar in certain respects. There are visual and phonetic similarities. [Haute Diggity Dog] admits that the product name and design mimics LVM's and is based on the LVM marks. It is necessary for the pet products to conjure up the original designer mark for there to be a parody at all. However, a parody also relies on "equally obvious dissimilarit[ies] between the marks" to produce its desired effect.

Concluding that Haute Diggity Dog did not create any likelihood of confusion as a matter of law, the district court granted summary judgment to Haute Diggity Dog.

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[19] We take this argument to be that Haute Diggity Dog is copying too closely the marks and trade dress of LVM. But we reject the statement that LVM has a trademark consisting of the one word VUITTON. At oral argument, counsel for LVM conceded that the trademark is "LOUIS VUITTON," and it is always used in that manner rather than simply as "VUITTON." It appears that LVM has employed this technique to provide a more narrow, but irrelevant, comparison between its VUITTON and Haute Diggity Dog's "Vuiton." In resolving this case, however, we take LVM's arguments to compare "LOUIS VUITTON" with Haute Diggity Dog's "Chewy Vuiton."

Louis Vuitton Malletier, 464 F.Supp.2d at 503, 508. We review its order *de novo. See CareFirst of Md., Inc. v. First Care, P.C.,* 434 F.3d 263, 267 (4th Cir.2006).

[15] To prove trademark infringement, LVM must show (1) that it owns a valid and protectable mark; (2) that Haute Diggity Dog uses a "re-production, counterfeit, copy, or colorable imitation" of that mark in commerce and without LVM's consent; and (3) that Haute Diggity Dog's use is likely to cause confusion. 15 U.S.C. § 1114(1)(a); *CareFirst,* 434 F.3d at 267. The validity and protectability of LVM's marks are not at issue in this case, nor is the fact that Haute Diggity Dog uses a colorable imitation of LVM's mark. Therefore, we give the first two elements no further attention. To determine whether the "Chewy Vuiton" product line creates a likelihood of confusion, we have identified several nonexclusive factors to consider: (1) the strength or distinctiveness of the plaintiff's mark; (2) the similarity of the two marks; (3) the similarity of the goods or services the marks identify; (4) the similarity of the facilities the two parties use in their businesses; (5) the similarity of the advertising used by the two parties; (6) the defendant's intent; and (7) actual confusion. *See Pizzeria Uno Corp. v. Temple,* 747 F.2d 1522, 1527 (4th Cir.1984). These *Pizzeria Uno* factors are not always weighted equally, and not all factors are relevant in every case. *See CareFirst,* 434 F.3d at 268.

[16] Because Haute Diggity Dog's arguments with respect to the *Pizzeria Uno* factors depend to a great extent on whether its products and marks are successful parodies, we consider first whether Haute Diggity Dog's products, marks, and trade dress are indeed successful parodies of LVM's marks and trade dress.

[17] For trademark purposes, "[a] 'parody' is defined as a simple form of entertainment conveyed by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark's owner." *People for the Ethical Treatment of Animals v. Doughney* ("*PETA* "), 263 F.3d 359, 366 (4th Cir.2001) (internal quotation marks omitted). "A parody must convey two simultaneous—and contradictory—messages: that it is the original, but also that it is *not* the original and is instead a parody." *Id.* (internal quotation marks and citation omitted). This second message must not only differentiate the alleged parody from the original but must also communicate some articulable element of satire, ridicule, joking, or amusement. Thus, "[a] parody relies upon a difference from the original mark, presumably a humorous difference, in order to produce its desired effect." *Jordache Enterprises, Inc. v. Hogg Wyld, Ltd.,* 828 F.2d 1482, 1486 (10th Cir.1987) (finding the use of "Lardashe" jeans for larger women to be a successful and permissible parody of "Jordache" jeans).

[18] When applying the *PETA* criteria to the facts of this case, we agree with the district court that the "Chewy Vuiton" dog toys are successful parodies of LVM handbags and the LVM marks and trade dress used in connection with the marketing and sale of those handbags. First, the pet chew toy is obviously an irreverent, and indeed intentional, representation of an LVM handbag, albeit much smaller and coarser. The dog toy is shaped roughly like a handbag; its name "Chewy

Vuiton" sounds like and rhymes with LOUIS VUITTON; its monogram CV mimics LVM's LV mark; the repetitious design clearly imitates the design on the LVM handbag; and the coloring is similar. In short, the dog toy is a small, plush imitation of an LVM handbag carried by women, which invokes the marks and design of the handbag, albeit irreverently and incompletely. No one can doubt that LVM handbags are the target of the imitation by Haute Diggity Dog's "Chewy Vuiton" dog toys.

[19] At the same time, no one can doubt also that the "Chewy Vuiton" dog toy is not the "idealized image" of the mark created by LVM. The differences are immediate, beginning with the fact that the "Chewy Vuiton" product is a dog toy, not an expensive, luxury LOUIS VUITTON handbag. The toy is smaller, it is plush, and virtually all of its designs differ. Thus, "Chewy Vuiton" is not LOUIS VUITTON ("Chewy" is not "LOUIS" and "Vuiton" is not "VUITTON," with its two Ts); CV is not LV; the designs on the dog toy are simplified and crude, not detailed and distinguished. The toys are inexpensive; the handbags are expensive and marketed to be expensive. And, of course, as a dog toy, one must buy it with pet supplies and cannot buy it at an exclusive LVM store or boutique within a department store. In short, the Haute Diggity Dog "Chewy Vuiton" dog toy undoubtedly and deliberately conjures up the famous LVM marks and trade dress, but at the same time, it communicates that it is not the LVM product.

[20] Finally, the juxtaposition of the similar and dissimilar—the irreverent representation and the idealized image of an LVM handbag—immediately conveys a joking and amusing parody. The furry little "Chewy Vuiton" imitation, as something to be *chewed by a dog,* pokes fun at the elegance and expensiveness of a LOUIS VUITTON handbag, which must *not* be chewed by a dog. The LVM handbag is provided for the most elegant and well-to-do celebrity, to proudly display to the public and the press, whereas the imitation "Chewy Vuiton" "handbag" is designed to mock the celebrity and be used by a dog. The dog toy irreverently presents haute couture as an object for casual canine destruction. The satire is unmistakable. The dog toy is a comment on the rich and famous, on the LOUIS VUITTON name and related marks, and on conspicuous consumption in general. This parody is enhanced by the fact that "Chewy Vuiton" dog toys are sold with similar parodies of other famous and expensive brands—"Chewnel No. 5" targeting "Chanel No. 5"; "Dog Perignonn" targeting "Dom Perignon"; and "Sniffany & Co." targeting "Tiffany & Co."

[21] We conclude that the *PETA* criteria are amply satisfied in this case and that the "Chewy Vuiton" dog toys convey "just enough of the original design to allow the consumer to appreciate the point of parody," but stop well short of appropriating the entire marks that LVM claims. *PETA,* 263 F.3d at 366 (quoting *Jordache,* 828 F.2d at 1486).

[22] Finding that Haute Diggity Dog's parody is successful, however, does not end the inquiry into whether Haute Diggity Dog's "Chewy Vuiton" products create a likelihood of confusion. *See* 6 J. Thomas McCarthy, *Trademarks and Unfair Competition* § 31:153, at 262 (4th ed. 2007) ("There are confusing parodies and

non-confusing parodies. All they have in common is an attempt at humor through the use of someone else's trademark”). The finding of a successful parody only influences the way in which the *Pizzeria Uno* factors are applied. *See, e.g., Anheuser–Busch, Inc. v. L & L Wings, Inc.,* 962 F.2d 316, 321 (4th Cir.1992) (observing that parody alters the likelihood-of-confusion analysis). Indeed, it becomes apparent that an effective parody will actually diminish the likelihood of confusion, while an ineffective parody does not. We now turn to the *Pizzeria Uno* factors.

A

[23] As to the first *Pizzeria Uno* factor, the parties agree that LVM's marks are strong and widely recognized. They do not agree, however, as to the consequences of this fact. LVM maintains that a strong, famous mark is entitled, as a matter of law, to broad protection. While it is true that finding a mark to be strong and famous usually favors the plaintiff in a trademark infringement case, the opposite may be true when a legitimate claim of parody is involved. As the district court observed, “In cases of parody, a strong mark's fame and popularity is precisely the mechanism by which likelihood of confusion is avoided.” *Louis Vuitton Malletier,* 464 F.Supp.2d at 499 (citing *Hormel Foods Corp. v. Jim Henson Prods., Inc.,* 73 F.3d 497, 503–04 (2d Cir.1996); *Schieffelin & Co. v. Jack Co. of Boca, Inc.,* 850 F.Supp. 232, 248 (S.D.N.Y.1994)). “An intent to parody is not an intent to confuse the public.” *Jordache,* 828 F.2d at 1486.

[24] We agree with the district court. It is a matter of common sense that the strength of a famous mark allows consumers immediately to perceive the target of the parody, while simultaneously allowing them to recognize the changes to the mark that make the parody funny or biting. *See Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC,* 221 F.Supp.2d 410, 416 (S.D.N.Y.2002) (noting that the strength of the “TOMMY HILFIGER” fashion mark did not favor the mark's owner in an infringement case against “TIMMY HOLEDIGGER” novelty pet perfume). In this case, precisely because LOUIS VUITTON is so strong a mark and so well recognized as a luxury handbag brand from LVM, consumers readily recognize that when they see a “Chewy Vuiton” pet toy, they see a parody. Thus, the strength of LVM's marks in this case does not help LVM establish a likelihood of confusion.

B

[25] With respect to the second *Pizzeria Uno* factor, the similarities between the marks, the usage by Haute Diggity Dog again converts what might be a problem for Haute Diggity Dog into a disfavored conclusion for LVM.

[26] Haute Diggity Dog concedes that its marks are and were designed to be somewhat similar to LVM's marks. But that is the essence of a parody—the invocation of a famous mark in the consumer's mind, so long as the distinction between the marks is also readily recognized. While a trademark parody necessarily copies enough of the original design to bring it to mind as a target, a successful parody also distinguishes itself and, because of the implicit message communicated

by the parody, allows the consumer to appreciate it. *See PETA,* 263 F.3d at 366 (citing *Jordache,* 828 F.2d at 1486); *Anheuser–Busch,* 962 F.2d at 321.

[27] In concluding that Haute Diggity Dog has a successful parody, we have impliedly concluded that Haute Diggity Dog appropriately mimicked a part of the LVM marks, but at the same time sufficiently distinguished its own product to communicate the satire. The differences are sufficiently obvious and the parody sufficiently blatant that a consumer encountering a "Chewy Vuiton" dog toy would not mistake its source or sponsorship on the basis of mark similarity.

[28] This conclusion is reinforced when we consider how the parties actually use their marks in the marketplace. *See CareFirst,* 434 F.3d at 267 (citing *What–A–Burger of Va., Inc. v. Whataburger, Inc.,* 357 F.3d 441, 450 (4th Cir.2004)); *Lamparello v. Falwell,* 420 F.3d 309, 316 (4th Cir.2005); *Hormel Foods,* 73 F.3d at 503. The record amply supports Haute Diggity Dog's contention that its "Chewy Vuiton" toys for dogs are generally sold alongside other pet products, as well as toys that parody other luxury brands, whereas LVM markets its handbags as a top-end luxury item to be purchased only in its own stores or in its own boutiques within department stores. These marketing channels further emphasize that "Chewy Vuiton" dog toys are not, in fact, LOUIS VUITTON products.

C

[29] Nor does LVM find support from the third *Pizzeria Uno* factor, the similarity of the products themselves. It is obvious that a "Chewy Vuiton" plush imitation handbag, which does not open and is manufactured as a dog toy, is not a LOUIS VUITTON handbag sold by LVM. Even LVM's most proximate products—dog collars, leashes, and pet carriers—are fashion accessories, not dog toys. As Haute Diggity Dog points out, LVM does not make pet chew toys and likely does not intend to do so in the future. Even if LVM were to make dog toys in the future, the fact remains that the products at issue are not similar in any relevant respect, and this factor does not favor LVM.

D

[30] The fourth and fifth *Pizzeria Uno* factors, relating to the similarity of facilities and advertising channels, have already been mentioned. LVM products are sold exclusively through its own stores or its own boutiques within department stores. It also sells its products on the Internet through an LVM-authorized website. In contrast, "Chewy Vuiton" products are sold primarily through traditional and Internet pet stores, although they might also be sold in some department stores. The record demonstrates that both LVM handbags and "Chewy Vuiton" dog toys are sold at a Macy's department store in New York. As a general matter, however, there is little overlap in the individual retail stores selling the brands.

[31] Likewise with respect to advertising, there is little or no overlap. LVM markets LOUIS VUITTON handbags through high-end fashion magazines, while "Chewy Vuiton" products are advertised primarily through pet-supply channels.

[32] The overlap in facilities and advertising demonstrated by the record is so minimal as to be practically nonexistent. "Chewy Vuiton" toys and LOUIS VUITTON products are neither sold nor advertised in the same way, and the *de minimis* overlap lends insignificant support to LVM on this factor.

E

[33] The sixth factor, relating to Haute Diggity Dog's intent, again is neutralized by the fact that Haute Diggity Dog markets a parody of LVM products. As other courts have recognized, "An intent to parody is not an intent to confuse the public." *Jordache,* 828 F.2d at 1486. Despite Haute Diggity Dog's obvious intent to profit from its use of parodies, this action does not amount to a bad faith intent to create consumer confusion. To the contrary, the intent is to do just the opposite—to evoke a humorous, satirical association that *distinguishes* the products. This factor does not favor LVM.

F

[34] On the actual confusion factor, it is well established that no actual confusion is required to prove a case of trademark infringement, although the presence of actual confusion can be persuasive evidence relating to a likelihood of confusion. *See CareFirst,* 434 F.3d at 268.

[35] While LVM conceded in the district court that there was no evidence of actual confusion, on appeal it points to incidents where retailers misspelled "Chewy Vuiton" on invoices or order forms, using two Ts instead of one. Many of these invoices also reflect simultaneous orders for multiple types of Haute Diggity Dog parody products, which belies the notion that any actual confusion existed as to the source of "Chewy Vuiton" plush toys. The misspellings pointed out by LVM are far more likely in this context to indicate confusion over how to spell the product name than any confusion over the source or sponsorship of the "Chewy Vuiton" dog toys. We conclude that this factor favors Haute Diggity Dog.

[36] In sum, the likelihood-of-confusion factors substantially favor Haute Diggity Dog. But consideration of these factors is only a proxy for the ultimate statutory test of whether Haute Diggity Dog's marketing, sale, and distribution of "Chewy Vuiton" dog toys is likely to cause confusion. Recognizing that "Chewy Vuiton" is an obvious parody and applying the *Pizzeria Uno* factors, we conclude that LVM has failed to demonstrate any likelihood of confusion. Accordingly, we affirm the district court's grant of summary judgment in favor of Haute Diggity Dog on the issue of trademark infringement.

III

[37] LVM also contends that Haute Diggity Dog's advertising, sale, and distribution of the "Chewy Vuiton" dog toys dilutes its LOUIS VUITTON, LV, and Monogram Canvas marks, which are famous and distinctive, in violation of the Trademark Dilution Revision Act of 2006 ("TDRA"), 15 U.S.C.A. § 1125(c) (West Supp.2007). It argues, "Before the district court's decision, Vuitton's famous marks were unblurred by any third party trademark use." "Allowing defendants to become

the first to use similar marks will obviously blur and dilute the Vuitton Marks." It also contends that "Chewy Vuiton" dog toys are likely to tarnish LVM's marks because they "pose a choking hazard for some dogs."

[38] Haute Diggity Dog urges that, in applying the TDRA to the circumstances before us, we reject LVM's suggestion that a parody "automatically" gives rise to "actionable dilution." Haute Diggity Dog contends that only marks that are "identical or substantially similar" can give rise to actionable dilution, and its "Chewy Vuiton" marks are not identical or sufficiently similar to LVM's marks. It also argues that "[its] spoof, like other obvious parodies," "'tends to increase public identification' of [LVM's] mark with [LVM]," quoting *Jordache,* 828 F.2d at 1490, rather than impairing its distinctiveness, as the TDRA requires. As for LVM's tarnishment claim, Haute Diggity Dog argues that LVM's position is at best based on speculation and that LVM has made no showing of a likelihood of dilution by tarnishment.

[39] Claims for trademark dilution are authorized by the TDRA, a relatively recent enactment,[20] which provides in relevant part:

> Subject to the principles of equity, the owner of a *famous* mark ... shall be entitled to an injunction against another person who ... 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.

15 U.S.C.A. § 1125(c)(1) (emphasis added). A mark is "famous" when 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). Creating causes of action for only *dilution by blurring* and *dilution by tarnishment,* the TDRA defines "dilution by blurring" as the "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." *Id.* § 1125(c)(2)(B). It defines "dilution by tarnishment" as the "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." *Id.* § 1125(c)(2)(C).

[40] Thus, to state a dilution claim under the TDRA, a plaintiff must show:

[20] The TDRA, Pub.L. No. 109–312, 120 Stat. 1730 (2006), amended the Federal Trademark Dilution Act of 1995, Pub.L. No. 104–98, 109 Stat. 985 (1996), which added a "dilution" cause of action to § 43 of the Lanham Act. When the Supreme Court held that the Federal Trademark Dilution Act required proof of actual dilution and actual economic harm, *see Moseley v. V. Secret Catalogue, Inc.,* 537 U.S. 418, 432–33 (2003); *see also Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.,* 170 F.3d 449, 461 (4th Cir.1999), Congress amended the Act principally to overrule *Moseley* and to require that only a *likelihood* of dilution need be proved. *See* 15 U.S.C.A. § 1125(c)(1) (West Supp.2007).

> (1) that the plaintiff owns a famous mark that is distinctive;
>
> (2) that the defendant has commenced using a mark in commerce that allegedly is diluting the famous mark;
>
> (3) that a similarity between the defendant's mark and the famous mark gives rise to an association between the marks; and
>
> (4) that the association is likely to impair the distinctiveness of the famous mark or likely to harm the reputation of the famous mark.

[41] In the context of blurring, distinctiveness refers to the ability of the famous mark uniquely to identify a single source and thus maintain its selling power. *See N.Y. Stock Exch. v. N.Y., N.Y. Hotel LLC,* 293 F.3d 550, 558 (2d Cir.2002) (observing that blurring occurs where the defendant's use creates "the possibility that the [famous] mark will lose its ability to serve as a unique identifier of the plaintiff's product") (*quoting Deere & Co. v. MTD Prods., Inc.,* 41 F.3d 39, 43 (2d Cir.1994)); *Playboy Enterprises, Inc. v. Welles,* 279 F.3d 796, 805 (9th Cir.2002) (same). In proving a dilution claim under the TDRA, the plaintiff need not show actual or likely confusion, the presence of competition, or actual economic injury. *See* 15 U.S.C.A. § 1125(c)(1).

[42] The TDRA creates three defenses based on the defendant's (1) "fair use" (with exceptions); (2) "news reporting and news commentary"; and (3) "noncommercial use." *Id.* § 1125(c)(3).

A

[43] We address first LVM's claim for dilution by blurring.

[44] The first three elements of a trademark dilution claim are not at issue in this case. LVM owns famous marks that are distinctive; Haute Diggity Dog has commenced using "Chewy Vuiton," "CV," and designs and colors that are allegedly diluting LVM's marks; and the similarity between Haute Diggity Dog's marks and LVM's marks gives rise to an association between the marks, albeit a parody. The issue for resolution is whether the association between Haute Diggity Dog's marks and LVM's marks is likely to impair the distinctiveness of LVM's famous marks.

[45] In deciding this issue, the district court correctly outlined the six factors to be considered in determining whether dilution by blurring has been shown. *See* 15 U.S.C.A. § 1125(c)(2)(B). But in evaluating the facts of the case, the court did not directly apply those factors it enumerated. It held simply:

> [The famous mark's] strength is not likely to be blurred by a parody dog toy product. Instead of blurring Plaintiff's mark, the success of the parodic use depends upon the continued association with LOUIS VUITTON.

Louis Vuitton Malletier, 464 F.Supp.2d at 505. The amicus supporting LVM's position in this case contends that the district court, by not applying the statutory factors, misapplied the TDRA to conclude that simply because Haute Diggity Dog's product was a parody meant that "there can be no *association* with the famous mark as a matter of law." Moreover, the amicus points out correctly that to rule in favor of Haute Diggity Dog, the district court was required to find that the "association" did not impair the distinctiveness of LVM's famous mark.

LVM goes further in its own brief, however, and contends:

> When a defendant uses an imitation of a famous mark in connection with related goods, a claim of parody cannot preclude liability for dilution.
>
> * * *
>
> The district court's opinion utterly ignores the substantial goodwill VUITTON has established in its famous marks through more than a century of *exclusive* use. Disregarding the clear Congressional mandate to protect such famous marks against dilution, the district court has granted [Haute Diggity Dog] permission to become the first company other than VUITTON to use imitations of the famous VUITTON Marks.

[46] In short, LVM suggests that any use by a third person of an imitation of its famous marks dilutes the famous marks as a matter of law. This contention misconstrues the TDRA.

[47] The TDRA prohibits a person from using a junior mark that is likely to dilute (by blurring) the famous mark, and blurring is defined to be an impairment to the famous mark's distinctiveness. "Distinctiveness" in turn refers to the public's recognition that the famous mark identifies a single source of the product using the famous mark.

[48] To determine whether a junior mark is likely to dilute a famous mark through blurring, the TDRA directs the court to consider all factors relevant to the issue, including six factors that are enumerated in the statute… Not every factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors. But a trial court must offer a sufficient indication of which factors it has found persuasive and explain why they are persuasive so that the court's decision can be reviewed. The district court did not do this adequately in this case. Nonetheless, after we apply the factors as a matter of law, we reach the same conclusion reached by the district court.

[49] We begin by noting that parody is not automatically a complete *defense* to a claim of dilution by blurring where the defendant uses the parody as its own designation of source, i.e., *as a trademark.* Although the TDRA does provide that fair use is a complete defense and allows that a parody can be considered fair use, it does not extend the fair use defense to parodies used as a trademark. As the statute provides:

> The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:
>
> (A) Any fair use ... other than as a designation of source for the person's own goods or services, including use in connection with ... parodying....

15 U.S.C.A. § 1125(c)(3)(A)(ii) (emphasis added). Under the statute's plain language, parodying a famous mark is protected by the fair use defense only if the parody is *not* "a designation of source for the person's own goods or services."

[50] The TDRA, however, does not require a court to ignore the existence of a parody that is used as a trademark, and it does not preclude a court from considering parody as part of the circumstances to be considered for determining whether the plaintiff has made out a claim for dilution by blurring. Indeed, the statute permits a court to consider "all relevant factors," including the six factors supplied in § 1125(c)(2)(B).

[51] Thus, it would appear that a defendant's use of a mark as a parody is relevant to the overall question of whether the defendant's use is likely to impair the famous mark's distinctiveness. Moreover, the fact that the defendant uses its marks as a parody is specifically relevant to several of the listed factors. For example, factor (v) (whether the defendant intended to create an association with the famous mark) and factor (vi) (whether there exists an actual association between the defendant's mark and the famous mark) directly invite inquiries into the defendant's intent in using the parody, the defendant's actual use of the parody, and the effect that its use has on the famous mark. While a parody intentionally creates an association with the famous mark in order to be a parody, it also intentionally communicates, if it is successful, that it is *not* the famous mark, but rather a satire of the famous mark. *See PETA,* 263 F.3d at 366. That the defendant is using its mark as a parody is therefore relevant in the consideration of these statutory factors.

[52] Similarly, factors (i), (ii), and (iv)—the degree of similarity between the two marks, the degree of distinctiveness of the famous mark, and its recognizability—are directly implicated by consideration of the fact that the defendant's mark is a successful parody. Indeed, by making the famous mark an object of the parody, a successful parody might actually enhance the famous mark's distinctiveness by making it an icon. The brunt of the joke becomes yet more famous. *See Hormel Foods,* 73 F.3d at 506 (observing that a successful parody "tends to increase public identification" of the famous mark with its source); *see also Yankee Publ'g Inc. v. News Am. Publ'g Inc.,* 809 F.Supp. 267, 272–82 (S.D.N.Y.1992) (suggesting that a sufficiently obvious parody is unlikely to blur the targeted famous mark).

[53] In sum, while a defendant's use of a parody as a mark does not support a "fair use" defense, it may be considered in determining whether the plaintiff-owner of a famous mark has proved its claim that the defendant's use of a parody mark is likely to impair the distinctiveness of the famous mark.

[54] In the case before us, when considering factors (ii), (iii), and (iv), it is readily apparent, indeed conceded by Haute Diggity Dog, that LVM's marks are distinctive, famous, and strong. The LOUIS VUITTON mark is well known and is commonly identified as a brand of the great Parisian fashion house, Louis Vuitton Malletier. So too are its other marks and designs, which are invariably used with the

LOUIS VUITTON mark. It may not be too strong to refer to these famous marks as icons of high fashion.

[55] While the establishment of these facts satisfies essential elements of LVM's dilution claim, *see* 15 U.S.C.A. § 1125(c)(1), the facts impose on LVM an increased burden to demonstrate that the distinctiveness of its famous marks is likely to be impaired by a successful parody. Even as Haute Diggity Dog's parody mimics the famous mark, it communicates simultaneously that it is not the famous mark, but is only satirizing it. *See PETA,* 263 F.3d at 366. And because the famous mark is particularly strong and distinctive, it becomes more likely that a parody will not impair the distinctiveness of the mark. In short, as Haute Diggity Dog's "Chewy Vuiton" marks are a successful parody, we conclude that they will not blur the distinctiveness of the famous mark as a unique identifier of its source.

[56] It is important to note, however, that this might not be true if the parody is so similar to the famous mark that it likely could be construed as actual use of the famous mark itself. Factor (i) directs an inquiry into the "degree of similarity between the junior mark and the famous mark." If Haute Diggity Dog used the actual marks of LVM (as a parody or otherwise), it could dilute LVM's marks by blurring, regardless of whether Haute Diggity Dog's use was confusingly similar, whether it was in competition with LVM, or whether LVM sustained actual injury. *See* 15 U.S.C.A. § 1125(c)(1). Thus, "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable" under the TDRA because the unauthorized use of the famous marks *themselves* on unrelated goods might diminish the capacity of these trademarks to distinctively identify a single source. *Moseley,* 537 U.S. at 431 (quoting H.R.Rep. No. 104–374, at 3 (1995), *as reprinted in* 1995 U.S.C.C.A.N. 1029, 1030). This is true even though a consumer would be unlikely to confuse the manufacturer of KODAK film with the hypothetical producer of KODAK pianos.

[57] But in this case, Haute Diggity Dog mimicked the famous marks; it did not come so close to them as to destroy the success of its parody and, more importantly, to diminish the LVM marks' capacity to identify a single source. Haute Diggity Dog designed a pet chew toy to imitate and suggest, but not *use,* the marks of a high-fashion LOUIS VUITTON handbag. It used "Chewy Vuiton" to mimic "LOUIS VUITTON"; it used "CV" to mimic "LV"; and it adopted *imperfectly* the items of LVM's designs. We conclude that these uses by Haute Diggity Dog were not so similar as to be likely to impair the distinctiveness of LVM's famous marks.

[58] In a similar vein, when considering factors (v) and (vi), it becomes apparent that Haute Diggity Dog intentionally associated its marks, but only partially and certainly imperfectly, so as to convey the simultaneous message that it was not in fact a source of LVM products. Rather, as a parody, it separated itself from the LVM marks in order to make fun of them.

[59] In sum, when considering the relevant factors to determine whether blurring is likely to occur in this case, we readily come to the conclusion, as did the district court, that LVM has failed to make out a case of trademark dilution by

blurring by failing to establish that the distinctiveness of its marks was likely to be impaired by Haute Diggity Dog's marketing and sale of its "Chewy Vuiton" products.

B

[60] LVM's claim for dilution by tarnishment does not require an extended discussion. To establish its claim for dilution by tarnishment, LVM must show, in lieu of blurring, that Haute Diggity Dog's use of the "Chewy Vuiton" mark on dog toys harms the reputation of the LOUIS VUITTON mark and LVM's other marks. LVM argues that the possibility that a dog could choke on a "Chewy Vuiton" toy causes this harm. LVM has, however, provided no record support for its assertion. It relies only on speculation about whether a dog could choke on the chew toys and a logical concession that a $10 dog toy made in China was of "inferior quality" to the $1190 LOUIS VUITTON handbag. The speculation begins with LVM's assertion in its brief that "defendant Woofie's admitted that 'Chewy Vuiton' products pose a choking hazard for some dogs. Having prejudged the defendant's mark to be a parody, the district court made light of this admission in its opinion, and utterly failed to give it the weight it deserved," citing to a page in the district court's opinion where the court states:

> At oral argument, plaintiff provided only a flimsy theory that a pet may some day choke on a Chewy Vuiton squeak toy and incite the wrath of a confused consumer against LOUIS VUITTON.

Louis Vuitton Malletier, 464 F.Supp.2d at 505. The court was referring to counsel's statement during oral argument that the owner of Woofie's stated that "she would not sell this product to certain types of dogs because there is a danger they would tear it open and choke on it." There is no record support, however, that any dog has choked on a pet chew toy, such as a "Chewy Vuiton" toy, or that there is any basis from which to conclude that a dog would likely choke on such a toy.

[61] We agree with the district court that LVM failed to demonstrate a claim for dilution by tarnishment. *See Hormel Foods,* 73 F.3d at 507.

…

2. The *Rogers v. Grimaldi* Test for Unauthorized "Artistic" Uses

In *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989), Ginger Rogers (of the dance duo with Fred Astaire) sued the producers of the Federico Fellini movie *Ginger and Fred*. "The film tells the story of two fictional Italian cabaret performers, Pippo and Amelia, who, in their heyday, imitated Rogers and Astaire and became known in Italy as 'Ginger and Fred.' The film focuses on a televised reunion of Pippo and Amelia, many years after their retirement. Appellees describe the film as the bittersweet story of these two fictional dancers and as a satire of contemporary television variety shows." *Id*. at 996-97. In finding no violation of Rogers' Lanham Act § 43(a) rights, the Second Circuit sought to strike a balance between two competing policy objectives and in the process gave birth to the *Rogers v. Grimaldi* test:

> We believe that in general the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression. In the context of allegedly misleading titles using a celebrity's name, that balance will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.

Id. at 999.

In the two opinions that follow, we consider the application of the *Rogers v. Grimaldi* test to a different and arguably far more important artistic medium: virtual reality games. While reading through these opinions, consider the following question:

- Does the law require (and, in any case, *should* the law require) producers of highly-realistic racing simulation video games such as *Forza Motorsport* or *Gran Turismo* to obtain licenses in order to use the trademarks and trade dress of real-world automobiles? Does the law require such producers to obtain licenses to simulate various real-world racing circuits (and should it)?

E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.
547 F.3d 1095 (9th Cir. 2008)

O'SCANNLAIN, Circuit Judge:

[1] We must decide whether a producer of a video game in the "Grand Theft Auto" series has a defense under the First Amendment against a claim of trademark infringement.

I

A

[2] Rockstar Games, Inc. ("Rockstar"), a wholly owned subsidiary of Take-Two Interactive Software, Inc., manufactures and distributes the Grand Theft Auto series of video games (the "Series"), including Grand Theft Auto: San Andreas ("San Andreas" or the "Game"). The Series is known for an irreverent and sometimes crass brand of humor, gratuitous violence and sex, and overall seediness.

[3] Each game in the Series takes place in one or more dystopic, cartoonish cities modeled after actual American urban areas. The games always include a disclaimer stating that the locations depicted are fictional. Players control the game's protagonist, trying to complete various "missions" on a video screen. The plot advances with each mission accomplished until the player, having passed through thousands of cartoon-style places along the way, wins the game.

[4] Consistent with the tone of the Series, San Andreas allows a player to experience a version of West Coast "gangster" culture. The Game takes place in the virtual cities of "Los Santos," "San Fierro," and "Las Venturas," based on Los Angeles, San Francisco, and Las Vegas, respectively.

[5] Los Santos, of course, mimics the look and feel of actual Los Angeles neighborhoods. Instead of "Hollywood," "Santa Monica," "Venice Beach," and "Compton," Los Santos contains "Vinewood," "Santa Maria," "Verona Beach," and "Ganton." Rockstar has populated these areas with virtual liquor stores, ammunition dealers, casinos, pawn shops, tattoo parlors, bars, and strip clubs. The brand names, business names, and other aspects of the locations have been changed to fit the irreverent "Los Santos" tone. Not especially saintly, Los Santos is complete with gangs who roam streets inhabited by prostitutes and drug pushers while random gunfire punctuates the soundtrack.

[6] To generate their vision for Los Santos, some of the artists who drew it visited Los Angeles to take reference photographs. The artists took pictures of businesses, streets, and other places in Los Angeles that they thought evoked the San Andreas theme. They then returned home (to Scotland) to draw Los Santos, changing the images from the photographs as necessary to fit into the fictional world of Los Santos and San Andreas. According to Nikolas Taylor ("Taylor"), the Lead Map Artist for Los Santos, he and other artists did not seek to "re-creat[e] a realistic depiction of Los Angeles; rather, [they] were creating 'Los Santos,' a fictional city that lampooned the seedy underbelly of Los Angeles and the people, business and places [that] comprise it." One neighborhood in the fictional city is "East Los Santos," the Game's version of East Los Angeles. East Los Santos contains variations on the businesses and architecture of the real thing, including a virtual, cartoon-style strip club known as the "Pig Pen."

B

[7] ESS Entertainment 2000, Inc. ("ESS"), operates a strip club, which features females dancing nude, on the eastern edge of downtown Los Angeles under the

name Play Pen Gentlemen's Club ("Play Pen"). ESS claims that Rockstar's depiction of an East Los Santos strip club called the Pig Pen infringes its trademark and trade dress associated with the Play Pen.

[8] The Play Pen's "logo" consists of the words "the Play Pen" (and the lower- and upper-case letters forming those words) and the phrase "Totally Nude" displayed in a publicly available font, with a silhouette of a nude female dancer inside the stem of the first "P." Apparently, ESS has no physical master or precise template for its logo. Different artists draw the nude silhouette in Play Pen's logo anew for each representation, although any final drawing must be acceptable to Play Pen's owners. There are several different versions of the silhouette, and some advertisements and signs for the Play Pen do not contain the nude silhouettes.

[9] Although the artists took some inspiration from their photographs of the Play Pen, it seems they used photographs of other East Los Angeles locations to design other aspects of the Pig Pen. The Pig Pen building in Los Santos, for instance, lacks certain characteristics of the Play Pen building such as a stone facade, a valet stand, large plants and gold columns around the entrance, and a six-foot black iron fence around the parking lot. The Play Pen also has a red, white, and blue pole sign near the premises, which includes a trio of nude silhouettes above the logo and a separate "Totally Nude" sign below. The Pig Pen does not.

C

[10] On April 22, 2005, ESS filed the underlying trademark violation action in district court against Rockstar. ESS asserted four claims: (1) trade dress infringement and unfair competition under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a);[21] (2) trademark infringement under California Business and Professions Code § 14320;[22] (3) unfair competition under California Business and Professions Code §§ 17200 et seq.; and (4) unfair competition under California

[21] "Trade dress involves the total image of a product and may include features such as size, shape, color or color combination, texture, graphics, or even particular sales technique." *Mattel Inc. v. Walking Mountain Prods.,* 353 F.3d 792, 808 n. 13 (9th Cir.2003) (internal quotation marks and citations omitted). Because the only relevant similarities at issue in this case involve the use of the "Pig Pen" mark versus the "Play Pen" mark, disposition of the trade dress infringement claim follows resolution of the trademark infringement claim. *See Kendall-Jackson Winery, Ltd. v. E. & J. Gallo Winery,* 150 F.3d 1042, 1046 (9th Cir.1998) ("Section 43(a) now protects both trademarks and trade dress from infringement ... [and] there is no persuasive reason to apply different analysis[sic] to the two." (internal quotation marks, alteration and citation omitted)).

[22] This section has recently been repealed. Cal. Stats. ch. 711 § 1. Since we hold that Rockstar has a defense to all of ESS's claims, the repeal is irrelevant to our decision.

common law. The heart of ESS's complaint is that Rockstar has used Play Pen's distinctive logo and trade dress without its authorization and has created a likelihood of confusion among consumers as to whether ESS has endorsed, or is associated with, the video depiction.

[11] In response, Rockstar moved for summary judgment on all of ESS's claims, arguing that the affirmative defenses of nominative fair use and the First Amendment protected it against liability. It also argued that its use of ESS's intellectual property did not infringe ESS's trademark by creating a "likelihood of confusion."

[12] Although the district court rejected Rockstar's nominative fair use defense, it granted summary judgment based on the First Amendment defense. The district court did not address the merits of the trademark claim because its finding that Rockstar had a defense against liability made such analysis unnecessary.

II

[13] Rockstar argues that, regardless of whether it infringed ESS's trademark under the Lanham Act or related California law, it is entitled to two defenses: one under the nominative fair use doctrine and one under the First Amendment.

A

[14] "Unlike a traditional fair use scenario, [nominative fair use occurs when] the defendant ... us[es] the trademarked term to describe not its own product, but the plaintiff's." *Playboy Enters., Inc. v. Welles,* 279 F.3d 796, 801 (9th Cir.2002). The doctrine protects those who deliberately use another's trademark or trade dress "for the 'purposes of comparison, criticism [,] or point of reference.'" *Walking Mountain,* 353 F.3d at 809 (alteration omitted) (quoting *New Kids on the Block v. News Am. Publ'g, Inc.,* 971 F.2d 302, 306 (9th Cir.1992)). In this case, however, Rockstar's use of "Pig Pen" is not "identical to the plaintiff's [Play Pen] mark." Furthermore, the district court observed that Rockstar's Lead Map Artist "testified the goal in designing the Pig Pen was ... not to comment on Play Pen *per se.*" Since Rockstar did not use the trademarked logo to describe ESS's strip club, the district court correctly held that the nominative fair use defense does not apply in this case. *See Welles,* 279 F.3d at 801.

B

[15] Rockstar's second defense asks us to consider the intersection of trademark law and the First Amendment. The road is well traveled. We have adopted the Second Circuit's approach from *Rogers v. Grimaldi,* which "requires courts to construe the Lanham Act 'to apply to artistic works *only* where the public interest in avoiding consumer confusion *outweighs* the public interest in free expression.'" *Walking Mountain,* 353 F.3d at 807 (emphasis in original) (quoting *Rogers v. Grimaldi,* 875 F.2d 994, 999 (2d Cir.1989)). The specific test contains two prongs. An artistic work's use of a trademark that otherwise would violate the Lanham Act is not actionable "'unless the [use of the mark] has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless [it]

explicitly misleads as to the source or the content of the work.'" *Mattel, Inc. v. MCA Records, Inc.,* 296 F.3d 894, 902 (9th Cir.2002) (quoting *Rogers,* 875 F.2d at 999). Although this test traditionally applies to uses of a trademark in the title of an artistic work, there is no principled reason why it ought not also apply to the use of a trademark in the body of the work. *See Walking Mountain,* 353 F.3d at 809 n. 17 (implying that it would be acceptable to apply the *Rogers* test to non-titular trade dress claim). The parties do not dispute such an extension of the doctrine.

1

[16] We first adopted the *Rogers* test in *MCA Records,* a case which is instructive for that reason. *MCA Records,* 296 F.3d at 902 ("We agree with the Second Circuit's analysis and adopt the *Rogers* standard as our own."). In *MCA Records,* the maker of the iconic "Barbie" dolls sued MCA for trademark infringement in the title of a song the record company had released, called "Barbie Girl." *Id.* at 899-900. The song was a commentary "about Barbie and the values ... she [supposedly] represents." *Id.* at 902. Applying *Rogers,* the court held that the First Amendment protected the record company. The first prong was straightforward. Because the song was about Barbie, "the use of Barbie in the song title clearly is relevant to the underlying work." *Id.*; *see also Walking Mountain,* 353 F.3d at 807 (holding that use of Barbie doll in photographic parody was relevant to the underlying work).

[17] Moving to the second prong, we made an important point. "The *only* indication," we observed, "that Mattel might be associated with the song is the use of Barbie in the title; if this were enough to satisfy this prong of the *Rogers* test, it would render *Rogers* a nullity." *MCA Records,* 296 F.3d at 902 (emphasis in original). This makes good sense. After all, a trademark infringement claim presupposes a use of the mark. If that necessary element in every trademark case vitiated a First Amendment defense, the First Amendment would provide no defense at all.

2

[18] Keeping *MCA Records* and related cases in mind, we now turn to the matter before us. ESS concedes that the Game is artistic and that therefore the *Rogers* test applies. However, ESS argues both that the incorporation of the Pig Pen into the Game has no artistic relevance and that it is explicitly misleading. It rests its argument on two observations: (1) the Game is not "about" ESS's Play Pen club the way that "Barbie Girl" was "about" the Barbie doll in *MCA Records*; and (2) also unlike the Barbie case, where the trademark and trade dress at issue was a cultural icon (Barbie), the Play Pen is not a cultural icon.

[19] ESS's objections, though factually accurate, miss the point. Under *MCA Records* and the cases that followed it, only the use of a trademark with "'*no* artistic relevance to the underlying work *whatsoever*'" does not merit First Amendment protection. *Id.* (emphasis added) (quoting *Rogers,* 875 F.2d at 999). In other words, the level of relevance merely must be above zero. It is true that the Game is not "about" the Play Pen the way that Barbie Girl was about Barbie. But, given the low threshold the Game must surmount, that fact is hardly dispositive. It is also true that

Play Pen has little cultural significance, but the same could be said about most of the individual establishments in East Los Angeles. Like most urban neighborhoods, its distinctiveness lies in its "look and feel," not in particular destinations as in a downtown or tourist district. And that neighborhood, with all that characterizes it, *is* relevant to Rockstar's artistic goal, which is to develop a cartoon-style parody of East Los Angeles. Possibly the only way, and certainly a reasonable way, to do that is to recreate a critical mass of the businesses and buildings that constitute it. In this context, we conclude that to include a strip club that is similar in look and feel to the Play Pen does indeed have at least "some artistic relevance." *See id.*

3

[20] ESS also argues that Rockstar's use of the Pig Pen "'explicitly misleads as to the source or the content of the work.'" *Id.* (quoting *Rogers,* 875 F.2d at 999). This prong of the test points directly at the purpose of trademark law, namely to "avoid confusion in the marketplace by allowing a trademark owner to prevent others from duping consumers into buying a product they mistakenly believe is sponsored by the trademark owner." *Walking Mountain,* 353 F.3d at 806 (internal quotation marks and alteration omitted). The relevant question, therefore, is whether the Game would confuse its players into thinking that the Play Pen is somehow behind the Pig Pen or that it sponsors Rockstar's product. In answering that question, we keep in mind our observation in *MCA Records* that the mere use of a trademark alone cannot suffice to make such use explicitly misleading. *See MCA Records,* 296 F.3d at 902.

[21] Both San Andreas and the Play Pen offer a form of low-brow entertainment; besides this general similarity, they have nothing in common. The San Andreas Game is not complementary to the Play Pen; video games and strip clubs do not go together like a horse and carriage or, perish the thought, love and marriage. Nothing indicates that the buying public would reasonably have believed that ESS produced the video game or, for that matter, that Rockstar operated a strip club. A player can enter the virtual strip club in Los Santos, but ESS has provided no evidence that the setting is anything but generic. It also seems far-fetched that someone playing San Andreas would think ESS had provided whatever expertise, support, or unique strip-club knowledge it possesses to the production of the game. After all, the Game does not revolve around running or patronizing a strip club. Whatever one can do at the Pig Pen seems quite incidental to the overall story of the Game. A reasonable consumer would not think a company that owns one strip club in East Los Angeles, which is not well known to the public at large, also produces a technologically sophisticated video game like San Andreas.

[22] Undeterred, ESS also argues that, because players are free to ignore the storyline and spend as much time as they want at the Pig Pen, the Pig Pen can be considered a significant part of the Game, leading to confusion. But fans can spend all nine innings of a baseball game at the hot dog stand; that hardly makes Dodger

Stadium a butcher's shop. In other words, the chance to attend a virtual strip club is unambiguously *not* the main selling point of the Game.

III

[23] Considering all of the foregoing, we conclude that Rockstar's modification of ESS's trademark is not explicitly misleading and is thus protected by the First Amendment. Since the First Amendment defense applies equally to ESS's state law claims as to its Lanham Act claim, the district court properly dismissed the entire case on Rockstar's motion for summary judgment.

AFFIRMED.

Brown v. Electronic Arts
724 F.3d 1235 (9th Cir. 2013)

BYBEE, Circuit Judge:

[1] Plaintiff—Appellant James "Jim" Brown alleges that Defendant—Appellee Electronic Arts, Inc. ("EA") has violated § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), through the use of Brown's likeness in EA's *Madden NFL* series of football video games. In relevant part, § 43(a) provides for a civil cause of action against:

> [a]ny person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name,

> symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which ... 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). Although claims under § 43(a) generally relate to the use of trademarks or trade dress to cause consumer confusion over affiliation or endorsement, we have held that claims can also be brought under § 43(a) relating to the use of a public figure's persona, likeness, or other uniquely distinguishing characteristic to cause such confusion.[23]

[2] Section 43(a) protects the public's interest in being free from consumer confusion about affiliations and endorsements, but this protection is limited by the First Amendment, particularly if the product involved is an expressive work. Recognizing the need to balance the public's First Amendment interest in free expression against the public's interest in being free from consumer confusion about affiliation and endorsement, the Second Circuit created the "*Rogers* test" in *Rogers v. Grimaldi,* 875 F.2d 994 (2d Cir.1989). Under the *Rogers* test, § 43(a) will not be applied to expressive works "unless the [use of the trademark or other identifying material] has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the [use of trademark or other identifying material] explicitly misleads as to the source or the content of the work." *Id.* at 999. We adopted the *Rogers* test in *Mattel, Inc. v. MCA Records, Inc.,* 296 F.3d 894 (9th Cir.2002).

[3] Applying the *Rogers* test, the district court in this case granted EA's motion to dismiss Brown's Lanham Act claim, finding that Brown had not alleged facts that satisfied either condition that allow a § 43(a) claim to succeed under the *Rogers* test. *Brown v. Elec. Arts, Inc.,* No. 2:09–cv–01598, 2009 WL 8763151, at *3–5, 2009 U.S. Dist. LEXIS 131387, at *8–15 (C.D.Cal. Sept. 23, 2009). Brown appealed, challenging the applicability of the *Rogers* test, the district court's analysis under the *Rogers* test, and the suitability of his case for resolution without additional factfinding. We affirm the district court's decision.

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[23] *See Waits v. Frito–Lay, Inc.,* 978 F.2d 1093, 1110 (9th Cir.1992) ("A false endorsement claim based on the unauthorized use of a celebrity's identity is a type of false association claim, for it alleges the misuse of a trademark, *i.e.,* a symbol or device such as a visual likeness, vocal imitation, or other uniquely distinguishing characteristic, which is likely to confuse consumers as to the plaintiff's sponsorship or approval of the product."); *see also White v. Samsung Elecs. Am., Inc.,* 971 F.2d 1395, 1399–1400 (9th Cir.1992) ("In cases involving confusion over endorsement by a celebrity plaintiff, 'mark' means the celebrity's persona.").

I

[4] Jim Brown is widely regarded as one of the best professional football players of all time. He starred for the Cleveland Browns from 1957 to 1965 and was inducted into the National Football League ("NFL") Hall of Fame after his retirement. After his NFL career, Brown also achieved success as an entertainer and public servant. There is no question that he is a public figure whose persona can be deployed for economic benefit.

[5] EA is a manufacturer, distributor and seller of video games and has produced the *Madden NFL* series of football video games since 1989. The *Madden NFL* series allows users of the games to control avatars representing professional football players as those avatars participate in simulated NFL games. In addition to these simulated games, *Madden NFL* also enables users to participate in other aspects of a simulated NFL by, for example, creating and managing a franchise. Each version of *Madden NFL* includes the current year's NFL teams with the teams' current rosters. Each avatar on a current team is designed to mirror a real current NFL player, including the player's name, jersey number, physical attributes, and physical skills. Some versions of the game also include historical and all-time teams. Unlike for players on the current NFL teams, no names are used for the players on the historical and all-time teams, but these players are recognizable due to the accuracy of their team affiliations, playing positions, ages, heights, weights, ability levels, and other attributes. Although EA enters into licensing agreements with the NFL and NFL Players Association ("NFLPA") for its use of the names and likenesses of current NFL players, Brown, as a former player, is not covered by those agreements and has never entered into any other agreement allowing EA to use his likeness in *Madden NFL.* Brown asserts that EA has used his likeness in several versions of the game dating back at least to 2001 but that he has never been compensated.

[6] Brown brought suit in the United States District Court for the Central District of California, claiming that EA's use of his likeness in the *Madden NFL* games violated § 43(a) of the Lanham Act. Brown also brought claims under California law for invasion of privacy and unfair and unlawful business practices. EA filed a motion to dismiss pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure, and the district court applied the *Rogers* test and dismissed Brown's Lanham Act claim. *Brown,* 2009 WL 8763151, at *3–5, 2009 U.S. Dist. LEXIS 131387, at *9–15. The district court declined to exercise supplemental jurisdiction over the state-law claims. *Id.* at *5–6, 2009 U.S. Dist. LEXIS 131387, at *15–16. Brown filed a timely appeal of the dismissal of his Lanham Act claim.**[24]** We have jurisdiction pursuant to

[24] We emphasize that this appeal relates only to Brown's Lanham Act claim. Were the state causes of action before us, our analysis may be different and a different outcome may obtain. *See, e.g. Keller v. Elec. Arts, Inc.,* 724 F. 3d 1268, 1271, No. 10– 15387, 2013 WL 3928293, * 1 (9th Cir. July 31, 2013) (affirming a district

28 U.S.C. § 1291. We review the district court's dismissal de novo. *Kahle v. Gonzales,* 487 F.3d 697, 699 (9th Cir.2007).

II

[7] The legal issues raised by this case are not novel, but their lack of novelty should not be mistaken for lack of difficulty. Significant judicial resources, including the resources of this court, have been expended trying to find the appropriate balance between trademark and similar rights, on the one hand, and First Amendment rights, on the other. Brown suggests that the case law has produced a lack of clarity as to the appropriate legal framework to apply in this case and urges us to consider the "likelihood of confusion" test and the "alternative means" test in addition to the *Rogers* test. We are convinced that the *Rogers* test remains the appropriate framework.

[8] A decade ago, in *Mattel, Inc. v. MCA Records, Inc.,* we adopted the *Rogers* test as our method for balancing the trademark and similar rights protected by § 43(a) of the Lanham Act against First Amendment rights in cases involving expressive works. *MCA,* 296 F.3d at 902. Although *MCA* concerned the use of a trademark in the title of an expressive work, and the language of the *MCA* opinion did not make it clear that we were adopting the *Rogers* test for cases where the trademark or other identifying material in question was used in the body of a work rather than in the title, we clarified in *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.* that application of the *Rogers* test was not dependent on the identifying material appearing in the title but "also appl[ies] to the use of a trademark in the body of the work." 547 F.3d 1095, 1099 (9th Cir.2008). We have consistently employed the *Rogers* test in § 43(a) cases involving expressive works since *MCA,* including where the trademark or other identifying material in question was used in the body of a work rather than in the title. *See, e.g., id.; Mattel, Inc. v. Walking Mountain Prods.,* 353 F.3d 792 (9th Cir.2003).

[9] The *Rogers* test is reserved for expressive works. Even if *Madden NFL* is not the expressive equal of *Anna Karenina* or *Citizen Kane,* the Supreme Court has answered with an emphatic "yes" when faced with the question of whether video games deserve the same protection as more traditional forms of expression. In *Brown v. Entertainment Merchants Ass'n,* the Court said that "[l]ike the protected books, plays, and movies that preceded them, video games communicate ideas—and even social messages—through many familiar literary devices (such as characters, dialogue, plot, and music) and through features distinctive to the medium (such as the player's interaction with the virtual world)" and that these similarities to other expressive mediums "suffice[ ] to confer First Amendment protection." ––– U.S. ––––,

court's ruling that EA had no First Amendment defense against the state-law right-of-publicity claims of former college football player Samuel Keller and other former college football and basketball players related to the use of their likenesses in EA's college football and college basketball video games).

131 S.Ct. 2729, 2733 (2011). Although there may be some work referred to as a "video game" (or referred to as a "book," "play," or "movie" for that matter) that does not contain enough of the elements contemplated by the Supreme Court to warrant First Amendment protection as an expressive work, no version of *Madden NFL* is such a work. Every version of the game features characters (players), dialogue (between announcers), plot (both within a particular simulated game and more broadly), and music. Interaction between the virtual world of the game and individuals playing the game is prevalent. Even if there is a line to be drawn between expressive video games and non-expressive video games, and even if courts should at some point be drawing that line, we have no need to draw that line here.[25] Each version of *Madden NFL* is an expressive work, and our precedents dictate that we apply the *Rogers* test in § 43(a) cases involving expressive works. Brown acknowledges that *Rogers* may apply here, but he argues that the "likelihood of confusion" test, exemplified by *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.,* 109 F.3d 1394 (9th Cir.1997), or the "alternative means" test, exemplified by *International Olympic Committee v. San Francisco Arts & Athletics,* 781 F.2d 733 (9th Cir.1986), *reh'g en banc denied,* 789 F.2d 1319 (9th Cir.1986), *aff'd on other grounds, S.F. Arts & Athletics, Inc. v. U.S. Olympic Comm.,* 483 U.S. 522 (1987), are also relevant. We disagree. We have previously rejected the "likelihood of confusion" test as "fail[ing] to account for the full weight of the public's interest in free expression" when expressive works are involved. *MCA,* 296 F.3d at 900. The "alternative means" test was rejected for the same reason in *Rogers* itself, 875 F.2d at 999, a position we approved by adopting the *Rogers* test in *MCA.* The only relevant legal framework for balancing the public's right to be free from consumer confusion about Brown's affiliation with *Madden NFL* and EA's First Amendment rights in the context of Brown's § 43(a) claim is the *Rogers* test.

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[25] Brown points to several examples of courts suggesting that certain video games may not warrant First Amendment protection as expressive works, but all of the cases cited were decided years before the Supreme Court issued its opinion in *Brown v. Entertainment Merchants Ass'n,* ––– U.S. ––––, 131 S.Ct. 2729, 180 L.Ed.2d 708 (2011). *See Am. Amusement Mach. Ass'n v. Kendrick,* 244 F.3d 572, 579–80 (7th Cir.2001); *Wilson v. Midway Games, Inc.,* 198 F.Supp.2d 167, 180–81 (D.Conn.2002); *Am.'s Best Family Showplace Corp. v. City of New York,* 536 F.Supp. 170, 173–74 (E.D.N.Y.1982). Brown argues that EA's insistence that the *Rogers* test governs is an attempt to portray First Amendment law as settled with regard to video games when it is in fact evolving, but *Brown v. Entertainment Merchants Ass'n* demonstrates that any evolution favors greater protection, a fact Brown ignores by emphasizing these earlier cases. This evolution in recent years toward greater First Amendment protection for non-traditional media has not been limited to video games. *See, e.g., Anderson v. City of Hermosa Beach,* 621 F.3d 1051, 1055 (9th Cir.2010) (holding that "tattooing is a purely expressive activity fully protected by the First Amendment").

III

[10] *Rogers* involved a suit brought by the famous performer Ginger Rogers against the producers and distributors of *Ginger and Fred,* a movie about two fictional Italian cabaret performers who imitated Rogers and her frequent performing partner Fred Astaire. *Rogers,* 875 F.2d at 996–97. Among Rogers' claims was that the use of her name in the title of the movie violated § 43(a) by creating the false impression that she was involved with the film. *Id.* at 997. Recognizing that enforcing § 43(a) in this context might constrain free expression in violation of the First Amendment, the Second Circuit asserted that the Lanham Act should be "appl[ied] to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression." *Id.* at 999. The *Rogers* court introduced a two-pronged test, under which the Lanham Act should not be applied to expressive works "unless the [use of the trademark or other identifying material] has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the [trademark or other identifying material] explicitly misleads as to the source or the content of the work." *Id.*

A

[11] As we explained in *E.S.S.,* a case with similar facts to Brown's case in which we applied the *Rogers* test to a § 43(a) claim related to the use of the likeness of a Los Angeles strip club in the video game *Grand Theft Auto: San Andreas,* "the level of [artistic] relevance [of the trademark or other identifying material to the work] merely must be above zero" for the trademark or other identifying material to be deemed artistically relevant. 547 F.3d at 1100. This black-and-white rule has the benefit of limiting our need to engage in artistic analysis in this context.[26]

[12] We agree with the district court that the use of Brown's likeness is artistically relevant to the *Madden NFL* games. As Brown points out in trying to undermine the status of the games as expressive works, EA prides itself on the extreme realism of the games. As Brown emphasizes in arguing that it is in fact his likeness in the games: "[I]t is axiomatic the '65 Cleveland Browns simply, by definition, cannot be the '65 Cleveland Browns without the players who played for the '65 Cleveland Browns. This fundamental truth applies especially to that team's most famous player, Jim Brown." Given the acknowledged centrality of realism to EA's expressive goal, and the importance of including Brown's likeness to realistically recreate one of the teams in the game, it is obvious that Brown's likeness has at least some artistic relevance to EA's work. The fact that any given version of *Madden NFL* includes likenesses of thousands of different current and former NFL players does not impact this analysis. In E.S.S., the virtual strip club in

[26] *Cf. Bleistein v. Donaldson Lithographing Co.,* 188 U.S. 239, 251, 23 S.Ct. 298, 47 L.Ed. 460 (1903) (Holmes, J.) ("It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits.").

question was just one of many virtual structures included by the designers of *Grand Theft Auto: San Andreas* in an attempt to simulate the feel of East Los Angeles, but we nonetheless concluded that the strip club was artistically relevant to the work. 547 F.3d at 1100. There is no significant distinction to be made here.

[13] Brown questions the artistic relevance of his likeness to *Madden NFL* in part by pointing us to the Sixth Circuit's decision in *Parks v. LaFace Records,* 329 F.3d 437 (6th Cir.2003). In *Parks,* civil rights hero Rosa Parks sued the musical duo Outkast under § 43(a) after Outkast released a song called *Rosa Parks. Id.* at 441. Partially due to the fact that one of the members of Outkast had said that the song was not "intended ... to be about Rosa Parks or the civil rights movement," the Sixth Circuit concluded that the district court should have at least considered additional evidence before deciding that the use of Ms. Parks' name was artistically relevant to the song. *Id.* at 452–53. Brown alleges that EA has made similar denials of Jim Brown's relevance to *Madden NFL,* and thus argues that Brown's likeness is not artistically relevant to the *Madden NFL* games. The court in *Parks,* however, did not rely solely on the band's denial that the song was about Ms. Parks or the civil rights movement in concluding that there was a factual dispute about artistic relevance. "The composers did *not* intend [the song] to be about Rosa Parks, and the lyrics are *not* about Rosa Parks," the court stated, emphasizing both Outkast's denials and the court's own determination that the song's lyrics were unrelated to Ms. Parks or the civil rights movement. *Id.* at 452. Here, even if EA's denials regarding Brown are equivalent to Outkast's denial regarding Parks, the content of the *MaddenNFL* games—the simulation of NFL football—is clearly related to Jim Brown, one of the NFL's all-time greatest players. Moreover, EA's denials are not equivalent to Outkast's denial. EA has denied using the aspects of Brown's likeness that may be protected by the Lanham Act and certain state laws, but such denials are a far cry from Outkast's outright denial of relevance. In letters to Brown's attorneys, EA officials have claimed that "Brown has not appeared in any *Madden NFL* game since 1998," and that "Brown's name and likeness does not appear in *Madden NFL 08* or any packaging or marketing materials associated with the product." EA has not denied that Brown's likeness is relevant to *Madden NFL;* rather, it has denied that Brown has appeared in the *Madden NFL* games released since 1998. If the denials are true—that is, if Brown's likeness does not in fact appear in the games—Brown has no claim at all under the Lanham Act. We do not understand this to be Brown's position. Outkast's denial did not similarly undermine Ms. Parks' Lanham Act claim because Outkast was not denying the use of Parks' name. In order to have a valid § 43(a) claim based on artistic irrelevance, Brown needs to show both that his likeness was used and that his likeness was artistically irrelevant to the *Madden NFL* games. If artistic irrelevance can only be proven by accepting the truth of EA's denial of the use of Brown's likeness, Brown cannot possibly satisfy both of these burdens. Moreover, in the context of a motion to dismiss, we accept Brown's factual allegations as true, and Brown alleges that his likeness was used. We must thus

assume that EA's denials are false, meaning they provide no support for artistic irrelevance.[27]

[14] One of the Sixth Circuit's animating concerns in *Parks* was that a celebrity's name could be "appropriated solely because of the vastly increased marketing power of a product bearing the name of [the celebrity]." 329 F.3d at 454. This is a legitimate concern, but the facts in *Parks*—specifically, the court's determination that the lyrics of Outkast's song may very well have nothing to do with Rosa Parks or the civil rights movement—made that concern much more realistic in that case than in this one. EA did not produce a game called *Jim Brown Presents Pinball* with no relation to Jim Brown or football beyond the title; it produced a football game featuring likenesses of thousands of current and former NFL players, including Brown. Comparing this case to *Parks* does not further Brown's cause.

[15] Brown also asserts that our interpretation of the *Rogers* test in *E.S.S.* to require artistic relevance to "merely ... be above zero," 547 F.3d at 1100, has rendered the *Rogers* test—described in the *Rogers* opinion itself as seeking to strike a "balance" between "the public's interest in free expression" and "protect[ing] the public against flagrant deception," 875 F.2d at 999—an inflexible and mechanical rule that more or less automatically protects expressive works regardless of the deception involved. But a balance need not be designed to find each of the sides weightier with equal frequency. The language in *Rogers* is clear. "[T]hat balance will normally not support application of the [Lanham] Act unless the [use of the trademark or other identifying material] has *no artistic relevance to the underlying work whatsoever*...." 875 F.2d at 999 (emphasis added). The *Rogers* test is applicable when First Amendment rights are at their height—when expressive works are involved—so it is no surprise that the test puts such emphasis on even the slightest artistic relevance. "Intellectual property rights aren't free: They're imposed at the expense of future creators and of the public at large," *White v. Samsung Elecs. Am., Inc.,* 989 F.2d 1512, 1516 (9th Cir.1993) (Kozinski, J., dissenting from denial of rehearing en banc), and the *Rogers* test applies when this expense is most

[27] In addition to pointing us to *Parks,* Brown also analogizes his case to *American Dairy Queen Corp. v. New Line Productions, Inc.,* 35 F.Supp.2d 727 (D.Minn.1998), in which the defendant admitted in its briefing that it did not intend its "Dairy Queens" title to refer to plaintiff American Dairy Queen Corporation. Based on this admission, the district court found that the defendant could express its ideas in other ways, and thus that on balance the risk of consumer confusion and trademark dilution outweighed the public interest in free expression. *Id.* at 734–35. As explained in our discussion of *Parks,* this analogy is inapt because there is no similar explicit denial of relevance in this case, and because we presume the truth of Brown's allegations that EA has used his likeness. *American Dairy Queen* also was not a case involving application of the *Rogers* test.

significant. Our interpretation of the "artistic relevance" prong of the *Rogers* test in *E.S.S.* is correct, and Brown fails to allege facts that satisfy that prong in this case.

B

[16] Even if the use of a trademark or other identifying material is artistically relevant to the expressive work, the creator of the expressive work can be subject to a Lanham Act claim if the creator uses the mark or material to "explicitly mislead[ ] [consumers] as to the source or the content of the work." *Rogers,* 875 F.2d at 999. It is key here that the creator must *explicitly* mislead consumers. "[T]he slight risk that ... use of a celebrity's name might implicitly suggest endorsement or sponsorship to some people is outweighed by the danger of restricting artistic expression, and [in cases where there is no explicit misleading] the Lanham Act is not applicable." *Id.* at 999–1000. This second prong of the *Rogers* test "points directly at the purpose of trademark law, namely to avoid confusion in the marketplace by allowing a trademark owner to prevent others from duping consumers into buying a product they mistakenly believe is sponsored by the trademark owner." *E.S.S.,* 547 F.3d at 1100 (internal quotation marks and citation omitted). We must ask "whether the [use of Brown's likeness] would confuse [*Madden NFL*] players into thinking that [Brown] is somehow behind [the games] or that [he] sponsors [EA's] product," *id.,* and whether there was an "explicit indication," "overt claim," or "explicit misstatement" that caused such consumer confusion, *Rogers,* 875 F.2d at 1001. Brown puts forth several arguments attempting to show that this second prong of the *Rogers* test is satisfied, but each of his arguments is unsuccessful.

[17] First, Brown argues that the use of his likeness in the game coupled with a consumer survey demonstrating that a majority of the public believes that identifying marks cannot be included in products without permission at least raises a triable issue of fact as to the second prong of the *Rogers* test. It is well established that the use of a mark alone is not enough to satisfy this prong of the *Rogers* test. In *MCA,* we noted that if the use of a mark alone were sufficient "it would render *Rogers* a nullity." 296 F.3d at 902. We reiterated this point in *E.S.S.,* asserting that "the mere use of a trademark alone cannot suffice to make such use explicitly misleading." 547 F.3d at 1100. Adding survey evidence changes nothing. The test requires that the use be *explicitly* misleading to consumers. To be relevant, evidence must relate to the nature of the behavior of the identifying material's user, not the impact of the use. Even if Brown could offer a survey demonstrating that consumers of the *Madden NFL* series believed that Brown endorsed the game, that would not support the claim that the use was explicitly misleading to consumers. The Sixth Circuit's decision in *ETW Corp. v. Jireh Publishing, Inc.,* 332 F.3d 915 (6th Cir.2003), demonstrates this point. In that case, Tiger Woods' licensing agent, ETW Corporation, brought a Lanham Act claim against the publisher of artwork commemorating Woods' 1997 victory at The Masters. *Id.* at 918. A survey was produced in which participants were shown the artwork and asked if they thought Tiger Woods was affiliated or connected with the work or had approved or sponsored it. *Id.* at 937 & n. 19. Over sixty percent of the participants answered

affirmatively, but the Sixth Circuit asserted: "[P]laintiff's survey evidence, even if its validity is assumed, indicates at most that some members of the public would draw the incorrect inference that Woods had some connection with [the work]. The risk of misunderstanding, not engendered by any explicit indication on the face of the [work], is so outweighed by the interest in artistic expression as to preclude application of the [Lanham] Act." *Id.* at 937 (footnote omitted). In *Rogers* itself, the Second Circuit rejected similar survey data for the same reasons. 875 F.2d at 1001. The use of Brown's likeness together with the cited survey do not provide a valid argument to allow Brown's case to go forward based on this prong of the *Rogers* test.

[18] Second, Brown argues that certain written materials that accompanied versions of the game demonstrate EA's attempts to explicitly mislead consumers about his endorsement or involvement with the game's production. Unlike mere use of the mark or a consumer survey, statements made in materials accompanying the game are at least the right kind of evidence to show that EA tried to explicitly mislead consumers about its relationship with Brown. Here, however, the statements highlighted by Brown do not show any attempt to mislead consumers. Brown points to materials that say that one of the game's features was the inclusion of "[f]ifty of the NFL's greatest players and every All–Madden team." Since Brown is one of the fifty greatest NFL players of all time and has been named to the "All Madden, All Millennium" team, Brown argues that the statement "explicitly represents that Brown was in EA's game." But Brown needs to prove that EA explicitly misled consumers about Brown's endorsement of the game, not that EA used Brown's likeness in the game; nothing in EA's promotion suggests that the fifty NFL players who are members of the All Madden, All Millennium team endorse EA's game. EA's statement is true and not misleading.

[19] Third, Brown argues that the changes made to Brown's likeness for use in certain versions of the game satisfy the second prong of the *Rogers* test. EA made changes to certain versions of the game that might make a consumer of the game less confident that the player in question was intended to be Brown. Most notably, EA changed the jersey number on the Brown avatar from 32 (the number Brown wore in the NFL) to 37. If these changes had any impact on whether consumers believed that Brown endorsed the game, however, surely they made consumers *less* likely to believe that Brown was involved. Brown offers various theories about EA's legal motives in "scrambling" his likeness for use in the game. It may be true that EA was trying to protect itself from being sued for using Brown's likeness, under the Lanham Act or otherwise, but an action that could only make consumers less likely to believe that Brown endorsed *Madden NFL* cannot possibly satisfy the second prong of the *Rogers* test.

[20] Fourth, Brown cites various comments made by EA officials as evidence that the second prong of the *Rogers* test is satisfied. As previously discussed, EA attorneys sent letters to Brown's attorneys stating that "Brown has not appeared in any *Madden NFL* game since 1998" and that "Brown's name and likeness does not

appear in *Madden NFL 08* or any packaging or marketing materials associated with the product." Brown claims that EA officials contradicted these statements when they allegedly said at a conference held at USC Law School that EA was able to use the images and likenesses of players because it obtained written authorization from both the NFL players and the NFL. The statements made in letters to Brown's attorneys are irrelevant to this prong of the *Rogers* analysis. They were not made to consumers, and they do not say anything about Brown's endorsement of the game. The statement allegedly made at the conference is perhaps the closest Brown comes to offering evidence that EA acted in an explicitly misleading manner as to Brown's endorsement of the game, but again, the statement was made to a limited audience, not to consumers. If a similar statement appeared on the back cover of a version of *Madden NFL,* that might satisfy the "explicitly misleading" prong, or at least raise a triable issue of fact, but a statement made at an academic conference about all of the likenesses used in the game could not realistically be expected to confuse consumers as to Brown's involvement.[28]

IV

[21] Brown also argues that the district court improperly engaged in factfinding in granting EA's motion to dismiss. The district court, in Brown's view, could not possibly have granted the motion to dismiss if it accepted all of the allegations in Brown's complaint as true, as Brown alleges in his complaint that his likeness is not artistically relevant to *Madden NFL* and that EA attempted to mislead consumers about his involvement with *Madden NFL.*

[22] Brown is of course correct that "[o]n a motion to dismiss, the court presumes that the facts alleged by the plaintiff are true." *Halet v. Wend Inv. Co.,* 672 F.2d 1305, 1309 (9th Cir.1982). We will also "draw[ ] all reasonable inferences from the complaint in [Brown's] favor." *Mohamed v. Jeppesen Dataplan, Inc.,* 614 F.3d 1070, 1073 (9th Cir.2010) (en banc) (internal quotation marks omitted). We are not, however, required to "accept any unreasonable inferences or assume the truth of legal conclusions cast in the form of factual allegations." *Ileto v. Glock Inc.,* 349

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[28] Brown argues that a similar statement appearing on the packaging of the 2007 and 2009 versions of *Madden NFL* could explicitly mislead consumers as to Brown's endorsement. The packaging has the logo for the NFL Players Association and says "Officially Licensed Product of NFL PLAYERS." NFL PLAYERS is the licensing arm of the NFLPA and manages licensing rights for both current players and retired players, so Brown contends that the statement on the packaging could be understood by consumers to mean that retired players, including Brown, endorse the game. We decline to address this argument because Brown did not raise it in his opening brief. *See Friends of Yosemite Valley v. Kempthorne,* 520 F.3d 1024, 1033 (9th Cir.2008). For the same reason, we decline to address Brown's contention that EA explicitly misled consumers by using Brown's likeness on the back covers of the same two versions of the game.

F.3d 1191, 1200 (9th Cir.2003). Brown asserts that there is no artistic relevance and that EA attempted to mislead consumers about Brown's involvement with *Madden NFL,* but none of the facts asserted in support of these legal conclusions actually justify the conclusions.

[23] With regard to artistic relevance, even presuming that EA officials have denied the inclusion of Brown's likeness in the game, the district court could conclude, having reviewed the versions of *Madden NFL* provided to the court,[29] that the likeness of a great NFL player is artistically relevant to a video game that aims to recreate NFL games.

[24] With regard to Brown's allegation that EA explicitly misled consumers as to his involvement with the game, the factual support Brown offers is simply of the wrong type. Brown would need to demonstrate that EA *explicitly* misled *consumers* as to his *involvement.* Instead, his allegations, if taken as true, only demonstrate that (1) the public can generally be misled about sponsorship when marks are included in products; (2) EA explicitly stated that Brown's likeness appears in *Madden NFL;* (3) EA tried to disguise its use of Brown's likeness, if anything making consumers less likely to believe that he was involved; (4) EA was dishonest with Brown's attorney about the inclusion of his likeness in the game; and (5) EA suggested to a group of individuals at an academic conference that the players whose likenesses were used in *Madden NFL* had signed licensing agreements with EA. There is simply no allegation that EA explicitly misled consumers as to Brown's involvement, and thus no problem with the district court deciding this issue in response to a motion to dismiss.

V

[25] As expressive works, the *Madden NFL* video games are entitled to the same First Amendment protection as great literature, plays, or books. Brown's Lanham Act claim is thus subject to the *Rogers* test, and we agree with the district court that Brown has failed to allege sufficient facts to make out a plausible claim that survives that test. Brown's likeness is artistically relevant to the games and there are no alleged facts to support the claim that EA explicitly misled consumers as to Brown's involvement with the games. The *Rogers* test tells us that, in this case, the public interest in free expression outweighs the public interest in avoiding consumer confusion. The district court's judgment is thus AFFIRMED**.**

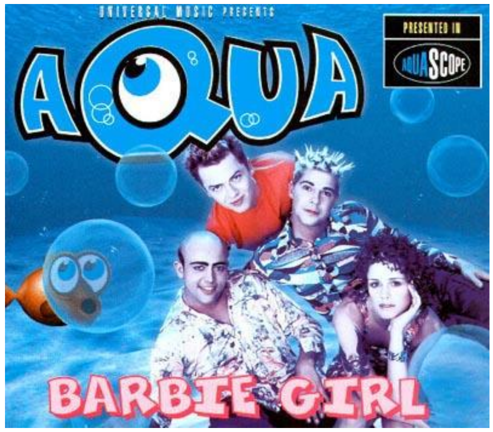
[29] The district court properly considered the versions of *Madden NFL* submitted to the court as part of the complaint itself through the "incorporation by reference" doctrine. *See Knievel v. ESPN,* 393 F.3d 1068, 1076 (9th Cir.2005). We do the same.

Questions and Comments

1. *Virtual reality and trademark rights*. Game designers seeking accurately to simulate non-virtual reality face significant challenges as this reality consists more and more of valuable intellectual properties, whether they take the form of public advertisements incorporating trademarks, distinctive product designs, well-known human personalities, or other embodiments. Along with *E.S.S.* and *Brown v. E.A.*, a number of recent trademark cases have sought, not always consistently, to determine when the unauthorized simulation of a trademark constitutes infringement. *See, e.g.*, VIRAG, S.R.L. v. Sony Computer Entm't Am. LLC, No. 15 Civ. 01729, 2015 WL 5000102 (N.D. Cal. Aug. 21, 2015) (applying the *Rogers* test to find that *Gran Turismo* racing games' use of plaintiff's mark in depiction of bridge at Autodromo Nazionale Monza racetrack was not infringing). *See also* Mil-Spec Monkey, Inc. v. Activision Blizzard, Inc., No. 14 Civ. 02361, 2014 WL 6655844 (N.D. Cal. Nov. 24, 2014) (finding to be non-infringing defendant's use of plaintiff's "angry monkey" trademark in defendant's combat simulation *Call of Duty: Ghosts*); Electronic Arts, Inc. v. Textron Inc., 12 Civ. 00118, 2012 WL 3042668 (N.D. Cal. July 25, 2012) (denying declaratory plaintiff's motion to dismiss in dispute over plaintiff's depiction of defendant's helicopter designs in plaintiff's combat simulation *Battlefield 3*); Dillinger, LLC v. Electronic Arts, Inc., 09 Civ. 1236, 2011 WL 2457678 (S.D. Ind. June 16, 2011) (finding to be non-infringing defendant's use of term "Dillinger" in reference to weapons in organized crime simulations *The Godfather* and *The Godfather II*). *Cf.* In re NCAA Student–Athlete Name & Likeness Licensing Litigation, 724 F.3d 1268 (9th Cir. 2013)

3. Further Examples of Expressive Use Analyses

Each of the five cases (or controversies) described below is included for a particular reason. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002), established just how defendant-friendly is the "noncommercial use" exclusion from dilution liability under Lanham Act § 43(c). *Mattel, Inc. v. Walking Mountain Productions*, 353 F.3d 792 (9th Cir. 2003), presents differing analyses of the marks at issue, with the *Rogers* approach applied to the word mark at issue and the *New Kids* factors applied to the trade dress at issue (why not apply the same analysis to both?). *Louis Vuitton Malletier, S.A. v. Hyundai Motor Am.*, No. 10 Civ. 1611, 2012 WL 1022247 (S.D.N.Y. Mar. 22, 2012), exemplifies the importance of the defendant's casting its expressive conduct as directed towards the plaintiff in particular rather than towards society in general. *MPS Entm't, LLC v. Abercrombie & Fitch Stores, Inc.*, No. 11 Civ. 24110, 2013 WL 3288039 (S.D. Fla. June 28, 2013), offers a recent example of an expressive use case where the court did not trouble itself, on the issue of consumer confusion, with any kind of First Amendment "balancing test," but simply found no likelihood of confusion. Finally, the Louis Vuitton/Penn Law School controversy offers an example of cease-and-desist practice. One may question the wisdom of LV's decision to threaten a law school with numerous distinguished intellectual property law faculty members and many loyal alumni prepared to defend their school, but how might a less-resourced expressive user rationally respond to such a cease-and-desist letter?



Mattel, Inc. v. MCA Records, Inc.
296 F.3d 894 (9th Cir. 2002)

In 1997, the Europop group Aqua released the song "Barbie Girl," which eventually achieved 11th place on Rolling Stone's list of the 20 most annoying songs ever[30], and which included lyrics such as

> I'm a Barbie girl, in the Barbie world
>
> Life in plastic, it's fantastic!
>
> You can brush my hair, undress me everywhere
>
> Imagination, life is your creation
>
> Come on Barbie, let's go party!

Mattel, Inc., the manufacturers of the Barbie doll, sued for trademark infringement, including trademark blurring and tarnishment.

The Ninth Circuit affirmed the district court's grant of summary judgment to the defendant. On the issue of consumer confusion, Judge Kozinski declined to apply the Ninth Circuit's traditional *Sleekcraft* multifactor test for consumer confusion.

> Our likelihood-of-confusion test, *see AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir.1979), generally strikes a comfortable balance between the trademark owner's property rights and the public's expressive interests. But when a trademark owner asserts a right to control how we express ourselves—when we'd find it difficult to describe the product any other way (as in the case of aspirin), or when the mark (like Rolls Royce) has taken on an expressive meaning

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[30] http://www.rollingstone.com/music/blogs/staff-blog/the-20-most-annoying-songs-20070702

> apart from its source-identifying function—applying the traditional test fails to account for the full weight of the public's interest in free expression.

Mattel v. MCA, at 901. Instead, Judge Kozinski applied the *Rogers v. Grimaldi* test:

> Applying *Rogers* to our case, we conclude that MCA's use of Barbie is not an infringement of Mattel's trademark. Under the first prong of *Rogers*, the use of Barbie in the song title clearly is relevant to the underlying work, namely, the song itself. As noted, the song is about Barbie and the values Aqua claims she represents. The song title does not explicitly mislead as to the source of the work; it does not, explicitly or otherwise, suggest that it was produced by Mattel. The only indication that Mattel might be associated with the song is the use of Barbie in the title; if this were enough to satisfy this prong of the *Rogers* test, it would render *Rogers* a nullity. We therefore agree with the district court that MCA was entitled to summary judgment on this ground.

Id. at 902.

As to blurring and tarnishment, Judge Kozinski found that Aqua's conduct qualified under the "noncommercial use" exemption from liability in then § 43(c)(4)(B), 15 U.S.C. § 1125(c)(4)(B) (Note that the noncommercial use exclusion has been retained in the new § 43(c)(3)(C), 15 U.S.C. § 1125(c)(3)(C) ("any noncommercial use of a mark")). After reviewing the legislative history of the old Federal Trademark Dilution Act, Judge Kozinksi reasoned:

> To determine whether Barbie Girl falls within this exemption, we look to our definition of commercial speech under our First Amendment caselaw. *See* H.R.Rep. No. 104–374, at 8, *reprinted in* 1995 U.S.C.C.A.N. 1029, 1035 (the exemption "expressly incorporates the concept of 'commercial' speech from the 'commercial speech' doctrine"); 141 Cong. Rec. S19306–10, S19311 (daily ed. Dec. 29, 1995) (the exemption "is consistent with existing [First Amendment] case law"). "Although the boundary between commercial and noncommercial speech has yet to be clearly delineated, the 'core notion of commercial speech' is that it 'does no more than propose a commercial transaction.'" *Hoffman v. Capital Cities/ABC, Inc.,* 255 F.3d 1180, 1184 (9th Cir.2001) (quoting *Bolger v. Youngs Drug Prod's Corp.,* 463 U.S. 60, 66, 103 S.Ct. 2875, 77 L.Ed.2d 469 (1983)). If speech is not "purely commercial"—that is, if it does more than propose a commercial transaction—then it is entitled to full First Amendment protection. *Id.* at 1185–86 (internal quotation marks omitted).
>
> …
>
> Barbie Girl is not purely commercial speech, and is therefore fully protected. To be sure, MCA used Barbie's name to sell copies of the song. However, as we've already observed, the song also lampoons the

> Barbie image and comments humorously on the cultural values Aqua claims she represents. Use of the Barbie mark in the song Barbie Girl therefore falls within the noncommercial use exemption to the FTDA. For precisely the same reasons, use of the mark in the song's title is also exempted.

Id. at 906-907.

For a significantly more subtle (but less defendant-friendly) approach to the question of whether a use qualifies as non-commercial, see *Jordan v. Jewel Food Stores, Inc*., 743 F.3d 509 (7th Cir. 2014).

Tom Forsythe, *Barbie Enchiladas* (1997)
See www.tomforsythe.com/biography.html

Tom Forsythe, *Malted Barbie* (1997)
See www.tomforsythe.com/biography.html

Mattel, Inc. v. Walking Mountain Productions
353 F.3d 792 (9th Cir. 2003)

Pregerson, Judge:

[1] In the action before us, Plaintiff Mattel Corporation asks us to prohibit Defendant artist Thomas Forsythe from producing and selling photographs containing Mattel's "Barbie" doll. Most of Forsythe's photos portray a nude Barbie in danger of being attacked by vintage household appliances. Mattel argues that his photos infringe on their copyrights, trademarks, and trade dress. We … affirm the district court's grant of summary judgment to Forsythe.

[The court applied the four copyright fair use factors established in 17 U.S.C. § 107 and found fair use of Mattel's copyrighted Barbie doll. It then turned to the trademark claims.]

[2] We now address whether the district court erred in granting summary judgment in favor of Forsythe on Mattel's claims of trademark and trade dress infringement and dilution….

A. Trademark

....

[3] As we recently recognized in *MCA* ... when marks “transcend their identifying purpose” and “enter public discourse and become an integral part of our vocabulary,” they “assume[ ] a role outside the bounds of trademark law.” 296 F.3d at 900. Where a mark assumes such cultural significance, First Amendment protections come into play. *Id.* In these situations, “the trademark owner does not have the right to control public discourse whenever the public imbues his mark with a meaning beyond its source-identifying function.” *Id. See also New Kids on the Block v. News Am. Publ’g Inc.,* 971 F.2d 302, 307 (9th Cir.1992).

[4] As we determined in *MCA,* Mattel’s “Barbie” mark has taken on such a role in our culture. 296 F.3d at 898–99. In *MCA,* Mattel brought an identical claim against MCA Records, producers of a song entitled “Barbie Girl” that contained lyrics that parodied and mocked Barbie. *Id.* at 894. Recognizing that First Amendment concerns in free expression are particularly present in the realm of artistic works, we rejected Mattel’s claim. In doing so, we adopted the Second Circuit’s First Amendment balancing test for applying the Lanham Act to titles of artistic works as set forth in *Rogers v. Grimaldi,* 875 F.2d 994, 999 (2d Cir.1989). *MCA,* 296 F.3d at 902.

....

[5] Application of the *Rogers* test here leads to the same result as it did in *MCA.* Forsythe’s use of the Barbie mark is clearly relevant to his work. *See MCA,* 296 F.3d at 902 (“[T]he use of Barbie in the song title clearly is relevant to the underlying work, namely, the song itself.”). The Barbie mark in the titles of Forsythe’s works and on his website accurately describe the subject of the photographs, which in turn, depict Barbie and target the doll with Forsythe’s parodic message. *See id.* (“[T]he song is about Barbie and the values [the defendants] claim[ ] she represents.”) The photograph titles do not explicitly mislead as to Mattel’s sponsorship of the works. *See id.* (“The song title does not explicitly mislead as to the source of the work; it does not, explicitly or otherwise, suggest that it was produced by Mattel. The *only* indication that Mattel might be associated with the song is the use of Barbie in the title; if this were enough to satisfy this prong of the *Rogers* test, it would render *Rogers* a nullity.” (emphasis in original)).

[6] Accordingly, the public interest in free and artistic expression greatly outweighs its interest in potential consumer confusion about Mattel’s sponsorship of Forsythe’s works.

B. Trade dress

[7] Mattel also claims that Forsythe misappropriated its trade dress in Barbie’s appearance, in violation of the Lanham Act, 15 U.S.C. § 1125. Mattel claims that it

possesses a trade dress in the Superstar Barbie head and the doll's overall appearance. The district court concluded that there was no likelihood that the public would be misled into believing that Mattel endorsed Forsythe's photographs despite Forsythe's use of the Barbie figure.

[8] Arguably, the Barbie trade dress also plays a role in our culture similar to the role played by the Barbie trademark—namely, symbolization of an unattainable ideal of femininity for some women. Forsythe's use of the Barbie trade dress, therefore, presumably would present First Amendment concerns similar to those that made us reluctant to apply the Lanham Act as a bar to the artistic uses of Mattel's Barbie trademark in both *MCA* and this case. But we need not decide how the *MCA/Rogers* First Amendment balancing might apply to Forsythe's use of the Barbie trade dress because we find, on a narrower ground, that it qualifies as nominative fair use.

[9] In the trademark context, we recently held that a defendant's use is *classic* fair use where "a defendant has used the plaintiff's mark *only* to describe his own product, *and not at all to describe the plaintiff's product.*" *Cairns v. Franklin Mint Co.,* 292 F.3d 1139, 1151 (9th Cir. 2002) (emphasis in original). In contrast, a defendant's use of a plaintiff's mark is *nominative* where he or she "used the plaintiff's mark to describe the plaintiff's product, *even if the defendant's ultimate goal is to describe his own product.*" *Id.* (emphasis in original). The goal of a nominative use is generally for the "purposes of comparison, criticism[or] point of reference." *New Kids on the Block,* 971 F.2d at 306. These two mutually exclusive forms of fair use are equally applicable here in the trade dress context.

[10] Applying these fair use standards to the trade dress context, we hold that a defendant's use is *classic* fair use where the defendant has used the plaintiff's dress to describe or identify the defendant's own product and not at all to describe or identify the plaintiff's product. Likewise, a defendant's use is *nominative* where he or she used the plaintiff's dress to describe or identify the plaintiff's product, even if the defendant's ultimate goal is to describe or identify his or her own product.

[11] Forsythe's use of the Barbie trade dress is nominative. Forsythe used Mattel's Barbie figure and head in his works to conjure up associations of Mattel, while at the same time to identify his own work, which is a criticism and parody of Barbie. *See Cairns,* 292 F.3d at 1151. Where use of the trade dress or mark is grounded in the defendant's desire to refer to the plaintiff's product as a point of reference for defendant's own work, a use is nominative.

[12] Fair use may be either nominative or classic. *Id.* at 1150. We recognize a fair use defense in claims brought under § 1125 where the use of the trademark "does not imply sponsorship or endorsement of the product because the mark is used only to describe the thing, rather than to identify its source." *New Kids on the Block,* 971 F.2d at 306. Thus, we recently reiterated that, in the trademark context, nominative use becomes nominative *fair use* when a defendant proves three elements:

> First, the plaintiff's product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the plaintiff's product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

Cairns, 292 F.3d at 1151 (quoting *New Kids on the Block,* 971 F.2d at 308).

Forsythe's use easily satisfies the first element; his use of the Barbie figure and head are reasonably necessary in order to conjure up the Barbie product in a photographic medium. *See id.* at 1153 ("[T]here is no substitute for Franklin Mint's use of Princess Diana's likeness on its Diana-related products ...."). It would have been extremely difficult for Forsythe to create a photographic parody of Barbie without actually using the doll.

[13] Forsythe also satisfies the second element, which requires that a defendant only use so much of a trademark or trade dress as is reasonably necessary. As we recognized in *Cairns,* "[w]hat is 'reasonably necessary to identify the plaintiff's product' differs from case to case." *Id.* at 1154. Where identification "of the defendant's product depends on the description [or identification] of the plaintiff's product, more use of the plaintiff's trademark" or trade dress is reasonably necessary. *Id.* Given the photographic medium and Forsythe's goal of representing the social implications of Barbie, including issues of sexuality and body image, Forsythe's use of the Barbie torso and head is both reasonable and necessary. It would be very difficult for him to represent and describe his photographic parodies of Barbie without using the Barbie likeness.

[14] Though a "closer call than the first two elements" of the nominative fair use analysis, *id.* at 1155, the final element—that the user do nothing that would, in conjunction with use of the mark or dress, suggest sponsorship or endorsement by the trademark or trade dress holder—is satisfied here and weighs in Forsythe's favor. This element does not require that the defendant make an affirmative statement that their product is not sponsored by the plaintiff. *Id.*

[15] Mattel attempts to argue that Forsythe suggested sponsorship by asserting to potential consumers that one of his photographs "hangs on the wall of the office of Mattel's President of Production," to whom Forsythe referred as "Joe Mattel."

[16] One of the purchasers of Forsythe's work apparently told Forsythe that he had given the work to this Mattel senior executive as a gift. Forsythe repeated this fact in certain letters to galleries and friends. Forsythe claims that he had no intention of suggesting sponsorship and that he meant the statement humorously. In virtually every promotional packet in which Forsythe mentioned "Joe Mattel," he also included a copy of his biography in which he identified himself as "someone criticizing Mattel's Barbie and the values for which it stands." The letters in the packets asserted that Forsythe was attempting to "deglamourize[ ] Barbie," "skewer[ ] the Barbie myth," and expose an "undercurrent of dissatisfaction with

consumer culture." A similar mission statement was prominently featured on his website.

[17] The rest of the materials in these promotional packets sent to galleries reduce the likelihood of any consumer confusion as to Mattel's endorsement of Forsythe's work. Any reasonable consumer would realize the critical nature of this work and its lack of affiliation with Mattel. Critical works are much less likely to have a perceived affiliation with the original work. *New Kids on the Block,* 971 F.2d at 309(finding no suggested sponsorship in part because a poll in a magazine regarding the popularity of the New Kids asked if the New Kids had become a "turn off"). Moreover, even if "Joe Mattel" existed, we question whether possession by a third-party passive recipient of an allegedly infringing work can suggest sponsorship.

[18] We hold that Forsythe's use of Mattel's Barbie qualifies as nominative fair use. All three elements weigh in favor of Forsythe. Barbie would not be readily identifiable in a photographic work without use of the Barbie likeness and figure. Forsythe used only so much as was necessary to make his parodic use of Barbie readily identifiable, and it is highly unlikely that any reasonable consumer would have believed that Mattel sponsored or was affiliated with his work. The district court's grant of summary judgment to Forsythe on Mattel's trade dress infringement claim was, therefore, proper.

C. Dilution

[19] Mattel also appeals the district court's grant of summary judgment on its trademark and dress dilution claims. The district court found that Forsythe was entitled to summary judgment because his use of the Barbie mark and trade dress was parody and thus "his expression is a non-commercial use."

[20] Dilution may occur where use of a trademark "whittle[s] away ... the value of a trademark" by "blurring their uniqueness and singularity" or by "tarnishing them with negative associations." *MCA,* 296 F.3d at 903(internal citations omitted). However, "[t]arnishment caused merely by an editorial or artistic parody which satirizes plaintiff's product or its image is not actionable under an anti-dilution statute because of the free speech protections of the First Amendment...." 4 McCarthy, *supra,* § 24:105, at 24–225. A dilution action only applies to purely commercial speech. *MCA,* 296 F.3d at 904. Parody is a form of noncommercial expression if it does more than propose a commercial transaction. *See id.* at 906. Under *MCA,* Forsythe's artistic and parodic work is considered noncommercial speech and, therefore, not subject to a trademark dilution claim.

[21] We reject Mattel's Lanham Act claims and affirm the district court's grant of summary judgment in favor of Forsythe. Mattel cannot use "trademark laws to ... censor all parodies or satires which use [its] name" or dress. *New Kids on the Block,* 971 F.2d at 309.

[As Tom Forsythe's website notes, www.tomforsythe.com/the-fight-for-free-speech.html, the district court eventually ordered Mattel to pay Forsythe's legal fees in the amount of $1.9 million. See Mattel, Inc. v. Walking Mountain Productions, 2004 WL 1454100 (C.D.Cal., June 21, 2004). This was in addition to the Ninth Circuit's determination that Mattel should pay the costs of the appeal. See Mattel, Inc. v. Walking Mountain Productions, 353 F.3d 792, 816 (9th Cir. 2003).]

Louis Vuitton Malletier, S.A. v. Hyundai Motor Am.
No. 10 Civ. 1611, 2012 WL 1022247 (S.D.N.Y. Mar. 22, 2012)

In *Louis Vuitton Malletier, S.A. v. Hyundai Motor Am*., No. 10 Civ. 1611, 2012 WL 1022247 (S.D.N.Y. Mar. 22, 2012), the defendant automobile company ran a television commercial during the post-game show of the 2010 Super Bowl which it described as "a humorous, socio-economic commentary on luxury defined by a premium price tag, rather than by the value to the consumer." The commercial included a one-second shot of a basketball decorated with a pattern resembling the trademarks of the plaintiff. Plaintiff sued for trademark infringement.

The court granted LV's motion for summary judgment on its dilution claim. After working through the test for blurring under the TDRA, the court considered whether Hyundai's use qualified under the Lanham Act § 43(c)(3)(A)(ii), 15 U.S.C. § 1125(c)(3)(A)(ii), exception from dilution liability for "identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner." The court found that it did not so qualify. The court quoted at length from the deposition testimony of Christopher J. Perry, a marketing executive at Hyundai at the time the commercial was created:

Q. Okay. Why didn't you just use the [un-altered] Louis Vuitton marks?

A. I don't recall the—Innocean came back to us and suggested adjustments.

Q. Well, why didn't you say, gee, to make the association even stronger, let's just use the Louis Vuitton marks?

A. The intent of the spot wasn't to—was to portray these over-the-top overwhelming luxury ideas.

Q. Right. And, in fact, you weren't commenting in any way or giving any commentary on Louis Vuitton, were you?

[Defense counsel]: Objection to the form. You may answer.

A. No.

Q. And the point here was not to actually make fun of Louis Vuitton or criticize Louis Vuitton, was it?

[Defense counsel]: Objection to the form.

A. That is correct.

Q. So why not use the Louis Vuitton marks themselves?

[Defense counsel]: Asked and answered. You may answer.

A. I suppose we could have. We opted not to. It wasn't the intent to try to—the intent wasn't specific to—the same reason why we didn't use specific brands on any of the other things we did. It was just to convey luxury. And to your point that the brown and gold conveyed luxury.

Q. The intent wasn't to say anything about Louis Vuitton, was it?

[Defense counsel]: Asked and answered.

A. Correct

Louis Vuitton v. Hyundai, at 17.

Based on this and other testimony, and indeed on defendant's counsel's repeated statements to the court that the commercial at issue did not seek to comment directly on Louis Vuitton, the court found that the commercial could not qualify as "identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner."

MPS Entm't, LLC v. Abercrombie & Fitch Stores, Inc.
No. 11 Civ. 24110, 2013 WL 3288039 (S.D. Fla. June 28, 2013)

In *MPS Entm't, LLC v. Abercrombie & Fitch Stores, Inc.*, No. 11 Civ. 24110, 2013 WL 3288039 (S.D. Fla. June 28, 2013), the defendant clothing store began selling a t-shirt (shown above on left) bearing the phrase "The Fitchuation" in February 2010. "The Fitchuation" referred to Michael Sorrentino, one of the stars of the reality television show Jersey Shore, which ran on MTV from 2009 to 2012 (above on right). In October 2010, Sorrentino, through the plaintiff, filed an application at the PTO to register the mark THE SITUATION for entertainment services. At the time of the opinion, Sorrentino was selling t-shirts on his website containing the words "The Situation" and "Official Situation Nation."

In 2011, after Sorrentino appeared in the show wearing various of the defendant's trademarks, the defendant sent a letter to MTV offering to pay up to $10,000 to cast members not to wear any clothing bearing Abercrombie & Fitch trademarks. The letter stated:

> A & F obviously has not sought product placement on the show, and we believe that, since the character portrayed by Mr. Sorrentino is not brand appropriate, his display of A & F clothing could be misconstrued as an endorsement by him of our clothing or—worse—an endorsement by A & F of his wearing our clothing.
>
> We have no interest at this point in pursuing any sort of legal action against MTV or the producers of "Jersey Shore." In fact, we would be willing to pay MTV or Mr. Sorrentino or other characters up to $10,000 NOT to wear any clothing bearing the "ABERCROMBIE & FITCH," "A & F," "FITCH," "MOOSE" or related trademarks. For additional episodes aired this season, we would appreciate it if you

> would ensure that our brands are pixilated or otherwise appropriately masked.

Id. at *2. Defendant also issued a press release announcing its offer to the cast members of Jersey Shore and singled out Sorrentino by name: "We have therefore offered a substantial payment to Michael 'The Situation' Sorrentino and the producers of MTV's *The Jersey Shore* to have the character wear an alternate brand." *Id*.

Plaintiff sued on the ground that the t-shirt bearing the term "The Fitchuation" and the press release violated his trademark rights.

The court granted the defendant's motion for summary judgment. It applied the Eleventh Circuit's multifactor test for the likelihood of consumer confusion to find that the t-shirt did not create a likelihood of confusion. As to the similarity of the marks factor,

> The target of A & F's parody is "The Situation." The t-shirt expresses "The Fitchuation" visually and phonetically different than "The Situation." There is no evidence of A & F "palming off" its t-shirt as that of the plaintiffs where, as here, the t-shirt has the A & F inside label and prominently uses A & F's own famous trademark "Fitch" as part of the parody.

Id. at *7. On the proximity of the goods or services,

> A & F's apparel goods are dissimilar to the plaintiffs' entertainment services. The plaintiffs concede that they did not offer apparel under a "Situation" mark until after A & F introduced "The Fitchuation" t-shirt. There is no evidence that the public attributes the parties' respective goods and services to the same single source.

Id. The court found in favor of the defendant on the intent and actual confusion factors as well.

As to the press release, the court found nominative fair use:

> The Court finds that the use of Michael Sorrentino's name and nickname in the press release was a non-actionable fair use under trademark law. A & F used only so much of the plaintiff's name as was reasonably necessary to respond to his wearing A & F's brand on The Jersey Shore, and did not do anything that would suggest Sorrentino's sponsorship or endorsement. A & F's press release expressly disassociated Sorrentino from A & F, and the plaintiffs have conceded that no third party has expressed any confusion that the press release rejecting Sorrentino's image somehow suggested sponsorship or endorsement by Sorrentino.

Id. at *13.

The Louis Vuitton / Penn Law School Controversy

Shown below is the poster at issue, Louis Vuitton's cease and desist letter, and Penn's response, to which LV did not reply. Given the arguments made in the two letters, which side has the better of the argument?

LOUIS VUITTON
MALLETIER A PARIS

MAISON FONDÉE EN 1854

By Electronic and First Class Mail

February 29, 2012

Dean Michael A. Fitts
University of Pennsylvania Law School
3501 Sansom Street
Philadelphia, Pennsylvania 19104

Re: IP Issues in Fashion Law

Dear Dean Fitts:

I am the Director of Civil Enforcement, North America, for Louis Vuitton Malletier ("Louis Vuitton"). I write to express our concerns over the unauthorized use of our trademarks to promote the March 20, 2012 Penn Intellectual Property Group event, "IP Issues in Fashion Law."

Louis Vuitton is the owner of world famous registered and common law trademarks, including the following trademarks as shown below (the "LV Trademarks"):

LOUIS VUITTON

Georges Vuitton, Louis Vuitton's son, created the "Toile Monogram" pattern, comprised of the initial LV and three distinctive design elements -- a circle with a four-leafed flower inset; a curved beige diamond with a four-point star inset; and its negative -- in the 1890's to protect the Louis Vuitton brand from unlawful imitators. Since that time, Louis Vuitton has manufactured and sold products bearing the Toile Monogram and secured numerous federal trademark registrations for the LV Trademarks, including the Toile Monogram and each of the elements of the pattern.

Since its founding in 1854, Louis Vuitton has built up a worldwide reputation for its design, innovation, quality and style in women's and men's leather goods and fashion apparel and accessories. The LV Trademarks, including the Toile Monogram, are among the most famous trademarks in the luxury goods industry and the world. To help protect its valuable trademarks and to preserve the good will and exclusivity of Louis Vuitton designs, Louis Vuitton closely

LOUIS VUITTON NORTH AMERICA, INC. 1 EAST 57TH STREET NEW YORK, NEW YORK 10022

Dean Michael A. Fitts
February 29, 2012
Page 2

controls the sale of its products and the use of its trademarks, and has devoted and continues to devote substantial resources to protect the LV Trademarks.

While every day Louis Vuitton knowingly faces the stark reality of battling and interdicting the proliferation of infringements of the LV Trademarks, I was dismayed to learn that the University of Pennsylvania Law School's Penn Intellectual Property Group had misappropriated and modified the LV Trademarks and Toile Monogram as the background for its invitation and poster for the March 20, 2012 Annual Symposium on "IP Issues in Fashion Law." A copy of the invitation/poster is attached as Exhibit A.

This egregious action is not only a serious willful infringement and knowingly dilutes the LV Trademarks, but also may mislead others into thinking that this type of unlawful activity is somehow "legal" or constitutes "fair use" because the Penn Intellectual Property Group is sponsoring a seminar on fashion law and "must be experts." People seeing the invitation/poster may believe that Louis Vuitton either sponsored the seminar or was otherwise involved, and approved the misuse of its trademarks in this manner. I would have thought the Penn Intellectual Property Group, and its faculty advisors, would understand the basics of intellectual property law and know better than to infringe and dilute the famous trademarks of fashion brands, including the LV Trademarks, for a symposium on fashion law. (Louis Vuitton believes that education of the public about intellectual property issues is important and has sponsored such activities in the past. In fact, Louis Vuitton is a corporate sponsor of Fordham Law School's Fashion Law Institute).

Louis Vuitton is proud of its reputation for protecting intellectual property and creativity. We hope, and expect now that this action has been brought to your attention, that immediate steps will be taken to stop all use of this invitation/poster that violates the LV Trademarks. Please contact me within five days to assure me that steps have been taken to avoid confusion and dilution of the LV Trademarks. Your understanding and anticipated cooperation is appreciated.

Very truly yours,

Michael Pantalony, Esq.

Attachment

Penn
UNIVERSITY of PENNSYLVANIA

PENN Medicine

Robert F. Firestone, Esq.
Associate General Counsel
Direct Dial: 215.746.5266
Robert.firestone@ogc.upenn.edu

March 2, 2012

Via Email M.Pantalony@us.vuitton.com and First Class Mail

Michael Pantalony, Esq.
Director, Civil Enforcement, North America
Louis Vuitton Malletier
1 East 57th Street
New York, NY 10022

Dear Mr. Pantalony:

I represent the University of Pennsylvania, its Law School, and a student group at the Law School, the Pennsylvania Intellectual Property Group (PIPG), and Dean Michael Fitts forwarded your February 29, 2012 letter to me.

PIPG does not agree that the artwork on its poster and invitation infringes any of Louis Vuitton's trademarks, nor does it dilute any of those trademarks. In fact, 15 U.S.C. 1125(c)(3) expressly protects a noncommercial use of a mark and a parody from any claim for dilution. There also is no violation of 15 U.S.C. 1125(a) because there is no likelihood of confusion that Louis Vuitton sponsored or is associated with PIPG's annual educational symposium.

You assert that the clever artwork parody that appears on the poster and invitation is a "serious willful infringement." However, to constitute trademark infringement under the Lanham Act, PIPG has to be using a trademark in interstate commerce, which is substantially similar to Louis Vuitton's mark(s), and which is likely to cause confusion between Louis Vuitton's luxury apparel goods and PIPG's educational conference among the relevant audience. First, I don't believe that PIPG's artwork parody was adopted as, or is being used as, a trademark to identify any goods and services. It is artwork on a poster to supplement text, designed to evoke some of the very issues to be discussed at the conference, including the importance of intellectual property rights to fashion companies, the controversy over the proposed Innovative Design Protection and Piracy Prevention Act, and the exceptions in the law to liability for dilution, including parody. Second, although you don't cite the actual federal trademark registrations that you assert protect your marks, I doubt any of them are registered in Class 41 to cover educational symposia in intellectual property law issues. There is no substantial similarity between the goods identified by Louis Vuitton's marks and the PIPG educational symposium. Third, there is no likelihood of confusion possible here. The lawyers, law students, and fashion industry executives who will attend the symposium certainly are unlikely to think that Louis Vuitton is organizing the conference; the poster clearly says that PIPG has organized the event, with support from Penn Law and a number of nationally-known law firms. The artwork on the poster and invitation does not constitute trademark infringement.

Office of the General Counsel
133 South 36th Street, Suite 300 Philadelphia, PA 19104-3246
Tel 215-746-5200 Fax 215-746-5222

Penn
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PENN
Medicine

You also state that PIPG's use of its artwork parody knowingly dilutes the Louis Vuitton trademarks. I disagree. First, PIPG has not commenced use of the artwork as a mark or trade name, which is a prerequisite for any liability under 15 U.S.C. 1125(c)(1). More importantly, however, even if PIPG has used the artwork as a mark, there is an explicit exception to any liability for dilution by blurring or dilution by tarnishment for "any noncommercial use of a mark." 15 U.S.C. 1125(c)(3)(C). A law student group at a non-profit university promoting its annual educational symposium is a noncommercial use. Lastly, the artwork clearly is a fair use under 15 U.S.C. 1125(c)(3)(A), and a parody protected under 15 U.S.C. 1125(c)(3)(A)(ii). See also Louis Vuitton Malletier vs. Haute Diggity Dog, LLC, 507 F.3d 252 (4th Cir. 2007).

The poster and invitation are clear that Louis Vuitton is not a sponsor of the symposium, and no reasonable person would be confused or deceived as to sponsorship, affiliation, connection or association regarding Louis Vuitton and PIPG's conference, merely because of the clever artwork parody illustrating the invitation and poster. I do not think there is any liability under 15 U.S.C. 1125(a)(1), either.

Therefore, I will be advising PIPG that it may continue to use posters and invitations to its annual symposium that contain the artwork to which Louis Vuitton objects, without violating any of Louis Vuitton's legitimate trademark rights. I realize that Steven Barnes, the Associate Dean for Communications at the Law School, previously sent you an email stating that PIPG would stop using the posters and invitations. However, Mr. Barnes sent that email before seeking legal advice from our office and without sharing that legal advice with PIPG. Now that we have had the time to consider your letter and investigate the facts and the law, I will be advising the students otherwise.

If there is any need to discuss this further, please contact me directly. In addition, I encourage you to attend the symposium on March 20, 2012. Educating our students about both the rights of, and the defenses against, intellectual property owners, is a key goal of the symposium. The students have invited some of the in-house counsel from some of your peer fashion companies to speak on the panels, and I am sure the students would welcome your attendance as well. If you are able to come, please let me know, so I can introduce myself in person, and try to introduce you to some of the Penn Law faculty and students working to make their annual educational symposium about the unique and challenging intellectual property issues in the fashion industry a success.

Sincerely,

Robert F. Firestone

Robert F. Firestone

Cc: Dean Michael Fitts, University of Pennsylvania Law School

Office of the General Counsel
133 South 36th Street, Suite 300 Philadelphia, PA 19104-3246
Tel 215-746-5200 Fax 215-746-5222

D. Trademark Abandonment

A defendant may show that a mark has been abandoned and is thus unprotectable by showing either that (1) the plaintiff has ceased to use the mark and has no intent to resume use, or (2) the plaintiff has failed to control the use of the mark (for example, by licensing its use indiscriminately) with the result that the mark has lost its significance as a designation of source. These two modes of abandonment are based on the definition of "abandoned" in Lanham Act § 45, 15 U.S.C. § 1127:

> A mark shall be deemed to be "abandoned" if either of the following occurs:
>
> (1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.
>
> (2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

1. Abandonment Through Cessation of Use

The following excerpt is taken from *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007), parts of which we have already considered in Part I.E.3 in connection with the well-known marks doctrine. The reader will recall that, in 1986, the plaintiff ITC Ltd. opened a restaurant under the name Bukhara in New York City. In 1987, the plaintiff entered into a franchise agreement for a Bukhara restaurant in Chicago. Also in 1987, the plaintiff registered at the PTO the mark BUKHARA in connection with "restaurant services" (*See* U.S. Trademark Registration No. 1,461,445 (Oct. 13, 1987)). The New York City restaurant closed in 1991 and ITC cancelled its Chicago franchise in 1997. In 1999, the defendant Punchgini, Inc. opened the restaurant Bukhara Grill in New York City. In 2003, the plaintiff sued for trademark infringement.

ITC Ltd. v. Punchgini, Inc.
482 F.3d 135, 145-53 (2d Cir. 2007)

Raggi, Circuit Judge:

B. Trademark Infringement

[1] [] Even if a plaintiff makes the showing required by federal and state [trademark] law, however, the alleged infringer may nevertheless prevail if it can establish the owner's prior abandonment of the mark. *See* 15 U.S.C. § 1115(b)(2); *Nercessian v. Homasian Carpet Enter., Inc.,* 60 N.Y.2d 875, 877, 470 N.Y.S.2d 363, 364, 458 N.E.2d 822 (1983) (holding that "rights in a trade name may be lost by abandonment"). Indeed, abandonment is not only an affirmative defense to an infringement action; it is a ground for cancelling a federally registered mark. *See* 15 U.S.C. § 1064(3).

[2] Relying on this principle, defendants submit that ITC's infringement claim is necessarily defeated as a matter of law by proof that, by the time they opened their Bukhara Grill restaurants in New York, ITC had effectively abandoned the Bukhara mark in the United States. Like the district court, we conclude that defendants successfully established abandonment as a matter of law, warranting both summary judgment in their favor and cancellation of ITC's registered mark.

1. The Doctrine of Abandonment

[3] The abandonment doctrine derives from the well-established principle that trademark rights are acquired and maintained through use of a particular mark. *See Pirone v. MacMillan, Inc.,* 894 F.2d 579, 581 (2d Cir.1990) ("'There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed.'" (quoting *United Drug Co. v. Theodore Rectanus Co.,* 248 U.S. 90, 97 (1918))). This is true even of marks that have been registered with the Patent and Trademark Office. *See Basile, S.p.A. v. Basile,* 899 F.2d 35, 37 n. 1 (D.C.Cir.1990) ("Although [a mark's] registration is a predicate to its protection under [section 32(1)(a) of] the Lanham Act, the underlying right depends not on registration but rather on use."). Indeed, one of the fundamental premises underlying the registration provisions in the Lanham Act is that trademark rights flow from priority and that priority is acquired through use. *See, e.g.,* 15 U.S.C. § 1057(c) (stating that registration of mark "shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect ... against any other person except for a person whose mark has not been abandoned and who, prior to such filing[,] ... has used the mark"). Thus, so long as a person is the first to use a particular mark to identify his goods or services in a given market, and so long as that owner continues to make use of the mark, he is "entitled to prevent others from using the mark to describe their own goods" in that market. *Defiance Button Mach. Co. v. C & C Metal Prods. Corp.,* 759 F.2d 1053, 1059 (2d Cir.1985); *see also Sengoku Works v. RMC Int'l,* 96 F.3d 1217, 1219 (9th Cir.1996) ("It is axiomatic in trademark law that the standard test of ownership is priority of use.").

[4] If, however, an owner ceases to use a mark without an intent to resume use in the reasonably foreseeable future, the mark is said to have been "abandoned." *See Silverman v. CBS, Inc.,* 870 F.2d 40, 45 (2d Cir.1989); 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 17:5, at 17–8 (4th ed.2002)

(observing that "abandonment" refers to situations involving the "non-use of a mark, coupled with an express or implied intention to abandon or not to resume use"). Once abandoned, a mark returns to the public domain and may, in principle, be appropriated for use by other actors in the marketplace, *see Indianapolis Colts, Inc. v. Metro. Baltimore Football Club Ltd. P'ship,* 34 F.3d 410, 412 (7th Cir.1994), in accordance with the basic rules of trademark priority, *see Manhattan Indus., Inc. v. Sweater Bee by Banff, Ltd.,* 627 F.2d 628, 630 (2d Cir.1980).

2. Demonstrating Abandonment

[5] The party asserting abandonment bears the burden of persuasion with respect to two facts: (1) non-use of the mark by the legal owner, and (2) lack of intent by that owner to resume use of the mark in the reasonably foreseeable future. *See* 15 U.S.C. § 1127; *Stetson v. Howard D. Wolf & Assocs.,* 955 F.2d 847, 850 (2d Cir.1992); *Silverman v. CBS, Inc.,* 870 F.2d at 45; *see also On–Line Careline, Inc. v. America Online, Inc.,* 229 F.3d 1080, 1087 (Fed.Cir.2000) (placing burden of persuasion on party seeking cancellation on ground of abandonment); *Warner Bros. Inc. v. Gay Toys, Inc.,* 724 F.2d 327, 334 (2d Cir.1983) (placing burden of persuasion on party asserting abandonment as defense).

[6] ITC concedes that defendants satisfied the first element through proof that ITC has not used the Bukhara mark for restaurant services in the United States since August 28, 1997. Nevertheless, ITC insists that a triable issue of fact exists with respect to its intent to resume use of the service mark in the United States. To the extent the district court concluded otherwise, ITC submits the court applied an incorrect legal standard. To explain why we are not persuaded by this argument, we begin by discussing the particular legal significance of non-use of a registered mark for a period of at least three years.

3. Prima Facie Evidence of Abandonment

[7] The Lanham Act expressly states that "[n]onuse" of a mark "for 3 consecutive years shall be prima facie evidence of abandonment." 15 U.S.C. § 1127. This court has explained that the term "prima facie evidence" in this context means "a rebuttable presumption of abandonment." *Saratoga Vichy Spring Co. v. Lehman,* 625 F.2d 1037, 1044 (2d Cir.1980); *accord Silverman v. CBS, Inc.,* 870 F.2d at 45.

The role played by such a presumption is best understood by reference to Rule 301 of the Federal Rules of Evidence:

> In all civil actions and proceedings not otherwise provided for by Act of Congress or by these rules, a presumption imposes on the party against whom it is directed the burden of going forward with evidence to rebut or to meet the presumption, but does not shift to such party the burden of proof in the sense of the risk of non-persuasion, which remains throughout the trial upon the party on whom it was originally cast.

Fed.R.Evid. 301. Although the term "presumption" is not specifically defined in the Rules of Evidence, it is generally understood to mean "an assumption of fact resulting from a rule of law which requires such fact to be assumed from another fact or group of facts found or otherwise established in the action." 21B Charles Alan Wright & Kenneth W. Graham, Jr., Federal Practice and Procedure § 5124 (2d ed.2005); *accord* Joseph M. McLaughlin, Jack B. Weinstein & Margaret A. Berger, Weinstein's Federal Evidence § 301.02[1] (2d ed.2006); *see also Texas Dep't of Cmty. Affairs v. Burdine,* 450 U.S. 248, 256 n. 10 (1981) (describing presumption as "legally mandatory inference"). The assumption ceases to operate, however, upon the proffer of contrary evidence. *See generally A.C. Aukerman Co. v. R.L. Chaides Constr. Co.,* 960 F.2d 1020, 1037 (Fed.Cir.1992) (observing that under Rule 301, a "presumption is not merely rebuttable but completely vanishes upon the introduction of evidence sufficient to support a finding of the nonexistence of the presumed fact"); *Saratoga Vichy Spring Co. v. Lehman,* 625 F.2d at 1043 (suggesting that presumption of abandonment "disappears when rebutted by contrary evidence").

[8] Thus, in this case, the statutory presumption of abandonment requires that one fact, i.e., abandonment, be inferred from another fact, i.e., non-use of the mark for three years or more. The significance of a presumption of abandonment is to shift the burden of production to the mark owner to come forward with evidence indicating that, despite three years of non-use, it intended to resume use of the mark within a reasonably foreseeable time. *See Imperial Tobacco, Ltd. v. Philip Morris, Inc.,* 899 F.2d 1575, 1579 (Fed.Cir.1990) (noting that triggering of presumption "eliminates the challenger's burden to establish the [lack of] intent [to resume use] element of abandonment as an initial part of its case"); *see also Cumulus Media, Inc. v. Clear Channel Commc'ns,* 304 F.3d 1167, 1176–77 (11th Cir.2002); *On–Line Careline, Inc. v. America Online, Inc.,* 229 F.3d at 1087. The ultimate burden of persuasion on the issue of abandonment, however, remains at all times with the alleged infringer. *See Emergency One, Inc. v. American FireEagle, Ltd.,* 228 F.3d 531, 536 (4th Cir.2000).

4. The Evidence Necessary to Defeat a Presumption of Abandonment

[9] This court has observed that "to overcome a presumption of abandonment after a sufficiently long period of non-use, a defendant need show only an intention to resume use 'within the reasonably foreseeable future.'" *Empresa Cubana del Tabaco v. Culbro Corp.,* 399 F.3d 462, 468 n. 2 (2d Cir.2005) (quoting *Silverman v. CBS, Inc.,* 870 F.2d at 45). ITC submits that the district court erred in imposing a stricter standard, specifically requiring ITC to adduce "'objective, hard evidence of actual concrete plans to resume use in the reasonably foreseeable future when the conditions requiring suspension abate'" to defeat defendants' summary judgment motion. *ITC Ltd. v. Punchgini, Inc.,* 373 F.Supp.2d at 280 (quoting *Emmpresa Cubana Del Tabaco v. Culbro Corp.,* 213 F.Supp.2d 247, 268–69 (S.D.N.Y.2002)).

[10] This court has, in fact, criticized the particular language quoted by the district court, observing that such a "heavy burden" is not required by our precedent. *See Empresa Cubana del Tabaco v. Culbro Corp.,* 399 F.3d at 467 n. 2. Courts and commentators are in general agreement that proffered evidence is "sufficient" to rebut a presumption as long as the evidence could support a reasonable jury finding of "the nonexistence of the presumed fact." *Wanlass v. Fedders Corp.,* 145 F.3d 1461, 1464 (Fed.Cir.1998); *see also* McLaughlin, Weinstein & Berger, *supra,* § 301.02 [3] [c] (stating that "the opponent of a presumed fact, in order to rebut, generally has the burden of presenting evidence so that a reasonable jury could be convinced of the non-existence of the presumed fact"); Wright & Graham, *supra,* § 5126 ("Most writers ... interpret 301 to require that rebutting evidence suffice to support a finding of the non-existence of the presumed fact."). In short, upon defendants' presentation of evidence establishing a *prima facie* case of abandonment under the Lanham Act, ITC was required to come forward only with such contrary evidence as, when viewed in the light most favorable to ITC, would permit a reasonable jury to infer that it had not abandoned the mark. Specifically, it needed to adduce sufficient evidence to permit a reasonable jury to conclude that, in the three-year period of non-use—from August 28, 1997, when ITC terminated the Chicago Bukhara franchise, to August 28, 2000—ITC nevertheless maintained an intent to resume use of its registered mark in the reasonably foreseeable future.[31] *See Silverman v. CBS, Inc.,* 870 F.2d at 47; *accord Empresa Cubana del Tabaco v. Culbro Corp.,* 399 F.3d at 467 n. 2. Hard evidence of concrete plans to resume use of the mark would certainly carry this burden. But we do not foreclose the possibility that other circumstances, viewed in the light most favorable to the non-movant, might also support the necessary jury inference of intent. *See, e.g., Geneva Pharms. Tech. Corp. v. Barr Labs., Inc.,* 386 F.3d 485, 506 (2d Cir.2004) (looking to totality of circumstances to infer intent).

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[31] Although we have not previously stated specifically that a mark holder's intent to resume use of the mark must be formulated during the three-year period of non-use, we do so now, noting that two other circuit courts have also reached this conclusion. *See, e.g., Imperial Tobacco, Ltd. v. Philip Morris, Inc.,* 899 F.2d at 1580–81 [Fed. Cir.] (expressly recognizing that intent must be formulated during non-use period); *Emergency One, Inc. v. American FireEagle, Ltd.,* 228 F.3d at 537 [4th Cir.] (same). Indeed, we think this conclusion follows naturally from the fact that an abandoned mark may be appropriated for use by other actors in the marketplace. An intent to resume use of the mark formulated after more than three years of non-use cannot be invoked to dislodge the rights of another party who has commenced use of a mark—thereby acquiring priority rights in that mark—after three years of non-use. We do not, however, foreclose the use of evidence arising after the relevant three-year period to demonstrate an intent *within* that period to resume use.

5. Defendants' Entitlement to Summary Judgment

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b. ITC's Failure to Adduce Evidence from Which a Reasonable Jury Could Infer Intent to Resume Use

[11] As this court has recognized, "intent is always a subjective matter of inference and thus rarely amenable to summary judgment." *Saratoga Vichy Spring Co. v. Lehman,* 625 F.2d at 1044. At the same time, however, "'[t]he summary judgment rule would be rendered sterile ... if the mere incantation of intent or state of mind would operate as a talisman to defeat an otherwise valid motion.'" *Distasio v. Perkin Elmer Corp.,* 157 F.3d 55, 61–62 (2d Cir.1998) (quoting *Meiri v. Dacon,* 759 F.2d 989, 997 (2d Cir.1985)). The latter point is particularly relevant in the context of an abandonment dispute, because "[i]n every contested abandonment case, the respondent denies an intention to abandon its mark; otherwise there would be no contest." *Imperial Tobacco, Ltd. v. Philip Morris, Inc.,* 899 F.2d at 1581. Thus, courts have generally held that a trademark owner cannot rebut a presumption of abandonment merely by asserting a subjective intent to resume use of the mark at some later date. *See Vais Arms, Inc. v. Vais,* 383 F.3d 287, 294 (5th Cir.2004) ("At most, [the mark owner's] affidavit establishes only his subjective, uncommunicated desire not to abandon the mark, without any indication of when or how he intended to resume its commercial use; it does not establish a genuine issue as to his intent to abandon."); *Emergency One, Inc. v. American FireEagle, Ltd.,* 228 F.3d at 537 ("[T]he owner of a trademark cannot defeat an abandonment claim ... by simply asserting a vague, subjective intent to resume use of a mark at some unspecified future date."); *Imperial Tobacco, Ltd. v. Philip Morris, Inc.,* 899 F.2d at 1581 ("An averment of no intent to abandon is little more than a denial in a pleading, which is patently insufficient to preclude summary judgment on the ground the facts are disputed."); *see also Silverman v. CBS, Inc.,* 870 F.2d at 47 ("A bare assertion of possible future use is not enough."). Rather, to rebut a presumption of abandonment on a motion for summary judgment, the mark owner must come forward with evidence "with respect to ... what outside events occurred from which an intent to resume use during the nonuse period may reasonably be inferred." *Imperial Tobacco, Ltd. v. Philip Morris, Inc.,* 899 F.2d at 1581; *accord Emergency One, Inc. v. American FireEagle, Ltd.,* 228 F.3d at 537–38; *see also Silverman v. CBS, Inc.,* 870 F.2d at 47 (noting that presumption of abandonment can be rebutted "by showing reasonable grounds for the suspension and plans to resume use in the reasonably foreseeable future when the conditions requiring suspension abate"[32]).

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[32] The two factors identified in *Silverman* are not distinct but intertwined. A mark owner's reason for suspending use of a mark is relevant to abandonment analysis only as circumstantial evidence shedding possible light on his intent to resume future use within a reasonable period of time. In short, not every "reasonable suspension" will necessarily rebut a presumption of abandonment. *See*

[12] ITC argues that four facts would allow a reasonable factfinder to infer its intent to resume use of the Bukhara mark for restaurants in the United States: (1) the reasonable grounds for its suspension of use of the mark, (2) its efforts to develop and market a Dal Bukhara line of packaged food, (3) its attempts to identify potential United States restaurant franchisees, and (4) its continued use of the Bukhara mark for restaurants outside the United States. We are not persuaded.

(1) Grounds for Suspending Use

[13] ITC advances two reasons for suspending use of the Bukhara mark in the United States from 1997 to 2000:(a) Indian regulations requiring it to return profits earned abroad severely hindered its ability to open and operate profitable Bukhara restaurants in the United States, and (b) depressed market conditions in the hospitality industry from 1988 to 2003 inhibited its development of franchise partnerships in the United States. Because these reasons are unsupported by record evidence, they plainly cannot demonstrate the requisite intent.[33]

[14] As to the first point, the record indicates that many of the Indian regulations cited by ITC had been in effect since 1973. Clearly, these regulations did not prevent ITC from opening its Bukhara restaurant in New York in 1986 or from licensing a Bukhara restaurant in Chicago in 1987. Although ITC submits that the regulations were a significant factor in the failure of these two restaurants, no evidence was adduced to support this conclusory assertion. *See generally Bridgeway Corp. v. Citibank,* 201 F.3d 134, 142 (2d Cir.2000) (holding that conclusory statements, conjecture, and inadmissible evidence are insufficient to defeat summary judgment). Indeed, the record is to the contrary. When, at deposition, an ITC corporate representative was asked why the New York Bukhara closed, he replied simply that the restaurant was highly leveraged and unable to meet its debt obligations. He made no mention of any Indian regulations. Similarly, the letter by which ITC terminated its Chicago license agreement referenced only the franchisee's failure to pay fees owed to ITC, making no mention of Indian regulations.

[15] Further, ITC fails to explain how Indian regulations, which ITC claims applied to any business operated outside India, hindered its use of the Bukhara

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Silverman v. CBS, Inc., 870 F.2d at 47 (observing that "however laudable one might think CBS's motives to be, such motives cannot overcome the undisputed fact that CBS has not used its mark for more than 20 years and that, even now, it has no plans to resume [its] use in the reasonably foreseeable future," and further noting that "we see nothing in the statute that makes the consequence of an intent not to resume use turn on the worthiness of the motive for holding such intent").

[33] We do not decide whether such allegations, if supported by evidence, would permit any inference of ITC's intent to resume use of the Bukhara mark for restaurants in the foreseeable future. We note only that the conclusion is by no means obvious.

mark for restaurants in the United States between 1997 and 2000 but permitted it to open a Bukhara restaurant in the United Arab Emirates in 1998. To the extent ITC argues that the regulations limited its options by effectively requiring it to partner exclusively with well-established hotels, it offers no evidence that hotels in the United States were unreceptive to such a partnership arrangement.

[16] With respect to ITC's argument that a market decline in the hospitality industry between 1988 and 2003 explains its non-use of the mark, the record indicates only a decline in India and the overseas market. ITC proffered no evidence demonstrating a decline in the United States hospitality market during the relevant 1997–2000 period of non-use.[34]

(2) Marketing Dal Bukhara Food Products

[17] ITC points to only one piece of evidence during the relevant 1997–2000 period indicating its intent to use the name Bukhara in connection with packaged foods: the minutes from a July 27, 2000 corporate management committee meeting in India, which approved an initiative to market food products under the name "Bukhara Dal." Significantly, the minutes nowhere indicate ITC's intent to market this product in the United States, much less ITC's intent to resume use of the Bukhara mark for restaurants in this country. Accordingly, we conclude that the minutes, by themselves, are insufficient to create a genuine issue of material fact as to ITC's intent to resume use of its registered service mark in the United States.

[18] The remaining evidence adduced by ITC all post-dates the relevant 1997–2000 period of non-use. Specifically, in 2001, ITC commissioned a study regarding the marketing of packaged food bearing the Bukhara mark in the United States. That same year, ITC filed trademark applications for several marks containing the word "Bukhara" in relation to packaged food products. Not until 2003 did ITC actually showcase its packaged food line at a New York trade show or sell these products to two United States distributors. These acts, all occurring well after 2000 and suggesting future use of the Bukhara mark for a product other than restaurants, are insufficient to support the necessary inference that, *in the non-use period*, ITC maintained an intent to resume use of the mark for restaurants in the United States in the reasonably foreseeable future.

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[34] Indeed, there is no reason to think plaintiffs could make such a showing with respect to the New York hospitality market, which experienced considerable growth during the period 1997–2000. *See* John Holusha, "Commercial Property; An Up Cycle Just Keeps Rolling," *The New York Times* 11:1 (Sept. 24, 2000) (noting historically high occupancy rates in city hotels with 13% growth in first half of year); cf. Marian Burros, "Waiter, Hold the Foie Gras: Slump Hits New York Dining," *The New York Times* A:1 (Sept. 4, 2001) (noting, in 2001, first signs of decline in city's 10–year restaurant boom).

(3) Identifying Bukhara Franchisees

[19] ITC argues that evidence of its discussions with various persons about expanding the Bukhara restaurant franchise to New York, California, and Texas creates a jury issue as to its intent to resume use of its registered mark within a reasonably foreseeable time. In fact, the only evidence of these so-called "discussions" is a few facsimiles, e-mails, and letters sent to ITC over a five-year period from 1998 to 2002. There is no evidence that ITC initiated any of these contacts. More to the point, no evidence indicates that ITC responded to or seriously considered these unsolicited proposals in a manner that would permit a reasonable jury to infer its intent to resume use of its Bukhara mark for restaurants. As such, these communications, even when viewed in the light most favorable to ITC, do not give rise to a material question of fact on the issue of ITC's intent to resume use of its registered mark.

[20] ITC submits that record evidence also reveals its negotiations to expand the Bukhara restaurant brand into Starwood hotels. The proffered evidence consists of (1) a 2002 letter from Starwood's Asia–Pacific headquarters indicating a general interest in operating Bukhara restaurants in some of its hotels outside India, and (2) a 2004 story from an Indian newspaper about ITC's intent to open Bukhara restaurants in London and Tokyo. Neither document references the possible opening of a Bukhara restaurant in the United States. Moreover, both the letter and the news story post-date the 1997–2000 period of non-use that gives rise to the presumption of abandonment, and they make no mention of any intent to resume use arising during this critical time frame. Accordingly, this evidence is insufficient to raise a material issue of fact.

(4) Bukhara Restaurants Outside the United States

[21] Finally, ITC cites *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.* to support its argument that the continued operation of its Bukhara restaurants outside the United States demonstrates "an ongoing program to exploit the mark commercially," giving rise to an inference of an intent to resume the mark's use in this country, 495 F.2d 1265, 1272 (2d Cir.1974). In fact, ITC's reliance on *Societe Anonyme* is misplaced. In that case, this court ruled that a "meager trickle" of perfume sales within the United States—89 bottles sold over a period of 20 years—was insufficient to establish trademark rights in the United States. *Id.* Nothing in that case suggests that ongoing foreign use of a mark, by itself, supports an inference that the owner intends to re-employ a presumptively abandoned mark in the United States. Cf. *id.* at 1271 n. 4 (noting "well-settled" view "that foreign use is ineffectual to create trademark rights in the United States"). Indeed, we identify no authority supporting that conclusion.

[22] Accordingly, like the district court, we conclude that ITC's continued foreign use of the Bukhara mark for restaurants does not raise a material issue of fact regarding its intent to resume similar use of the mark in the United States.

Because ITC plainly abandoned its right to the Bukhara mark for restaurant services in the United States, we affirm the award of summary judgment in favor of defendants on ITC's federal and state infringement claims.

Crash Dummy Movie, LLC v. Mattel, Inc.
601 F.3d 1387 (Fed. Cir. 2010)

RADER, Circuit Judge.

[1] The Trademark Trial and Appeal Board ("Board") sustained Mattel, Inc.'s ("Mattel") challenge to The Crash Dummy Movie, LLC's ("CDM") application to register the mark CRASH DUMMIES for a line of games and playthings. The record leaves no doubt that CDM's proposed mark is likely to cause confusion with Mattel's previously used marks CRASH DUMMIES and THE INCREDIBLE CRASH DUMMIES (collectively, "CRASH DUMMIES marks") for action figures and playsets. CDM asserts, however, that these marks were abandoned. Because substantial evidence supports the Board's finding that Mattel overcame the statutory presumption of abandonment of its CRASH DUMMIES marks, this court affirms.

I.

[2] Mattel's predecessor-in-interest, Tyco Industries, Inc. ("Tyco"), first produced a line of toys under the CRASH DUMMIES marks in 1991. In 1993, Tyco obtained federal trademark registrations for the CRASH DUMMIES marks: CRASH DUMMIES (Registration No. 1809338) and THE INCREDIBLE CRASH DUMMIES (Registration No. 1773754). Tyco sold toys under the CRASH DUMMIES marks through at least 1994. In addition, Tyco entered into forty-nine licenses for use of the CRASH DUMMIES marks in connection with a variety of products. The licenses expired on December 31, 1995, with some licenses having a product sell-off period of four to six months following their expiration.

[3] On July 14, 1995, CDM entered into an option agreement with Tyco to produce a motion picture based on Tyco's line of toys sold under the CRASH DUMMIES marks. The option agreement expired on July 14, 1996. Although CDM attempted to renegotiate a license later that year, Tyco declined to enter into another option agreement with CDM.

[4] In the mid-1990's, Tyco experienced financial difficulties and began negotiating an acquisition with Mattel. On February 12, 1997, Tyco assigned its trademark portfolio, including the CRASH DUMMIES marks, to Mattel. Mattel officially purchased Tyco on December 31, 1997. Mattel later recorded Tyco's assignment with the United States Patent Trademark Office ("USPTO") on February 13, 1998. Due to the size of the acquisition, the two businesses did not fully integrate until late 2004 or early 2005.

[5] In 1998, KB Toys approached Mattel, hoping to become the exclusive retailer of toys sold under the CRASH DUMMIES marks. Mattel declined the offer. Mattel needed to retool Tyco's CRASH DUMMIES toys in order to meet Mattel's stringent safety standards. Mattel determined that the cost of retooling was too significant in light of KB Toys's sales projections at the time.

[6] From 2000 to 2003, Mattel worked on developing a new line of toys under the CRASH DUMMIES marks. In 2000, Mattel began brainstorming ideas for CRASH DUMMIES toys. Mattel researched, developed, and tested its new toys as early as 2001, and obtained concept approval by 2002. Mattel began manufacturing CRASH DUMMIES toys in October 2003, and ultimately reintroduced them into the market in December 2003. While Mattel was developing new toys, the USPTO cancelled the registrations for the CRASH DUMMIES marks on December 29, 2000, because Mattel did not file a section 8 declaration of use and/or excusable nonuse for the marks.

[7] On March 31, 2003, CDM filed an intent-to-use application for the mark CRASH DUMMIES for games and playthings. Mattel opposed CDM's application, claiming priority to Tyco's prior registration and use of the CRASH DUMMIES marks. Mattel and CDM agree that their respective marks are likely to cause confusion. The only disputed issue before the Board was whether Mattel was entitled to claim common law trademark rights to the CRASH DUMMIES marks predating CDM's March 2003 filing date. The Board found a prima facie abandonment of the CRASH DUMMIES marks based on three years of nonuse, beginning at the earliest on

December 31, 1995, and ending at Mattel's actual shipment of CRASH DUMMIES toys in December 2003. However, the Board concluded that Mattel rebutted the presumption of abandonment of its common law trademark rights by showing "reasonable grounds for the suspension and plans to resume use in the reasonably foreseeable future when the conditions requiring suspension abate." CDM appeals the Board's decision sustaining Mattel's opposition. This court has jurisdiction under 28 U.S.C. § 1295(a)(4)(B).

II.

[8] Abandonment of a trademark is a question of fact, which this court reviews for substantial evidence. *On-Line Careline, Inc. v. Am. Online, Inc.,* 229 F.3d 1080, 1087 (Fed.Cir.2000). The substantial evidence standard requires this court to ask whether a reasonable person might find that the evidentiary record supports the agency's conclusion. *Id.* at 1085. "[T]he possibility of drawing two inconsistent conclusions from the evidence does not prevent an administrative agency's finding from being supported by substantial evidence." *Consolo v. Fed. Maritime Comm'n,* 383 U.S. 607, 620 (1966).

[9] In addition, this court reviews evidentiary rulings for an abuse of discretion. *Chen v. Bouchard,* 347 F.3d 1299, 1307 (Fed.Cir.2003) (citation omitted). This court reverses the Board's evidentiary rulings only if they: (1) were clearly unreasonable, arbitrary, or fanciful; (2) were based on an erroneous conclusions of law; (3) rest on clearly erroneous findings of fact; or (4) follow from a record that contains no evidence on which the Board could rationally base its decision. *Id.* (citation omitted).

III.

[10] A registered trademark is considered abandoned if its "use has been discontinued with intent not to resume such use." 15 U.S.C. § 1127 (2006). "Nonuse for 3 consecutive years shall be prima facie evidence of abandonment." *Id.* A showing of a prima facie case creates a rebuttable presumption that the trademark owner has abandoned the mark without intent to resume use. *On-Line Careline,* 229 F.3d at 1087. "The burden then shifts to the trademark owner to produce evidence that he either used the mark during the statutory period or intended to resume use." *Id.* "The burden of persuasion, however, always remains with the [challenger] to prove abandonment by a preponderance of the evidence." *Id.*

[11] As an initial matter, CDM does not challenge the Board's finding that Tyco did not abandon the CRASH DUMMIES marks before the 1997 assignment. CDM only challenges the Board's factual finding regarding Mattel's intent to resume use after it acquired the marks in February 1997 until it began selling CRASH DUMMIES toys in December 2003.

[12] Substantial evidence supports the Board's finding that Mattel intended to resume use of the CRASH DUMMIES marks during the contested time period. First, in 1998, Mattel entered into discussions with KB Toys about becoming the exclusive retailer of CRASH DUMMIES toys. Mattel considered the relative merits of exclusive sales through KB Toys and the high cost of retooling Tyco's product line to meet

Mattel's stringent safety standards. Mattel's analysis shows that it contemplated manufacturing toys under the CRASH DUMMIES marks at the time the discussion took place. Although Mattel did not ultimately enter into the KB Toys agreement, no evidence suggests that Mattel rejected the business opportunity because it decided to abandon the marks.

[13] Second, common sense supports the conclusion that Mattel would not have recorded Tyco's trademark assignment with the USPTO in 1998 unless it intended to use the CRASH DUMMIES mark within the foreseeable future. Although Mattel later allowed its trademark registrations to lapse, cancellation of a trademark registration does not necessarily translate into abandonment of common law trademark rights. Nor does it establish its owner's lack of intent to use the mark. *See Miller Brewing Co. v. Oland's Breweries (1971), Ltd.,* 548 F.2d 349, 352 n. 4 (CCPA 1976) ("Although Oland & Son's registration was cancelled in January of 1968 for failure to file a continued use affidavit, this, in and of itself, does not show an intent to abandon.") (citation omitted). Therefore, Mattel's failure to file a timely Section 8 declaration of use and/or excusable nonuse for the marks does not negate Mattel's intent to resume use of the mark.

[14] Third, substantial evidence supports the Board's finding that Mattel's research and development efforts from 2000 to 2003 indicate its intent to resume use of the marks. Mattel relied on its internal documents and testimony by Peter Frank, Mattel's marketing manager, to describe its product development activities. Based on the documents, Frank testified that Mattel began brainstorming ideas for the CRASH DUMMIES toys in 2000, researched and tested them in 2001, and obtained concept approval in 2002. He also explained that Mattel began manufacturing the CRASH DUMMIES toys in October 2003, culminating in actual shipment in December 2003.

[15] In addition, Mattel's shipment of CRASH DUMMIES toys in December 2003 supports Frank's testimony about Mattel's research and development efforts in the early 2000's. This court does not disregard this record evidence because it falls outside of the three-year statutory period of nonuse. The Board may consider evidence and testimony regarding Mattel's practices that occurred before or after the three-year statutory period to infer Mattel's intent to resume use during the three-year period. *See Miller Brewing Co. v. Oland's Breweries,* 548 F.2d 349, 352 (CCPA 1976) (considering evidence beyond a statutory period to affirm the Board's decision to sustain opposition to a trademark application). Therefore, substantial evidence shows that Mattel continuously worked on developing CRASH DUMMIES toys from 2000 to 2003.

…

[16] Mattel needed sufficient time to research, develop, and market its retooled CRASH DUMMIES toys after acquiring Tyco's CRASH DUMMIES marks in 1997. Despite Mattel's delay in utilizing the marks for its toys, substantial evidence supports the Board's finding that Mattel rebutted the statutory presumption of

abandonment of the marks. Accordingly, the Board correctly held that CDM may not register its proposed mark CRASH DUMMIES for a line of games and playthings.

IV.

[17] Because substantial evidence supports the Board's finding that Mattel intended to resume use of the CRASH DUMMIES marks during the period of non-use, this court affirms.

2. Abandonment Through Failure to Control Use


United States of America
United States Patent and Trademark Office

freecycle.org

Reg. No. 4,215,095 THE FREECYCLE NETWORK (ARIZONA NON-PROFIT CORPORATION)
P.O. BOX 294
Registered Sep. 25, 2012 TUCSON, AZ 85702

COLLECTIVE MEMBERSHIP

FOR: INDICATING MEMBERSHIP IN AN ORGANIZATION THAT PROMOTES THE RE-USE OF UNWANTED ITEMS, IN CLASS 200 (U.S. CL. 200).

PRINCIPAL REGISTER

FIRST USE 7-20-2012; IN COMMERCE 7-20-2012.

THE MARK CONSISTS OF THE TERM "FREECYCLE.ORG" WITH A CURVED ARROW BELOW THE TERM AND A CURVED ARROW HAVING FIVE DROPLET-LIKE DESIGNS RADIATING THEREFROM ABOVE THE TERM.

SN 85-357,555, FILED 6-27-2011.

JULIE GUTTADAURO, EXAMINING ATTORNEY

FreecycleSunnyvale v. Freecycle Network
626 F.3d 509 (9th Cir. 2010)

CALLAHAN, Circuit Judge:

[1] FreecycleSunnyvale ("FS") is a member group of The Freecycle Network ("TFN"), an organization devoted to facilitating the recycling of goods. FS filed a declaratory action against TFN arising from a trademark licensing dispute, alleging noninfringement of TFN's trademarks and tortious interference with FS's business relations. FS moved for partial summary judgment on the issue of whether its naked licensing defense to trademark infringement allowed it to avoid a finding of infringement as a matter of law.[35] TFN argued that it had established adequate

[35] Naked licensing occurs when a licensor does not exercise adequate quality control over its licensee's use of a licensed trademark such that the trademark may

quality control standards over its licensees' services and use of the trademarks to avoid a finding of naked licensing and abandonment of its trademarks. The district court granted summary judgment to FS. We hold that TFN (1) did not retain express contractual control over FS's quality control measures, (2) did not have actual controls over FS's quality control measures, and (3) was unreasonable in relying on FS's quality control measures. Because we find that TFN engaged in naked licensing and thereby abandoned its trademarks, we affirm.

I

A

[2] In March 2003, Deron Beal ("Beal") founded TFN, an umbrella non-profit Arizona corporation dedicated to "freecycling." The term "freecycling" combines the words "free" and "recycling" and refers to the practice of giving an unwanted item to a stranger so that it can continue to be used for its intended purpose, rather than disposing of it.[36] As practiced by TFN, freecycling is primarily a local activity conducted by means of internet groups, which are created by volunteers through online service providers like Yahoo! Groups and Google Groups.[37] Although not required to do so, most TFN member groups use Yahoo! Groups as a forum for members to coordinate their freecycling activities. TFN also maintains its own website, www.freecycle.org, which provides a directory of member groups as well as resources for volunteers to create new groups. The website also includes a section devoted to etiquette guidelines.

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no longer represent the quality of the product or service the consumer has come to expect. *See Barcamerica Int'l USA Trust v. Tyfield Importers, Inc.,* 289 F.3d 589, 595–96 (9th Cir.2002). By not enforcing the terms of the trademark's use, the licensor may forfeit his rights to enforce the exclusive nature of the trademark. The key question is therefore whether TFN produced any evidence to raise a material fact issue as to whether it: (1) retained contractual rights to control the quality of the use of its trademark; (2) actually controlled the quality of the trademark's use; or (3) reasonably relied on FS to maintain the quality. *Barcamerica,* 289 F.3d at 596–98 (upholding trademarks where a licensor is familiar with the licensee and reasonably relies on the licensee's own quality control efforts).

[36] Beal did not coin the word "freecycle" and TFN is not the first organization to promote freecycling.

[37] In general, online discussion groups such as Yahoo! Groups and Google Groups allow individuals with a shared common interest to communicate by means of posting messages to the particular group's online forum. Such groups may be subject to terms and conditions of the service provider. In addition, discussion groups often have volunteer group moderators who monitor the discussions, and each group may adopt and enforce rules and regulations (e.g., discussion etiquette) separate from whatever terms the online service provider imposes.

[3] TFN asserts that it maintains a "Freecycle Ethos"—a democratic leadership structure, in which decisions are made through a process of surveys and discussions among volunteer moderators. Local volunteer moderators are responsible for enforcing TFN's rules and policies, but the moderators have flexibility in enforcement depending on the moderators' assessment of their local communities.

[4] Since May 2003, TFN has been using three trademarks, FREECYCLE, THE FREECYCLE NETWORK, and a logo (collectively "the trademarks") to identify TFN's services and to identify member groups' affiliation with TFN. Federal registration of the trademarks is currently pending in the United States, but the trademarks have been registered in other countries. TFN permits member groups to use the trademarks. When TFN first started, Beal personally regulated the use of the trademarks but, as TFN has grown, it has relied on local moderators to regulate member groups' use of the trademarks.

[5] Lisanne Abraham ("Abraham") founded FS on October 7, 2003, in Sunnyvale, California, without TFN's knowledge or involvement. She established the group by entering into a service contract with Yahoo! Groups and becoming the group's moderator. Upon establishing FS, Abraham adapted etiquette guidelines and instructions for how to use FS from either TFN's or one of TFN's member group's website. On October 7, 2003, Abraham emailed Beal directly asking for a logo for FS, and they spoke over the phone within days of the email communication. After the phone conversation, Beal emailed Abraham on October 9, 2003, stating: "You can get the neutral logo from www.freecycle.org, just don't use it for commercial purposes or you [sic] maybe Mark or Albert can help you to do your own fancy schmancy logo!"[38] This email is the only record of a direct communication between FS and TFN regarding the use of any of the trademarks.

[6] Between October 7, 2003, and October 9, 2003, FS was added to TFN's list of online freecycling groups displayed on TFN's website. Then, on October 9, 2003, Abraham received an email from Beal addressed to nineteen moderators of new freecycle Yahoo! Groups which, among other things, welcomed them to TFN. The email did not discuss or include any restrictions or guidance on the use of TFN's trademarks. On October 13, 2003, Abraham received another email from TFN, this time an invitation to join the "freecyclemodsquad" Yahoo! Group ("modsquad group"), an informal discussion forum exclusively for the moderators of freecycle Yahoo! Groups to share ideas.

[7] Before 2004, TFN had only a few suggested guidelines in the etiquette section of its website, including a "Keep it Free" rule. Then, on January 4, 2004, Beal sent an email to the modsquad group, asking whether TFN should also limit listed items to those that were legal. Ultimately, Beal proposed the adoption of a "Keep it

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[38] Mark Messinger is the moderator for the Olympia, Washington, freecycle group. He helped Abraham fashion a unique freecycle logo for Sunnyvale. Albert Kaufman apparently introduced Abraham to freecycling.

Free, Legal & Appropriate for All Ages" rule and asked "that all moderators vote on whether they feel this is the one rule that should apply to ALL local groups or not." Between January 4 and January 11, 2004, a majority of the modsquad group voted to require all local groups to adopt the rule and, on January 11, Beal informed the group that "I'm glad to say ... we now have one true guiding principle." Although the moderators adopted the "Keep it Free, Legal & Appropriate for All Ages" rule, following its adoption, they frequently discussed what the actual meaning of the rule was and, ultimately, its definition and enforcement varied from group to group.

[8] Although the underlying reason is not evident from the record or the parties' briefs, on November 1 and November 14, 2005, TFN sent emails to FS ordering the group to cease and desist using the Freecycle name and logo and threatening to have Yahoo! terminate FS's Yahoo! Group if FS did not comply. On November 5, FS emailed Yahoo! and disputed TFN's ability to forbid the use of the trademarks by informing Yahoo! of the license that TFN allegedly had granted FS in October 2003 (i.e., Beal's October 9, 2003 email authorizing Abraham to use the logo). On November 21, Yahoo! terminated the FS Yahoo! Group at TFN's request, after receiving a claim from TFN that FS was infringing on TFN's trademark rights.

B

[9] On January 18, 2006, FS filed a declaratory judgment action against TFN in the U.S. District Court for the Northern District of California, alleging noninfringement of TFN's trademarks and tortious interference with FS's business relations. TFN brought counterclaims for trademark infringement and unfair competition under the Lanham Act and California Business and Professions Code section 17200.

[10] FS then moved for summary judgment on the issue of whether its naked licensing defense to trademark infringement allowed it to avoid a finding of infringement as a matter of law. FS argued that TFN had abandoned its trademarks because it engaged in naked licensing when it granted FS the right to use the trademarks without either (1) the right to control or (2) the exercise of actual control over FS's activities. On March 13, 2008, the district court granted summary judgment in favor of FS, holding that TFN engaged in naked licensing and therefore abandoned its rights to the trademarks. The parties stipulated to dismiss the remaining claims, and final judgment was entered on May 20, 2008. TFN thereafter timely filed its appeal.

II

…

[11] In ruling on a motion for summary judgment, our inquiry "necessarily implicates the substantive evidentiary standard of proof that would apply at the trial on the merits." *Id.* at 252. We have held that the proponent of a naked license theory of trademark abandonment must meet a "stringent standard of proof." *Barcamerica,* 289 F.3d at 596 (internal quotation marks omitted); *see also Prudential Ins. Co. of Am. v. Gibraltar Fin. Corp. of Cal.,* 694 F.2d 1150, 1156 (9th

Cir.1982) ("Abandonment of a trademark, being in the nature of forfeiture, must be strictly proved."); *Edwin K. Williams & Co. v. Edwin K. Williams & Co. E.,* 542 F.2d 1053, 1059 (9th. Cir.1976) ("[A] person who asserts insufficient control [of a trademark] must meet a high burden of proof.").

[12] We have yet to determine, however, whether this high standard of proof requires "clear and convincing" evidence or a "preponderance of the evidence." *See Electro Source, LLC v. Brandess–Kalt–Aetna Group, Inc.,* 458 F.3d 931, 935 n. 2 (9th Cir.2006) (reserving the issue of the standard of proof to show trademark abandonment, but noting that at least one district court in the Ninth Circuit had required "clear and convincing" evidence). Indeed, in *Grocery Outlet Inc. v. Albertson's Inc.,* 497 F.3d 949, 952–54 (9th Cir.2007) (per curiam), Judges Wallace and McKeown disagreed in separate concurrences as to which standard applies. Judge Wallace advocated the clear and convincing standard, while Judge McKeown argued that the preponderance of the evidence standard applied. *Id.*

[13] A review of our sister circuits' decisions reveals that only two circuits have considered which standard to apply, with one reserving the issue and the other adopting a preponderance of the evidence standard. *See Cumulus Media, Inc. v. Clear Channel Commcn's, Inc.,* 304 F.3d 1167, 1175 n. 12 (11th Cir.2002) (declining to address the meaning of "strict burden" because the outcome of the case would be the same with either standard of proof); *Cerveceria Centroamericana, S.A. v. Cerveceria India, Inc.,* 892 F.2d 1021, 1024 (Fed.Cir.1989) (adopting the preponderance of the evidence standard). Most published lower court decisions that have reached this issue appear to have interpreted the "strictly proven" standard to require "clear and convincing" evidence of naked licensing. *See* 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 17:12 n.2 (4th ed.2010).[39]

[14] Here, we need not decide which standard of proof applies because, even applying the higher standard of proof—clear and convincing—and viewing the evidence in the light most favorable to TFN as the non-moving party, FS has

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[39] Citing, *inter alia, Mathy v. Republic Metalware Co.,* 35 App. D.C. 151, 1910 WL 20792 at *3, (1910) ("Abandonment being in the nature of a forfeiture, it is incumbent upon the person alleging it to prove by clear and convincing evidence that the right claimed has been relinquished."); *Dial–A–Mattress Operating Corp. v. Mattress Madness, Inc.,* 841 F.Supp. 1339, 1355 (E.D.N.Y.1994) ("[A]n affirmative defense alleging a break in plaintiff's chain of priority under the doctrine of abandonment must be proven by clear and convincing evidence."); *EH Yacht, LLC v. Egg Harbor, LLC,* 84 F.Supp.2d 556, 564–65 (D.N.J.2000) (noting that the majority of courts have held that the "strictly proven" standard requires proof by clear and convincing evidence.); *accord Cash Processing Servs. v. Ambient Entm't,* 418 F.Supp.2d 1227, 1232 (D.Nev.2006).

demonstrated that TFN engaged in naked licensing and consequently abandoned the trademarks.

III

[15] An introduction to "naked licensing" of trademarks is in order, as this issue has seldom arisen in this circuit or in our sister circuits. Our only discussion of this subject is in *Barcamerica,* 289 F.3d at 598 (holding that Barcamerica, a vintner, engaged in naked licensing and abandoned its trademark by failing to retain or otherwise exercise adequate quality control over the trademark it had licensed to another company), and that decision informs and guides our discussion here.

[16] As a general matter, trademark owners have a duty to control the quality of their trademarks. McCarthy § 18:48. "It is well-established that '[a] trademark owner may grant a license and remain protected provided quality control of the goods and services sold under the trademark by the licensee is maintained.'" *Barcamerica,* 289 F.3d at 595–96 (quoting *Moore Bus. Forms, Inc. v. Ryu,* 960 F.2d 486, 489 (5th Cir.1992)).

[17] "Naked licensing" occurs when the licensor "fails to exercise adequate quality control over the licensee." *Id.* at 596. Naked licensing may result in the trademark's ceasing to function as a symbol of quality and a controlled source. *Id.* (citing McCarthy § 18:48). We have previously declared that naked licensing is "*inherently deceptive* and constitutes abandonment of any rights to the trademark by the licensor." *Id.* at 598. "Consequently, where the licensor fails to exercise adequate quality control over the licensee, 'a court may find that the trademark owner has abandoned the trademark, in which case the owner would be estopped from asserting rights to the trademark.'" *Id.* at 596 (quoting *Moore,* 960 F.2d at 489).

A

[18] At issue here is whether there is clear and convincing evidence, viewed in the light most favorable to TFN, that TFN allowed FS to use the trademarks with so few restrictions as to compel a finding that TFN engaged in naked licensing and abandoned the trademarks. TFN contends that disputed issues of material fact remain as to whether TFN's quality control standards, during the relevant time period, were sufficient. Although TFN concedes that it did not have an express license agreement, it alleges that a reasonable jury could find that it had adequate quality control measures in place when FS was authorized to use the trademarks, making summary judgment inappropriate.

1

[19] When deciding summary judgment on claims of naked licensing, we first determine whether the license contained an express contractual right to inspect and supervise the licensee's operations. *See Barcamerica,* 289 F.3d at 596. The absence of an agreement with provisions restricting or monitoring the quality of goods or services produced under a trademark supports a finding of naked licensing. *Id.* at 597; *see also Stanfield v. Osborne Indus., Inc.,* 52 F.3d 867, 871 (10th Cir.1995) (granting summary judgment where license agreement lacked right to inspect or

supervise licensee's operations and gave the licensee sole discretion to design the trademark).

[20] TFN concedes that it did not have an express license agreement with FS regarding FS's use of the trademarks. Without an express license agreement, TFN necessarily lacks express contractual rights to inspect and supervise FS. However, TFN argues that the October 9, 2003 email, in which Beal advised Abraham that: “You can get the neutral logo from www.freecycle.org, *just don't use it for commercial purposes*....”, reflects an implied license. Emphasis added.

[21] Even assuming that Beal's emailed admonition to Abraham not to use the trademarks for commercial purposes constitutes an implied licensing agreement, it contained no express contractual right to inspect or supervise FS's services and no ability to terminate FS's license if FS used the trademarks for commercial purposes. *See Barcamerica,* 289 F.3d at 597 (determining that a license agreement lacking similar controls was insufficient). We therefore hold that, by TFN's own admission, there is no disputed issue of material fact as to whether TFN maintained an express contractual right to control quality.

2

[22] TFN next contends that, despite its lack of an express contractual *right to* control quality, a material issue of fact remains as to whether TFN maintained *actual* control over its member groups' services and use of the trademarks when FS was granted use of the trademarks in October 2003. “The lack of an express contract right to inspect and supervise a licensee's operations is not conclusive evidence of lack of control.” *Barcamerica,* 289 F.3d at 596. However, where courts have excused the lack of a contractual right to control quality, they have still required that the licensor demonstrate *actual* control through inspection or supervision. *See, e.g., Stanfield,* 52 F.3d at 871 (“The absence of an express contractual right of control does not necessarily result in abandonment of a mark, as long as the licensor in fact exercised sufficient control over its licensee.”).

[23] TFN asserts that it exercised actual control over the trademarks because it had several quality control standards in place, specifically: (1) the “Keep it Free, Legal, and Appropriate for all Ages” standard and TFN's incorporation of the Yahoo! Groups' service terms; (2) the non-commercial services requirement (expressed in Beal's October 9, 2003 email); (3) the etiquette guidelines listed on TFN's website; and (4) TFN's “Freecycle Ethos” which, TFN contends, establishes policies and procedures for member groups, even if local member groups are permitted flexibility in how to apply those policies and procedures. In addition, TFN cites *Birthright v. Birthright, Inc.,* 827 F.Supp. 1114 (D.N.J.1993) for the principle that loosely organized non-profits like TFN and FS that share “the common goals of a public service organization” are subject to less stringent quality control requirements.

[24] First, we disagree with TFN's contentions that the “Keep it Free, Legal, and Appropriate for all Ages” standard and its incorporation of the Yahoo! Groups'

service terms constituted actual controls over its member groups.[40] The undisputed evidence showed that TFN's licensees were not required to adopt the "Keep it Free, Legal, and Appropriate for all Ages" standard, nor was it uniformly applied or interpreted by the local groups. Similarly, FS was not required to use Yahoo! Groups and was not asked to agree to the Yahoo! Groups' service terms as a condition of using TFN's trademarks. Moreover, the Yahoo! Groups' service terms, which regulate generic online activity like sending spam messages and prohibiting harassment, cannot be considered quality controls over TFN's member groups' services and use of the trademarks. The service terms apply to every Yahoo! Group, and do not control the quality of the freecycling services that TFN's member groups provide. Thus, the "Keep it Free, Legal and Appropriate for All Ages" standard and the Yahoo! Groups' service terms were not quality controls over FS's use of the trademarks.

[25] Second, we conclude that TFN's non-commercial requirement says nothing about the *quality* of the services provided by member groups and therefore does not establish a control requiring member groups to maintain consistent quality. Thus, it is not an actual control in the trademark context. Third, because member groups may freely adopt and adapt TFN's listed rules of etiquette and because of the voluntary and amorphous nature of these rules, they cannot be considered an actual control. For example, FS modified the etiquette that was listed on TFN's website and TFN never required FS to conform to TFN's rules of etiquette. Fourth, TFN admits that a central premise of its "Freecycle Ethos" is local enforcement with local variation. By definition, this standard does not maintain consistency across member groups, so it is not an actual control.

[26] Even assuming that TFN's asserted quality control standards actually relate to the quality of its member groups' services, they were not adequate quality controls because they were not enforced and were not effective in maintaining the consistency of the trademarks. Indeed, TFN's alleged quality controls fall short of the supervision and control deemed inadequate in other cases in which summary judgment on naked licensing has been granted to the licensee. *See, e.g., Barcamerica,* 289 F.3d at 596–97 (finding no express contractual right to inspect and supervise the use of the marks coupled with licensor's infrequent wine tastings and

[40] Notably, Beal did not propose, and the modsquad did not adopt, this standard until January 2004, more than three months after Abraham founded FS in October 2003. The only standard listed in TFN's etiquette section on its website in 2003 was "Keep it Free," but there was no requirement that member groups adopt this standard. Similarly, TFN's incorporation of the Yahoo! Groups' service terms was not done until after FS was given use of the trademarks in October 2003. Because we hold that TFN did not exercise actual control no matter what time period is considered, we do not address whether actual supervision would be sufficient if it starts at some point after the granting of a license to use a trademark.

unconfirmed reliance on the winemaker's expertise was inadequate evidence of quality controls to survive summary judgment); *Stanfield,* 52 F.3d at 871 (granting summary judgment to the licensee where the license agreement lacked a right to inspect or supervise licensee's operations, and alleged actual controls were that the licensor examined one swine heating pad, looked at other pet pads, and occasionally reviewed promotional materials and advertising).

[27] Moreover, even if we were inclined to accept the premise allegedly set forth in *Birthright,* that loosely organized non-profits that share common goals are subject to less stringent quality control requirements for trademark purposes, the result would be the same. In *Birthright,* the court held that the license was not naked because the licensor "monitored and controlled" its licensees' use of the trademarks. 827 F.Supp. at 1139–40; *see also Barcamerica,* 289 F.3d at 596 (holding that a licensor may overcome the lack of a formal agreement if it exercises actual control over its licensees). Here, TFN exercised no actual control over its licensees, so even under a less stringent standard, TFN has not raised a material issue of fact as to whether it exercised actual control over FS's use of the trademarks. *See Barcamerica,* 289 F.3d at 598.

3

[28] TFN contends that even if it did not exercise actual control, it justifiably relied on its member groups' quality control measures. Although "courts have upheld licensing agreements where the licensor is familiar with and relies upon the licensee's own efforts to control quality," *Barcamerica,* 289 F.3d at 596 (internal quotation marks and brackets omitted), we, like the other circuits that have considered this issue, have required that the licensor and licensee be involved in a "close working relationship" to establish adequate quality control in the absence of a formal agreement, *id.* at 597; *accord Stanfield,* 52 F.3d at 872; *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.,* 932 F.2d 1113, 1121 (5th Cir.1991). In *Barcamerica,* we cited four examples of "close working relationships" that would allow the licensor to rely on the licensee's own quality control: (1) a close working relationship for eight years; (2) a licensor who manufactured ninety percent of the components sold by a licensee and with whom it had a ten year association and knew of the licensee's expertise; (3) siblings who were former business partners and enjoyed a seventeen-year business relationship; and (4) a licensor with a close working relationship with the licensee's employees, and the pertinent agreement provided that the license would terminate if certain employees ceased to be affiliated with the licensee. 289 F.3d at 597.

[29] Here, TFN and FS did not enjoy the type of close working relationship that would permit TFN to rely on FS's quality control measures. TFN had no long term relationship with Abraham or the FS group. In fact, the October 9, 2003 email between Beal and Abraham, which mentions using the TFN logo, was the parties' first and only written communication about the trademarks prior to TFN's requests to stop using them in November 2006. In addition, TFN had no experience with FS

that might have supported its alleged confidence in FS's quality control measures. Thus, even considered in a light most favorable to TFN, no evidence showed the type of close working relationship necessary to overcome TFN's lack of quality controls over FS. *See id.*

[30] Furthermore, we have held that, while reliance on a licensee's own quality control efforts is a relevant factor, such reliance is *not alone sufficient* to show that a naked license has not been granted.[41] *See Transgo, Inc. v. Ajac Transmission Parts Corp.,* 768 F.2d 1001, 1017–18 (9th Cir.1985) (noting that, although the licensor had worked closely with the licensee for ten years, the licensor did not rely solely on his confidence in the licensee, but exercised additional control by, *inter alia,* periodically inspecting those goods and was consulted regarding any changes in the product). Because sole reliance on a licensee's own control quality efforts is not enough to overcome a finding of naked licensing without other indicia of control, *see id.* at 1017–18, and because TFN lacked a close working relationship with FS and failed to show any other indicia of actual control, we conclude that TFN could not rely solely on FS's own quality control efforts.

B

[31] TFN's three remaining arguments also fail to raise a material issue of fact that precludes a grant summary of judgment for FS. First, TFN asserts that it should be subject to a lesser level of quality control standard because its services are not dangerous to the public and the public expects local variation in services so the probability of deception is low. We have stated that the “standard of quality control and the degree of necessary inspection and policing by the licensor will vary.” *Barcamerica,* 289 F.3d at 598. The licensor need only exercise “control sufficient to meet the reasonable expectations of customers.” McCarthy, § 18:55. However, because TFN did not establish *any* quality control requirements for its member groups, we do not need to decide what efforts to oversee a licensee's performance might meet a low standard of quality control.

[32] TFN's remaining two arguments—(1) that FS must show both naked licensing *and* a loss of trademark significance, and (2) that FS is estopped from supporting its naked licensing defense with evidence that demonstrates that TFN did not adequately control the services offered by FS when using the trademarks—are both raised for the first time on appeal, so we decline to reach them. *See United*

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[41] Other circuits have also relied on the licensor's confidence in the licensee only where there were additional indicia of control. *See, e.g., Stanfield,* 52 F.3d at 872 (holding summary judgment for the licensee appropriate where no special relationship between the parties existed and no evidence of actual control over the licensee existed); *Land O'Lakes Creameries, Inc. v. Oconomowoc Canning Co.,* 330 F.2d 667 (7th Cir.1964) (upholding trademark where licensor's name appeared on trademark product label, and product was sold under license for forty years without complaints about quality).

States v. Robertson, 52 F.3d 789, 791 (9th Cir.1994) ("Issues not presented to the district court cannot generally be raised for the first time on appeal.").

IV

[33] We determine, viewing the record in the light most favorable to TFN, that TFN (1) did not retain express contractual control over FS's quality control measures, (2) did not have actual control over FS's quality control measures, and (3) was unreasonable in relying on FS's quality control measures. Therefore, we conclude that TFN engaged in naked licensing and consequently abandoned the trademarks. The district court's grant of summary judgment in favor of FS and against TFN is AFFIRMED**.**

Questions and Comments

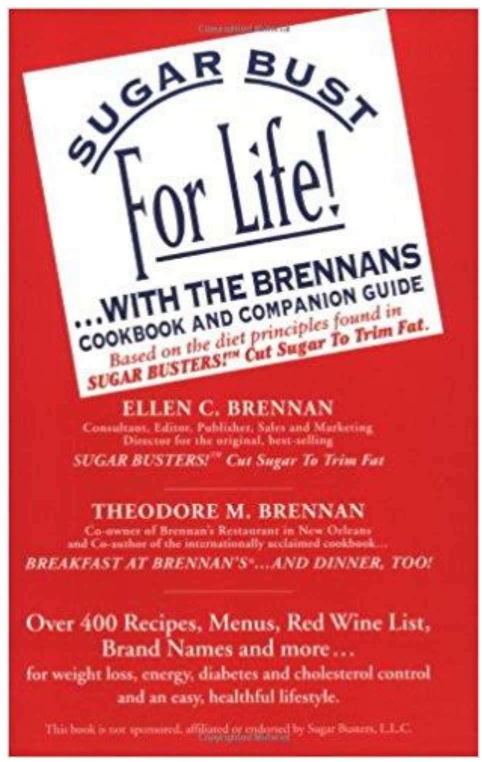
1. *Reclaiming abandoned marks*. After a mark has been abandoned, anyone may establish rights in the mark by beginning to use the mark in commerce or filing an application to register the mark. In *California Cedar Prod. Co. v. Pine Mountain Corp*., 724 F.2d 827 (9th Cir. 1984), the Clorox Corporation, the owner through a subsidiary of the DURAFLAME mark, withdrew from the artificial firelog market and published a notice in the Wall Street Journal announcing its abandonment of the mark. Clorox did so for tax purposes; by abandoning the mark, it could write off the value of the mark. On the same day as the Wall Street Journal announcement, California Cedar, which manufactured firelogs for Clorox under the DURAFLAME mark, began selling DURAFLAME-branded firelogs in packaging that identified California Cedar as their source. Two other entities asserted rights in the mark. The defendant Pine Mountain had hurriedly begun to sell DURAFLAME-branded firelogs two days before the Wall Street Journal announcement. Another entity began selling such firelogs two days after the announcement. Affirming the district court's granting of a preliminary injunction to California Cedar, the Ninth Circuit determined that Pine Mountain's sales were "both premature and in bad faith." *Id*. at 830. "[S]ince California Cedar was the first to use the 'Duraflame' trademark and trade dress after its abandonment, it was likely to prevail on the merits." *Id*. at 831. The facts of *California Cedar* transpired before the Trademark Law Revision Act of 1989. In a comparable present-day situation, how might a sophisticated claimant establish rights in an abandoned mark?

2. *Abandoned marks and "residual goodwill."* After a prior owner has abandoned a mark, the mark may possess "residual goodwill" that points towards the prior owner. In very rare cases, this residual goodwill may defeat a finding of abandonment. *See, e.g., Ferrari S.p.A. Esercizio Fabriche Automobili e Corse v. McBurnie*, 11 U.S.P.Q.2d 1843, 1989 WL 298658, at *8 (S.D. Cal. 1989) (finding no abandonment where due to continuing very strong associations between Ferrari and the exterior design of the Daytona Spyder and Ferrari's continuing manufacture of spare parts, "Ferrari has not only achieved a strong existing goodwill but continues to maintain a residual goodwill in the unique design of the DAYTONA

SPYDER”). The new user of a mark that possesses “residual goodwill” may be required to take reasonable measures, such as the use of a disclaimer, to ensure that consumers do not mistakenly believe that the new user’s products originate in the old user of the mark. *See* Jerome Gilson & Anne Gilson LaLonde, *The Zombie Trademark: A Windfall and a Pitfall*, 98 TRADEMARK REP. 1280 (2008).

E. Assignment in Gross

An “assignment in gross” occurs when a trademark assignor assigns ownership of a mark (1) without also assigning the underlying business and goodwill and (2) the assignee produces goods or services sufficiently different from the assignor’s that consumers would be deceived. When a trademark owner engages in an “assignment in gross” of its mark, the trademark assignor loses rights in its mark and the assignee essentially receives nothing. In most situations, as in the following case, the assignee may claim exclusive rights in the mark, but the basis of and the priority date for those rights stems only from the assignee’s new use of the mark, not from any previous use by the assignor.



Sugar Busters LLC v Brennan
177 F.3d 258 (5th Cir. 1999)

KING, Chief Judge:

[1] This appeal challenges the district court's grant of a preliminary injunction prohibiting defendants-appellants from selling or distributing a book entitled "SUGAR BUST For Life!" as infringing plaintiff-appellee's federally registered service mark, "SUGARBUSTERS." Plaintiff-appellee is an assignee of a registered "SUGARBUSTERS" service mark and the author of a best-selling diet book entitled "SUGAR BUSTERS! Cut Sugar to Trim Fat." We determine that the assignment of the registered "SUGARBUSTERS" service mark to plaintiff-appellee was in gross and was therefore invalid, and we vacate the injunction….

I. FACTUAL AND PROCEDURAL HISTORY

[2] Plaintiff-appellee Sugar Busters, L.L.C. (plaintiff) is a limited liability company organized by three doctors and H. Leighton Steward, a former chief executive officer of a large energy corporation, who co-authored and published a book entitled "SUGAR BUSTERS! Cut Sugar to Trim Fat" in 1995. In "SUGAR BUSTERS! Cut Sugar to Trim Fat," the authors recommend a diet plan based on the role of insulin in obesity and cardiovascular disease. The authors' premise is that reduced consumption of insulin-producing food, such as carbohydrates and other sugars, leads to weight loss and a more healthy lifestyle. The 1995 publication of "SUGAR BUSTERS! Cut Sugar to Trim Fat" sold over 210,000 copies, and in May 1998 a second edition was released. The second edition has sold over 800,000 copies and remains a bestseller.

[3] Defendant-appellant Ellen Brennan was an independent consultant employed by plaintiff to assist with the sales, publishing, and marketing of the 1995 edition. In addition, Ellen Brennan wrote a foreword in the 1995 edition endorsing the diet plan, stating that the plan "has proven to be an effective and easy means of weight loss" for herself and for her friends and family. During her employment with plaintiff, Ellen Brennan and Steward agreed to co-author a cookbook based on the "SUGAR BUSTERS!" lifestyle. Steward had obtained plaintiff's permission to independently produce such a cookbook, which he proposed entitling "Sugar Busting is Easy." Plaintiff reconsidered its decision in December 1997, however, and determined that its partners should not engage in independent projects. Steward then encouraged Ellen Brennan to proceed with the cookbook on her own, and told her that she could "snuggle up next to our book, because you can rightly claim you were a consultant to Sugar Busters!"

[4] Ellen Brennan and defendant-appellant Theodore Brennan then co-authored "SUGAR BUST For Life!," which was published by defendant-appellant Shamrock Publishing, Inc. in May 1998. "SUGAR BUST For Life" states on its cover that it is a "cookbook and companion guide by the famous family of good food," and that Ellen Brennan was "Consultant, Editor, Publisher, [and] Sales and Marketing Director for the original, best-selling 'Sugar Busters!TM Cut Sugar to Trim Fat.'" The cover states that the book contains over 400 recipes for "weight loss, energy, diabetes and cholesterol control and an easy, healthful lifestyle." Approximately

110,000 copies of "SUGAR BUST For Life!" were sold between its release and September 1998.

[5] Plaintiff filed this suit in the United States District Court for the Eastern District of Louisiana on May 26, 1998…

[6] The mark that is the subject of plaintiff's infringement claim is a service mark that was registered in 1992 by Sugarbusters, Inc., an Indiana corporation operating a retail store named "Sugarbusters" in Indianapolis that provides products and information for diabetics. The "SUGARBUSTERS" service mark, registration number 1,684,769, is for "retail store services featuring products and supplies for diabetic people; namely, medical supplies, medical equipment, food products, informational literature and wearing apparel featuring a message regarding diabetes." Sugarbusters, Inc. sold "any and all rights to the mark" to Thornton–Sahoo, Inc. on December 19, 1997, and Thornton–Sahoo, Inc. sold these rights to Elliott Company, Inc. (Elliott) on January 9, 1998. Plaintiff obtained the service mark from Elliott pursuant to a "servicemark purchase agreement" dated January 26, 1998. Under the terms of that agreement, plaintiff purchased "all the interests [Elliott] owns" in the mark and "the goodwill of all business connected with the use of and symbolized by" the mark. Furthermore, Elliott agreed that it "will cease all use of the [m]ark, [n]ame and [t]rademark [i]nterests within one hundred eighty (180) days."

…

[7] Defendants argued to the district court that plaintiff's service mark is invalid because: (1) it was purchased "in gross,"

[8] […] The district court found that the mark is valid and that the transfer of the mark to plaintiff was not "in gross" because

> [t]he plaintiff has used the trademark to disseminate information through its books, seminars, the Internet, and the cover of plaintiff's recent book, which reads "Help Treat Diabetes and Other Diseases." Moreover, the plaintiff is moving forward to market and sell its own products and services, which comport with the products and services sold by the Indiana corporation. There has been a full and complete transfer of the good will related to the mark, and the plaintiff has licensed the Indiana corporation to use the mark for only six months to enable it to wind down its operations.

Id.

II. DISCUSSION

…

B. Plaintiff's Registered Service Mark

[9] A trademark is merely a symbol of goodwill and has no independent significance apart from the goodwill that it symbolizes. *See Marshak v. Green,* 746 F.2d 927, 929 (2d Cir.1984); 2 J. THOMAS MCCARTHY, MCCARTHY ON

TRADEMARKS AND UNFAIR COMPETITION § 18:2 (4th ed.1999) [hereinafter MCCARTHY]. "A trade mark only gives the right to prohibit the use of it so far as to protect the owner's good will...." *Prestonettes, Inc. v. Coty,* 264 U.S. 359, 368, 44 S.Ct. 350, 68 L.Ed. 731 (1924) (Holmes, J.). Therefore, a trademark cannot be sold or assigned apart from the goodwill it symbolizes. *See* 15 U.S.C. § 1060 ("A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark."); *Marshak,* 746 F.2d at 929. The sale or assignment of a trademark without the goodwill that the mark represents is characterized as in gross and is invalid. *See PepsiCo, Inc. v. Grapette Co.,* 416 F.2d 285, 287 (8th Cir.1969); 2 MCCARTHY § 18:3.

[10] The purpose of the rule prohibiting the sale or assignment of a trademark in gross is to prevent a consumer from being misled or confused as to the source and nature of the goods or services that he or she acquires. *See Visa, U.S.A., Inc. v. Birmingham Trust Nat'l Bank,* 696 F.2d 1371, 1375 (Fed.Cir.1982). "Use of the mark by the assignee in connection with a different goodwill and different product would result in a fraud on the purchasing public who reasonably assume that the mark signifies the same thing, whether used by one person or another." *Marshak,* 746 F.2d at 929. Therefore, "'if consumers are not to be misled from established associations with the mark, [it must] continue to be associated with the same or similar products after the assignment.' *Visa, U.S.A.,* 696 F.2d at 1375 (quoting *Raufast S.A. v. Kicker's Pizzazz, Ltd.,* 208 U.S.P.Q. 699, 702 (E.D.N.Y.1980)).

[11] Plaintiff's purported service mark in "SUGARBUSTERS" is valid only if plaintiff also acquired the goodwill that accompanies the mark; that is, "the portion of the business or service with which the mark is associated." *Id.* Defendants claim that the transfer of the "SUGARBUSTERS" mark to plaintiff was in gross because "[n]one of the assignor's underlying business, including its inventory, customer lists, or other assets, were transferred to [plaintiff]." Defendants' view of goodwill, however, is too narrow. Plaintiff may obtain a valid trademark without purchasing any physical or tangible assets of the retail store in Indiana—"the transfer of goodwill requires only that the services be sufficiently similar to prevent consumers of the service offered under the mark from being misled from established associations with the mark." *Id.* at 1376 (internal quotation marks omitted); *see Marshak,* 746 F.2d at 930 ("The courts have upheld such assignments if they find that the assignee is producing a product or performing a service substantially similar to that of the assignor and that the consumers would not be deceived or harmed."); *PepsiCo,* 416 F.2d at 288 ("Basic to this concept [of protecting against consumer deception] is the proposition that any assignment of a trademark and its goodwill (with or without tangibles or intangibles assigned) requires the mark itself be used by the assignee on a product having substantially the same characteristics."); *cf. Money Store v. Harriscorp Fin., Inc.,* 689 F.2d 666, 678 (7th Cir.1982) ("In the case of a service mark ... confusion would result if an assignee offered a service different from that offered by the assignor of the mark.").

[12] The district court found, without expressly stating the applicable legal standard, that "[t]here has been a full and complete transfer of the good will related to the mark." *Sugar Busters,* 48 U.S.P.Q.2d at 1514. The proper standard, as discussed above, is whether plaintiff's book and the retail store in Indiana are sufficiently similar to prevent consumer confusion or deception when plaintiff uses the mark previously associated with the store as the title of its book. We conclude that even if the district court applied this standard, its finding that goodwill was transferred between Elliott and plaintiff is clearly erroneous.

[13] In concluding that goodwill was transferred, the district court relied in part on its finding that the mark at issue is registered in International Class 16, "information, literature, and books." However, the registration certificate issued by the United States Patent and Trademark Office states that the service mark is "in class 42" and is "for retail store services featuring products and supplies for diabetic people." *Id.* The district court also relied on its finding that "plaintiff is moving forward to market and sell its own products and services, which comport with the products and services sold by the Indiana corporation." *Id.* Steward testified, however, that plaintiff does not have any plans to operate a retail store, and plaintiff offered no evidence suggesting that it intends to market directly to consumers any goods it licenses to carry the "SUGAR BUSTERS!" name. Finally, we are unconvinced by plaintiff's argument that, by stating on the cover of its diet book that it may "[h]elp treat diabetes and other diseases" and then selling some of those books on the Internet, plaintiff provides a service substantially similar to a retail store that provides diabetic supplies. *See PepsiCo,* 416 F.2d at 286–89 (determining that pepper-flavored soft drink and cola-flavored soft drink are not substantially similar and therefore purported assignment was in gross and invalid). We therefore must conclude that plaintiff's purported service mark is invalid. Thus, its trademark infringement claim under 15 U.S.C. § 1114 cannot succeed on the merits and the district court improperly relied on this ground in granting plaintiff's request for a preliminary injunction.

[The court remanded the case for a determination of, among other things, whether the plaintiff's book title was protectable as an unregistered mark.]

Questions and Comments

1. *Assignment and the importance of due diligence*. In 1998, Volkswagen AG purchased Rolls-Royce Motor Cars from Vickers PLC for £430 million ($712.7 million at the time, about $1 billion currently), including the traditional manufacturing facility at Crewe, England. Inexplicably, what Volkswagen failed to appreciate was that the Rolls-Royce trademark for automobiles was owned by Rolls-Royce PLC, the manufacturer of airplane engines, which had licensed the mark to Rolls-Royce Motor Cars under a license that terminated in the event that the automaker was sold. When that license terminated, Rolls-Royce PLC licensed the mark instead to Volkswagen's rival BMW, which was Rolls-Royce PLC's manufacturing partner for various aircraft engines (and the entity that Rolls-Royce

PLC had hoped would purchase the automaker). Thus, Volkswagen had purchased the means to manufacture Rolls-Royce automobiles in all but name. In an effort to avoid litigation, Rolls-Royce PLC, Volkswagen, and BMW eventually reached an agreement in which BMW paid Rolls-Royce PLC £40 million in exchange for the assignment to BMW of the Rolls-Royce trademark for automobiles. BMW agreed to lease the mark to Volkswagen through 2002, after which Volkswagen would no longer be able to use the mark. On January 1, 2003, BMW-owned Rolls-Royce Motor Cars opened its new Goodwood manufacturing plant in England—thus freeing it of any need to rely on the Crewe, England plant. *See* Tom Buerkle, *BMW Wrests Rolls-Royce Name Away from VW*, N.Y. TIMES, July 29, 1998, http://www.nytimes.com/1998/07/29/news/bmw-wrests-rollsroyce-name-away-from-vw.html.

F. The First Sale Doctrine

The first sale doctrine has been defined as follows:

> The resale of genuine trademarked goods generally does not constitute infringement. This is for the simple reason that consumers are not confused as to the origin of the goods: the origin has not changed as a result of the resale. Under what has sometimes been called the "first sale" or "exhaustion" doctrine, the trademark protections of the Lanham Act are exhausted after the trademark owner's first authorized sale of that product. Therefore, even though a subsequent sale is without a trademark owner's consent, the resale of a genuine good does not violate the [Lanham] Act.
>
> This doctrine does not hold true, however, when an alleged infringer sells trademarked goods that are materially different than those sold by the trademark owner…

Davidoff & CIE, S.A. v. PLD Intern. Corp., 263 F.3d 1297, 1302 (11th Cir. 2001).

A crucial question under the first sale doctrine, then, is what constitutes a "material difference" such that the resale of the materially different good under the original trademark would violate the trademark owner's rights. The following two opinions address this issue. The first, *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947), involving refurbished spark plugs, is one of the foundational first sale doctrine cases in U.S. trademark law. The second, more recent case, *Nitro Leisure Products, L.L.C. v. Acushnet Co*., 341 F.3d 1356 (Fed. Cir. 2003), involves refurbished golf balls.

Note that the first sale doctrine is not strictly speaking a defense to trademark infringement in which the defendant bears the burden of persuasion. As *Nitro Leisure* makes clear, the plaintiff bears the overall burden of persuading the court that consumers would be confused as to the true nature of the goods sold by the defendant.

Champion Spark Plug Co. v. Sanders
331 U.S. 125 (1947)

Mr. Justice DOUGLAS delivered the opinion of the Court.

[1] Petitioner is a manufacturer of spark plugs which it sells under the trade mark ‘Champion.’ Respondents collect the used plugs, repair and recondition them, and resell them. Respondents retain the word ‘Champion’ on the repaired or reconditioned plugs. The outside box or carton in which the plugs are packed has stamped on it the word ‘Champion,’ together with the letter and figure denoting the particular style or type. They also have printed on them ‘Perfect Process Spark Plugs Guaranteed Dependable’ and ‘Perfect Process Renewed Spark Plugs.’ Each carton contains smaller boxes in which the plugs are individually packed. These inside boxes also carry legends indicating that the plug has been renewed.[1] But respondent company's business name or address is not printed on the cartons. It supplies customers with petitioner's charts containing recommendations for the use of Champion plugs. On each individual plug is stamped in small letters, blue on black, the word ‘Renewed,’ which at times is almost illegible.

[2] Petitioner brought this suit in the District Court, charging infringement of its trade mark and unfair competition. *See* Judicial Code s 24(1), (7), 28 U.S.C. s 41(1), (7), 28 U.S.C.A. s 41(1, 7). The District Court found that respondents had infringed the trade mark. It enjoined them from offering or selling any of petitioner's plugs which had been repaired or reconditioned unless (a) the trade mark and type and style marks were removed, (b) the plugs were repainted with a durable grey, brown, orange, or green paint, (c) the word ‘Repaired’ was stamped into the plug in letters of such size and depth as to retain enough white paint to display distinctly each letter of the word, (d) the cartons in which the plugs were packed carried a legend indicating that they contained used spark plugs originally made by petitioner and repaired and made fit for use up to 10,000 miles by respondent company.[2] The District Court denied an accounting. *See* 56 F.Supp. 782, 61 F.Supp. 247.

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[1] ‘The process used in renewing this plug has been developed through 10 years continuous experience. This Spark Plug has been tested for firing under compression before packing.’

‘This Spark Plug is guaranteed to be a selected used Spark Plug, thoroughly renewed and in perfect mechanical condition and is guaranteed to give satisfactory service for 10,000 miles.’

[2] The prescribed legend read:

'Used spark plug(s) originally made by Champion Spark Plug Company repaired and made fit for use up to 10,000 miles by Perfect Recondition Spark Plug Co., 1133 Bedford Avenue, Brooklyn, N.Y.'

The decree also provided:

[3] The Circuit Court of Appeals held that respondents not only had infringed petitioner's trade mark but also were guilty of unfair competition. It likewise denied an accounting but modified the decree in the following respects: (a) it eliminated the provision requiring the trade mark and type and style marks to be removed from the repaired or reconditioned plugs; (b) it substituted for the requirement that the word 'Repaired' be stamped into the plug, etc., a provision that the word 'Repaired' or 'Used' be stamped and baked on the plug by an electrical hot press in a contrasting color so as to be clearly and distinctly visible, the plug having been completely covered by permanent aluminum paint or other paint or lacquer; and (c) it eliminated the provision specifying the precise legend to be printed on the cartons and substituted therefor a more general one.[3] The case is here on a petition for certiorari which we granted because of the apparent conflict between the decision below and *Champion Spark Plug Co. v. Reich*, 121 F.2d 769, decided by the Circuit Court of Appeals for the Eighth Circuit.

[4] There is no challenge here to the findings as to the misleading character of the merchandising methods employed by respondents, nor to the conclusion that they have not only infringed petitioner's trade mark but have also engaged in unfair competition.[4] The controversy here relates to the adequacy of the relief granted, particularly the refusal of the Circuit Court of Appeals to require respondents to remove the word 'Champion' from the repaired or reconditioned plugs which they resell.

[5] We put to one side the case of a manufacturer or distributor who markets new or used spark plugs of one make under the trade mark of another. *See Bourjois & Co. v. Katzel*, 260 U.S. 689; O*ld Dearborn Distributing Co. v. Seagram-Distillers Corp*., 299 U.S. 183. Equity then steps in to prohibit defendant's use of the mark which symbolizes plaintiff's good will and 'stakes the reputation of the plaintiff upon the character of the goods.' *Bourjois & Co. v. Katzel*, *supra*, 260 U.S. at page 692

[6] We are dealing here with second-hand goods. The spark plugs, though used, are nevertheless Champion plugs and not those of another make.[5] There is evidence to support what one would suspect, that a used spark plug which has been repaired

'the name and address of the defendants to be larger and more prominent than the legend itself, and the name of plaintiff may be in slightly larger type than the rest of the body of the legend.'

[3] 'The decree shall permit the defendants to state on cartons and containers, selling and advertising material, business records, correspondence and other papers, when published, the original make and type numbers provided it is made clear that any plug referred to therein is used and reconditioned by the defendants, and that such material contains the name and address of defendants.'

[4] See Federal Trade Commission v. Winsted Hosiery Co., 258 U.S. 483, 493; Warner & Co. v. Lilly & Co., 265 U.S. 526, 530.

[5] Cf. Federal Trade Commission v. Klein, 5 F.T.C. 327.

or reconditioned does not measure up to the specifications of a new one. But the same would be true of a second-hand Ford or Chevrolet car. And we would not suppose that one could be enjoined from selling a car whose valves had been reground and whose piston rings had been replaced unless he removed the name Ford or Chevrolet. *Prestonettes, Inc., v. Coty*, 264 U.S. 359, was a case where toilet powders had as one of their ingredients a powder covered by a trade mark and where perfumes which were trade marked were rebottled and sold in smaller bottles. The Court sustained a decree denying an injunction where the prescribed labels told the truth. Mr. Justice Holmes stated, 'A trade-mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his. * * * When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.' 264 U.S. at page 368.

[7] Cases may be imagined where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words 'used' or 'repaired' were added. *Cf. Ingersoll v. Doyle*, D.C., 247 F. 620. But no such practice is involved here. The repair or reconditioning of the plugs does not give them a new design. It is no more than a restoration, so far as possible, of their original condition. The type marks attached by the manufacturer are determined by the use to which the plug is to be put. But the thread size and size of the cylinder hole into which the plug is fitted are not affected by the reconditioning. The heat range also has relevance to the type marks. And there is evidence that the reconditioned plugs are inferior so far as heat range and other qualities are concerned. But inferiority is expected in most second-hand articles. Indeed, they generally cost the customer less. That is the case here. Inferiority is immaterial so long as the article is clearly and distinctively sold as repaired or reconditioned rather than as new.[6] The result is, of course, that the second-hand dealer gets some advantage from the trade mark. But under the rule of Prestonettes, Inc., v. Coty, supra, that is wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer. Full disclosure gives the manufacturer all the protection to which he is entitled.

[8] The decree as shaped by the Circuit Court of Appeals is fashioned to serve the requirements of full disclosure. We cannot say that of the alternatives available the ones it chose are inadequate for that purpose. We are mindful of the fact that this case, unlike *Prestonettes, Inc., v. Coty*, supra, involves unfair competition as well as trade mark infringement; and that where unfair competition is established, any doubts as to the adequacy of the relief are generally resolved against the

[6] See Federal Trade Commission v. Typewriter Emporium, 1 F.T.C. 105; Federal Trade Commission v. Check Writer Manufacturers, 4 F.T.C. 87; In the Matter of Federal Auto Products Co., 20 F.T.C. 334.

transgressor. *Warner & Co. v. Lilly & Co*., 256 U.S. 526, 532. But there was here no showing of fraud or palming off. Their absence, of course, does not undermine the finding of unfair competition. F*ederal Trade Commission v. Winsted Hosiery Co*., 258 U.S. 483, 493; *G. H. Mumm Champagne v. Eastern Wine Corp*., 2 Cir., 142 F.2d 499, 501. But the character of the conduct giving rise to the unfair competition is relevant to the remedy which should be afforded. *See Jacob Siegel Co. v. Federal Trade Commission*, 327 U.S. 608. We cannot say that the conduct of respondents in this case, or the nature of the article involved and the characteristics of the merchandising methods used to sell it, called for more stringent controls than the Circuit Court of Appeals provided.

…

[9] Affirmed.

Nitro Leisure Products, L.L.C. v. Acushnet Co.
341 F.3d 1356 (Fed. Cir. 2003)

LINN, Circuit Judge.

[1] Acushnet Company ("Acushnet") appeals from the denial of its motion for a preliminary injunction by the United States District Court for the Southern District of Florida. *In re Nitro Leisure Prods., L.L.C.,* No. 02–14008–CV–Middlebrooks (S.D.Fla. Aug. 9, 2002) ("*Order* "). Because the district court did not abuse its discretion in denying Acushnet's motion in view of Acushnet's failure to show a reasonable likelihood of success on the merits of its claims, we affirm.

BACKGROUND

[2] Acushnet manufactures and sells golfing equipment, and in particular, golf balls. Acushnet owns and has federally registered the trademarks TITLEIST, ACUSHNET, PINNACLE, and PRO V1. Of particular interest in this case, Acushnet manufactures and markets new golf balls under the TITLEIST name and trademark, including the TITLEIST PRO V1, asserted by Acushnet to be the best selling golf ball in the United States since February 2001. *Order* at 2–3.

[3] Nitro obtains and sells two categories of used golf balls at a discounted rate. The first category of balls are "recycled" balls. The recycled balls are those found in relatively good condition, needing little more than washing, and are repackaged for resale. Recycled balls represent approximately 30% of Nitro's sales. The second category includes balls that are found with stains, scuffs or blemishes, requiring "refurbishing." Nitro's refurbishing process includes cosmetically treating the balls by removing the base coat of paint, the clear coat layer, and the trademark and model markings without damaging the covers of the balls, and then repainting the balls, adding a clear coat, and reaffixing the original manufacturer's trademark. Nitro also applies directly to each "refurbished" ball the legend "USED &

REFURBISHED BY SECOND CHANCE" or "USED AND REFURBISHED BY GOLFBALLSDIRECT.COM." In these statements, the terms "Second Chance" and "Golfballsdirect.com" refer to businesses of Nitro. *Order* at 3. Some, but not all, of the refurbished balls also bear a Nitro trademark. Nitro's refurbished balls are packaged in containers displaying the following disclaimer:

> ATTENTION USED/REFURBISHED GOLF BALLS: The enclosed contents of used/refurbished golf balls are USED GOLF BALLS. Used/Refurbished golf balls are subject to performance variations from new ones. These used/refurbished balls were processed via one or more of the following steps: stripping, painting, stamping and/or clear coating in our factory. This product has NOT been endorsed or approved by the original manufacturer and the balls DO NOT fall under the original manufacturer's warranty.

According to Nitro, there is a large market for used golf balls. In 2001, Nitro saw annual sales of approximately $10 million, including $4.8 million for refurbished balls. *Id.*

[4] Nitro originally filed suit against Acushnet in the United States District Court for the Southern District of Florida, alleging, *inter alia,* unfair competition. Shortly thereafter, Acushnet filed suit in the United States District Court for the Central District of California, alleging that Nitro infringed a number of Acushnet's patents and violated federal and state trademark laws. Nitro amended its complaint in the Florida case to seek a declaratory judgment that it did not infringe Acushnet's patents. The California action was subsequently transferred to Florida, and the actions were consolidated.

[5] On April 23, 2002, Acushnet moved for a preliminary injunction on its trademark and patent claims. As to the trademark claims, Acushnet concedes that it has no trademark claim with respect to "recycled" balls and does not object to those sales. As to the "refurbished" balls, however, Acushnet asserts that "Nitro's refurbishing process produces a golf ball that bears no resemblance to a genuine Acushnet product in performance, quality or appearance" and that "Nitro's refurbishing process so alters the basic composition of Acushnet's golf balls that 'it would be a misnomer to call the article by its original name.'" Following oral argument, the district court on August 9, 2002, issued its *Order,* concluding that Acushnet had failed to show a likelihood of success on the merits and denying preliminary injunctive relief on both the trademark and the patent law claims.

[6] Before this court, Acushnet seeks review of the denial of its motion for preliminary injunction only as to its trademark infringement and dilution claims. We have jurisdiction pursuant to 28 U.S.C. §§ 1292(c)(1) and 1295(a)(1).

DISCUSSION

Standard of Review

[7] This court generally reviews procedural matters under the law of the regional circuit in which the district court sits. *See Payless Shoesource, Inc. v. Reebok Int'l Ltd.,* 998 F.2d 985, 987 (Fed.Cir.1993). Additionally, we defer to the law of the regional circuit when addressing substantive legal issues over which we do not have exclusive subject matter jurisdiction. *See id.* In this case, we defer to the law of the Eleventh Circuit in reviewing the district court's denial of Acushnet's motion for preliminary injunctive relief from the alleged trademark infringement and dilution.

[8] The Eleventh Circuit reviews a district court's grant or denial of a preliminary injunction for abuse of discretion. *Davidoff & CIE, SA v. PLD Int'l Corp.,* 263 F.3d 1297, 1300 (11th Cir.2001); *McDonald's Corp. v. Robertson,* 147 F.3d 1301, 1306 (11th Cir.1998). Under the abuse of discretion standard, a reviewing court "must affirm unless [it] at least determine[s] that the district court has made a 'clear error of judgment,' or has applied an incorrect legal standard." *CBS Broadcasting, Inc. v. EchoStar Commun. Corp.,* 265 F.3d 1193, 1200 (11th Cir.2001) (citations omitted). A party seeking a preliminary injunction for trademark infringement must establish four elements: (1) that there is a substantial likelihood of success on the merits; (2) that it would be irreparably harmed if injunctive relief were denied; (3) that the threatened injury to the trademark owner outweighs whatever damage the injunction may cause to the alleged infringer; and (4) that the injunction, if issued, would not be adverse to the public interest. *Id.* It is well established in the Eleventh Circuit that "[a] preliminary injunction is an extraordinary and drastic remedy not to be granted unless the movant clearly established the 'burden of persuasion' as to all four elements." *Davidoff,* 263 F.3d at 1300 (quoting *Siegel v. LePore,* 234 F.3d 1163, 1176 (11th Cir.2000) (en banc)).

[9] To succeed on the merits of a trademark infringement claim, a plaintiff must show that the defendant used the mark in commerce without its consent and "that the unauthorized use was likely to deceive, cause confusion, or result in mistake." *McDonald's Corp.,* 147 F.3d at 1307. The determination generally boils down to the existence of "likelihood of confusion." *AmBrit, Inc. v. Kraft, Inc.,* 812 F.2d 1531, 1538 (11th Cir.1986).

ANALYSIS

I. Acushnet's Contentions

[10] Acushnet argues that the district court abused its discretion in denying its motion for preliminary injunction on the pleaded trademark infringement issues by applying an incorrect legal standard, by erroneously relying on a non-precedential consent judgment between Acushnet and an unrelated third party, and by making erroneous findings of fact and applications of law to fact, in concluding that Acushnet failed to show a likelihood of success on the merits of its trademark infringement and dilution claims. Acushnet requests that this court reverse the judgment of the district court, find that a likelihood of success on the merits has

been shown, and remand with directions to enter the sought preliminary injunction or for further proceedings consistent with our opinion. We address each of Acushnet's arguments in turn.

II. Trademark Infringement

A. The Applicable Standard

[11] Acushnet first argues that the district court failed to apply the correct legal standard to the trademark infringement claim. Acushnet asserts that the district court misapplied *Champion Spark Plug Co. v. Sanders,* 331 U.S. 125 (1947), and Eleventh Circuit law by failing to extend the "material difference" test applied in the context of altered new goods in *Davidoff,* 263 F.3d at 1302, to the used and refurbished goods involved in the present case. Acushnet also contends that the district court's reliance on *Champion* was misplaced because the refurbished goods in this case differed from the original goods not by the ordinary wear and tear expected in used products but by the refurbishing actions taken by Nitro. Acushnet argues that the "undisputed evidence" presented, when analyzed under the correct legal standard, would have established the requisite likelihood of success on the merits to warrant a preliminary injunction, and that denial of the requested preliminary injunction was an abuse of discretion. We disagree and find no abuse of discretion.

[12] To succeed in its request for a preliminary injunction on its trademark infringement claim, Acushnet must show, *inter alia,* a likelihood of success on the merits. This means that it must show a likelihood of success on its claim that the sale by Nitro of its refurbished golf balls bearing re-applied Acushnet trademarks is likely to cause confusion. In considering this issue, the district court looked to *Champion*—clear precedent in the used goods context—and concluded, on the record presented at this preliminary stage, that the differences between Acushnet's new golf balls and Nitro's refurbished golf balls were not so great as to be a misnomer and that it was not an act of infringement, warranting preliminary injunctive relief, for Nitro to re-apply Acushnet's trademarks to the Acushnet balls refurbished by Nitro and to re-sell those balls in packaging identifying them as used or refurbished.

[13] The Eleventh Circuit looks to the following factors in assessing a likelihood of confusion in trademark cases:

1. Type of mark
2. Similarity of mark
3. Similarity of the products the marks represent
4. Similarity of the parties' retail outlets (trade channels) and customers
5. Similarity of advertising media
6. Defendant's intent
7. Actual confusion

Frehling Enters., Inc. v. Int'l Select Group, Inc., 192 F.3d 1330, 1335 (11th Cir.1999); *cf. Lipscher v. LRP Publ'ns, Inc.,* 266 F.3d 1305, 1313–14 (11th Cir.2001) (noting that not all *Frehling* factors are relevant in each case). In the present case, the dispute centers around the differences between new and refurbished Acushnet golf balls, thus implicating the "similarity of the products" factor. Specifically, the question presented is the propriety of the re-application by Nitro of the Acushnet trademark, without Acushnet's consent, to genuine Acushnet golf balls that have been used, subjected to Nitro's refurbishing process, and then re-sold by Nitro as refurbished balls.

[14] The district court assessed that question by applying the standards applied to used and refurbished goods by the Supreme Court in the *Champion* case. The district court cited *Davidoff* but did not directly apply the "material differences" test articulated in that case. Acushnet urges us to conclude that the district court erred in not recognizing from *Davidoff* that the "material differences" standard used to assess likelihood of confusion in the sale by unrelated parties of new, genuine trademarked goods would also be used in the Eleventh Circuit as the standard for assessing trademark infringement in the sale of used, genuine trademarked goods. Acushnet argues from this that had the district court applied the *Davidoff* test, it would have found the refurbished golf balls sold by Nitro and bearing the Nitro re-applied Acushnet trademarks to be "materially different" from the original trademarked goods and thus an infringement of Acushnet's trademarks, warranting preliminary injunctive relief. Nitro argues that *Davidoff* is simply inapplicable, and attempts to distinguish this case from *Davidoff,* based on the fact that *Davidoff* considered new goods and because *Davidoff* did not include disclaimers. Nitro also attempts to distinguish the cases cited by Acushnet in support of adoption of the *Davidoff* "material differences" standard; namely, *Rolex Watch USA, Inc. v. Michel,* 179 F.3d 704 (9th Cir.1999), *Rolex Watch USA, Inc. v. Meece,* 158 F.3d 816 (5th Cir.1998), and *Intel Corp. v. Terabyte International, Inc.,* 6 F.3d 614 (9th Cir.1993).

[15] Under 15 U.S.C. §§ 1114(1) and 1125(a)(1), any person who uses the trademark of another, without consent, in a manner that is likely to cause confusion, mistake, or to deceive may be liable in a civil action for trademark infringement. *McDonald's Corp.,* 147 F.3d at 1307. In the *Champion* case, a seminal opinion on the use of trademarks on used goods, the accused infringer collected genuine used Champion spark plugs, repaired and reconditioned the spark plugs, painted the spark plugs for aesthetic reasons, and resold the spark plugs, each labeled "Renewed." 331 U.S. at 126. The issue before the Supreme Court was simply whether the lower courts erred in not requiring the accused infringer to remove Champion's trademark name from the repaired and reconditioned spark plugs. *Id.* at 128. The Supreme Court acknowledged that, in some cases, used and repaired goods can be sold under the trademark of the original manufacturer, without "deceiv[ing] the public," so long as the accused infringer had attempted to restore "so far as possible" the original condition of the goods and full disclosure is made about the true nature of the goods, for example, as "used" or "repaired." *Id.* at 129–30. In

Champion, the Supreme Court stated that "[w]hen the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth." *Id.* at 129.

[16] The Supreme Court recognized that this standard results in the second-hand dealer getting some advantage from the trademark; however, this windfall is "wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product." *Id.* at 130 (citing *Prestonettes, Inc. v. Coty,* 264 U.S. 359 (1924)). This advantage is not inconsistent with the stated purposes of the Lanham Act. In passing the Lanham Act, Congress noted that the purpose was "to protect legitimate business and consumers of the country." 92 Cong. Rec. 7524 (1946). To fulfill this purpose, the Act "protect[s] the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get." S.Rep. No. 79–1333 at 3 (1946), *reprinted in* 1946 U.S.S.C.A.N. 1274. Further, the owner of the trademark must have the energy and effort he expended in building goodwill in his trademark protected from misappropriation. *Id.* However, so long as the customer is getting a product with the expected characteristics, and so long as the goodwill built up by the trademark owner is not eroded by being identified with inferior quality, the Lanham Act does not prevent the truthful use of trademarks, even if such use results in the enrichment of others.

[17] The *Champion* court, while concluding that the facts of that case did not establish a likelihood of confusion, cautioned that there are limits on the use of a trademark by another on a used or repaired item. The Supreme Court explained that "[c]ases may be imagined where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words 'used' or 'repaired' were added." 331 U.S. at 129. In *Champion,* the repair was such that it "[did] not give [the product] a new design," and the accused infringers had sought to restore the product "so far as possible, [to its] original condition," *id.* Thus, no infringement was found.

[18] Similar to the admonition expressed by the Supreme Court in connection with the sale of refurbished goods in *Champion,* the Eleventh Circuit in *Davidoff* cautioned that there are limits to the permissible uses of a trademark by re-sellers even on new, genuine trademarked goods. In *Davidoff,* the Eleventh Circuit found infringement in the use of a trademark by a party unrelated to the trademark owner for new, genuine trademarked goods sold in packaging that had been altered. In that case, accused infringer PLD purchased genuine bottles of Davidoff's perfumes and, prior to re-sale, etched and altered the bottles to remove batch code information from the bottoms of the bottles. Davidoff sought to end this practice, arguing that the etching of the bottles altered the product in a way that caused consumer confusion. The Eleventh Circuit agreed, holding that the removal of the batch code information was a material alteration that would affect a consumer's decision whether to purchase the product in question.

[19] The fundamental question examined in *Davidoff* was the same question considered in *Champion*—likelihood of confusion—but presented in the context of re-sales of new goods. The context is important because consumers of new goods have different expectations than consumers of used goods. For new goods, any variation of the product from a new condition—even as relatively modest as the obliteration of a name or batch number from the bottom of a container—may signal imitation, counterfeiting, falsity or some other irregularity affecting a customer's decision whether to purchase the product. *See, e.g., Societe Des Produits Nestle S.A. v. Casa Helvetia, Inc.,* 982 F.2d 633, 644 (1st Cir.1992) (finding such differences as configuration, i.e., the number of different shapes of chocolates, and packaging, i.e., whether the packaging is shiny or matte and the colors of the packaging, to be material). For new goods, consumers are likely to be confused by the presence of such "material differences." *Davidoff,* 263 F.3d at 1302.

[20] For used or refurbished goods, customers have a different expectation. They do not expect the product to be in the same condition as a new product. *Champion,* 331 U.S. at 129. There is an understanding on the part of consumers of used or refurbished products that such products will be degraded or will show signs of wear and tear and will not measure up to or perform at the same level as if new. *Id.* at 129–30. For used or refurbished products, consumers are not likely to be confused by—and indeed expect—differences in the goods compared to new, unused goods. *Id.* Thus, the tests applied to assess likelihood of confusion by courts will not necessarily be the same when determining trademark infringement in the resale of altered new goods and when considering trademark infringement in the resale of used and refurbished goods.

[21] Both *Champion* and *Davidoff* sought to define the boundaries of when the use of a trademark on genuine trademarked goods is no longer permitted. The tests applied in both cases focus on the similarities and differences between the accused infringing goods and the genuine trademarked goods and assess the likelihood of confusion resulting from contemporaneous sales of those goods.

[22] The *Davidoff* test looks to the effect on a consumer's decision to purchase of differences in an altered or modified new product from the original. It is a reasonable and workable test of the likelihood of confusion and the loss of goodwill represented by the trademark applied to the product, given consumer expectations as to the nature and quality of new products as offered for sale. The test has been adopted and applied to new, genuine trademarked goods in the First, Second, Third, Fifth, and Ninth Circuits. *See, e.g., Nestle,* 982 F.2d at 644 (1st Cir.) (finding material differences based on quality control, composition, configuration, packaging, and price); *Original Appalachian Artworks, Inc. v. Granada Elecs., Inc.,* 816 F.2d 68, 73 (2d Cir.1987) (finding material differences where an imported doll comes with foreign language "adoption papers" and is not permitted to be "adopted" domestically); *Iberia Foods Corp. v. Romeo,* 150 F.3d 298, 302 (3d Cir.1998) (finding material differences where quality control measures differ); *Martin's Herend Imports Inc. v. Diamond & Gem Trading USA, Co.,* 112 F.3d 1296, 1302 (5th Cir.1997) (finding

material differences when the trademark holder had chosen to sell only selected pieces in the United States and the accused infringer was selling other, genuine pieces in the United States); *Enesco Corp. v. Price/Costco Inc.,* 146 F.3d 1083, 1087 (9th Cir.1998) (finding material differences where quality control measures differ).

[23] The *Champion* Court recognizes that consumers do not expect used or refurbished goods to be the same as new goods and that for such goods, "material differences" do not necessarily measure consumer confusion. According to *Champion,* what is more telling on the question of likelihood of confusion in the context of used goods is whether the used or refurbished goods are so different from the original that it would be a misnomer for them to be designated by the original trademark. We see no basis to conclude that the district court's reliance on *Champion* was improper.

[24] The district court in this case properly assessed likelihood of confusion in concluding: (1) that on the evidence before it, the differences in the goods were nothing more than what would be expected for used golf balls; (2) that it was therefore not a misnomer to apply the Acushnet mark to the used Acushnet balls; and (3) that Acushnet had not established a likelihood of success on the merits of its trademark "likelihood of confusion" case. This is all that was required, and there is no basis to conclude that the district court applied the wrong test or otherwise abused its discretion. This court need not predict whether the Eleventh Circuit would apply *Davidoff* to used goods. It would only be necessary to make such a prediction if application of the "material differences" test must be satisfied in all cases involving genuine trademarked goods. But *Davidoff* does not go that far and cannot be read to supplant the statutory "likelihood of confusion" test with a "material differences" test applicable to all cases involving the resale of genuine trademarked goods, both new and used.

[25] Alternatively, Acushnet argues that the district court's reliance on *Champion* is misplaced.[7] Acushnet attempts to distinguish *Champion,* arguing first that Nitro does not restore "so far as possible" the used balls to their original condition, but rather masks the balls' condition, and second, that by masking rather than restoring, Nitro makes it more likely that customers will associate inferior performance with Acushnet. Acushnet argues that, although there was repainting of the spark plugs in *Champion,* such painting was merely cosmetic. Acushnet contends that the district court failed to recognize that Nitro's process of stripping and repainting was more than cosmetic and changed the fundamental attributes of the

[7] The dissent also attempts to distinguish *Champion* based on the notion of simply reselling versus reapplication of trademarks. *See* Dissent, *infra* at 1369 (stating that the *Champion* Court "ratified the resale of used spark plugs still bearing the Champion name"). However, this distinction overlooks the fact that the refurbisher in Champion, at the very least, applied or reapplied Champion's trademark to its cartons and packaging. *Champion,* 331 U.S. at 126.

reprocessed balls. Moreover, Acushnet argues that it is Nitro's refurbishing process, not normal wear and tear, that degraded the quality of Nitro's used golf balls. Acushnet thus asserts that *Champion* is distinguishable on its facts and should not apply. We disagree with Acushnet's distinctions.

[26] First, while it is true that the spark plugs were repainted in *Champion,* the reconditioning also involved removing burned and pitted portions of the center electrodes, welding new metal to the side electrodes, wearing away the plug's porcelain insulators through sandblasting, and then cleaning and painting the spark plug. *Champion Spark Plug Co. v. Sanders,* 156 F.2d 488, 489 (2d Cir.1946). The refurbishing process in *Champion,* then, was not merely cosmetic, and cannot be distinguished from the present case on that basis. Second, *Champion* also held that the source of any inferiority, whether the reconditioning or the refurbishing, is irrelevant, stating that inferiority is immaterial as long as the original manufacturer "is not identified with the inferior qualities of the product *resulting from wear and tear or the reconditioning.*" *Champion,* 331 U.S. at 130 (emphasis added). In the *Champion* case, the district court noted that there was no proof whether the inferior qualities stemmed from either "wear and tear prior to the discarding of the plug by the original user, or to the process of repair as conducted by the defendants." *Champion Spark Plug Co. v. Sanders,* 61 F.Supp. 247, 248–49 (E.D.N.Y.1945). Acushnet's distinction on this point is similarly untenable.

[27] In this case, the district court carefully considered the extent of the alterations made by Nitro. *See Order* at 8–9 (citing *Rolex Watch USA, Inc. v. Michel,* 179 F.3d 704) ("[w]hether the modifications made to the product resulted in a new product"); *Intel,* 6 F.3d at 619. The district court also looked to a number of factors, outlined by the Ninth Circuit, to determine if the alterations resulted in a new product. *Order* at 9 ("These factors 'include the nature and extent of the alterations, the nature of the device and how it is designed ..., whether a market has developed for service or spare parts ... and, most importantly, whether end users of the product are likely to be misled as to the party responsible for the composition of the product.' *Karl Storz Endoscopy–America, Inc. v. Surgical Technologies, Inc.,* 285 F.3d 848, 856–57 (9th Cir.2002)." (alterations in original)). The district court also considered: (a) evidence proffered by Nitro that the performance differences were not as extensive as claimed by Acushnet; (b) evidence of the use of disclaimers; and (c) evidence from customers of both Acushnet and Nitro on the question of confusion. *Order* at 9–12. On this record, the district court concluded that "Acushnet has not presented sufficient evidence to support its claim that the golf balls are so extensively repaired that they cannot be truly labeled with the Titleist marks." *Id.* at 9–10.

[28] Because the district court properly considered the *Frehling* factors; fully and carefully assessed the differences between Acushnet's new golf balls and Nitro's refurbished golf balls in determining likelihood of confusion; and correctly looked to *Champion* for the applicable legal standard, we find no abuse of discretion in the

district court's denial of Acushnet's requested preliminary injunction based on its trademark infringement claim.

…

III. Dilution

[The Court affirmed the district court's finding of no dilution].

CONCLUSION

[29] The district court did not abuse its discretion, commit an error of law, or seriously misjudge the evidence in concluding that Acushnet failed to show a reasonable likelihood of success on the merits of its trademark and dilution claims and in denying Acushnet's motion for a preliminary injunction based thereon. We therefore affirm.

AFFIRMED.

PAULINE NEWMAN, Circuit Judge, dissenting.

[1] I can think of nothing more destructive of the value of a famous trademark than for the law to permit unauthorized persons to re-affix the mark to a product that is so badly cut, scarred, dented, discolored, and bruised that its defects have to be concealed before it can be resold as "used"—and then, with the scars hidden and the surface repainted to look new, the product is resold with the benefit of the re-affixed trademark and its reputation for quality and performance. The court today holds that the trademark owner cannot object to this unauthorized, uncontrolled affixation of its famous Titleist7 mark, provided that the package is labeled "used/refurbished" and a disclaimer is presented.

[2] Neither trademark law nor any other law removes from the trademark owner control of the quality of the goods and use of the mark. To the contrary, the law requires the holder of the trademark to control both the use of the mark and the quality of the goods to which it is affixed, on pain of losing the mark as a trademark. The consequence of this law is that, whether on grounds of infringement, dilution, or tarnishment, Acushnet is likely to succeed on the merits of its case. From the denial of the requested preliminary injunction I must, respectfully, dissent.

DISCUSSION

[3] This case does not relate to the resale of used golf balls, washed and buffed and repackaged, bearing the original trademark. Acushnet is not objecting to that part of Nitro's activities. However, when the balls are so badly scarred or cut that they must be repainted and the damage concealed, the repainting also obscuring the original trademark, surely the trademark owner has the right to prevent re-application of its trademark (in identical script) to damaged goods covered with

shiny new paint, goods of unsupervised quality but bearing the famous original trademark.

[4] Trademark law requires that the trademark owner police the quality of the goods to which the mark is applied, on pain of losing the mark entirely. Professor McCarthy explains:

> Sometimes a mark becomes abandoned to generic usage as a result of the trademark owner's failure to police the mark, so that widespread usage by competitors leads to a generic usage among the relevant public, who see many sellers using the same word or designation.

J. Thomas McCarthy et al., 2 *McCarthy on Trademarks and Unfair Competition* § 17:8, at 17–10 (4th ed., Rel.# 21, 3/2002). Yet here the trademark applier is unlicensed, the quality out of the control of the owner of the mark, and the flaws concealed from the consumer.

[5] These are fundamental principles of trademark law. The Federal Circuit, applying this law, has itself imposed loss of trademark rights based on inadequate control of use of a mark by others. *See BellSouth Corp. v. DataNational Corp.,* 60 F.3d 1565, 35 USPQ2d 1554 (Fed.Cir.1995) (the "Walking Fingers" mark became generic because AT & T allowed others to use it). Although the law permits resale of used and refurbished products, it does not require the owner of the trademark to permit its use on inferior goods with concealed damage, simply by marking the goods as "used/refurbished." The presence of a famous trademark on such goods is not an indication of origin and quality, but a trap for the consumer.

[6] A trademark serves as an assurance of quality, consistency, and reliability, by indicating the source and control of the product bearing the mark:

> However, the quality function [of a trademark] does not replace the source function: it stands alongside it. In fact, one could accurately state that the quality theory is merely a facet of the older source theory. That is, the source theory has been broadened to include not only manufacturing source but also the source of standards of quality of goods bearing the mark: "[A] mark primarily functions to indicate a single quality control source of the goods or services." Under both the source and quality rationales, unity of source of manufacture or control appears essential.

1 *McCarthy, supra,* § 3:10, at 3–20. The law both permits and requires control by the trademark owner, even when the mark is licensed:

> Licensing a mark without adequate control over the quality of goods or services sold under the mark by the licensee may cause the mark to lose its significance as a symbol of equal quality-hence, abandonment.

Id., § 17:6, at 17–9.

[7] I repeat, the question is not whether Nitro can resell used golf balls, perhaps washed and buffed; the question is whether the owner of the Titleist7 and other

famous trademarks can prevent reapplication of these trademarks to goods that have been materially changed. In explaining Nitro's operations, its President stated:

> The balls that are in sufficiently good condition to resell without refurbishing are then identified. Those golf balls are re-packaged and resold as used golf balls, i.e., "recycled" golf balls.

Acushnet does not object to Nitro's resale of these balls with the original trademarks. This case is about the next group, as Nitro's president further explained:

> The remaining balls, which suffer from one or more of the following detriments, e.g., scuff marks, cart path marks, tree marks, lack of clear coat, discoloration, etc., are sent to the final quality control sort.... The balls are refurbished by removing the base paint coat and the clear coat from the balls, which also has the effect of removing the marking from the balls....

Nitro then reapplies the base coat paint (on those balls that originally had a base coat). The balls are then re-stamped with the appropriate markings.... Nitro re-stamps the precise model type only for those models that its consumers have expressed a demand, e.g., Titleist Pro V1's.... Following the re-stamping process, Nitro re-applies the clear coat.

[8] The district court found Nitro's process not to be "intrusive," in that it "does not remove the dimples on the balls, nor does it take off the cover of the ball." The issue, however, is Nitro's right to re-apply the Titleist7 and Pro V–17 trademarks to the repainted balls.

[9] When goods have lost their identity and their quality, the trademark owner can not be forced to permit re-application of the original trademark to the doctored product. That is a reproach to the most fundamental principles of trademark law. *See Bulova Watch Co. v. Allerton Co.,* 328 F.2d 20, 24 (7th Cir.1964) ("substitution of a different crown and case by defendants results in a different product," enjoining use of the trademark "Bulova" on the re-cased watches).

[10] There was evidence that these damaged balls did not have the characteristics of the original. Although Nitro argues that the difference is not great, that is not the issue. Trademarks are an indication of quality, on which the consumer can rely. The consumer is no less deceived if he does not know that the product is inferior, or if the extent of the inferiority is not great. The trademark owner is entitled, and required, to control the quality of the product:

> One of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the goods manufactured and sold under the holder's trademark.... For this purpose the actual quality of the goods is irrelevant: it is the control of quality that a trademark holder is entitled to maintain.

El Greco Leather Products Co. v. Shoe World, Inc., 806 F.2d 392, 395 (2nd Cir.1986).

[11] Even if the consumer has digested the notice on the Nitro package,[8] the severity of the concealed defects are not known to the consumer, who will not know whether the refurbished ball has been stripped and painted, whether the balance is distorted, whether the all-important dimples are encumbered with fresh paint. The consumer will not know that the Titleist7 mark was re-applied to a ball that was so badly damaged that the original marking was lost.

[12] Although there was discussion at trial of the issues of section 1114 and section 1125 of the Trademark Act, there is prima facie infringement when a trademark is applied by unauthorized persons to an unlicensed product that has not met the quality standards of the trademark under the control of the owner of the mark. The law protects not only the trademark owner but also the consumer, for not only does an inferior product injure the Titleist7 and Pro V–1 7 reputation, but the consumer is deprived of the quality that the law demands of the trademark owner. Acushnet argues, with cogency, that inferior performance is more likely to be attributed to the Titleist7 source than to the refurbisher, for the degree of "refurbishment" is not specified, and the balls as repainted are clean and conceal their defects. This is not the same situation as in *Champion Spark Plug v. Sanders,* 331 U.S. 125 (1947), where the Court ratified the resale of used spark plugs still bearing the Champion name. The Court recognized that the trademark had been infringed, and that the issue was adequacy of the notice, considering "the equities of the case." In *Champion* there was no issue of concealed defects; the Court permitted retention of the identity of the original plugs "so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer." *Id.* at 130.

[13] My colleagues err in their ruling that the notice that the balls are used/refurbished "protects the public so it may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and wants to get." Maj. op. at 9. When the defects are concealed, that is not "full disclosure about the true nature" of the golf balls as the

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[8] The court found that the packaging of Nitro's golf balls now bears the following notice:

> ATTENTION USED/REFURBISHED GOLF BALLS. The enclosed contents of used/refurbished golf balls are USED GOLF BALLS. Used/refurbished golf balls are subject to performance variations from new ones. These used/refurbished balls were processed via one or more of the following steps: stripping, painting, stamping and/or clear coating in our factory. This product has NOT been endorsed or approved by the original manufacturer and the balls DO NOT fall under the original manufacturer's warranty.

Order at 12.

panel majority holds. Concealment is the antithesis of full disclosure. In purchasing a used golf ball that has been repainted, the consumer is not provided with knowledge of concealed damage as well as surface changes. When the consumer purchases a used golf ball bearing the Titleist7 mark, the purchaser does not know if this is an almost-new golf ball that went from tee to lake on the first stroke, or a ball so badly cut that it was discarded. This is not the "full disclosure" accommodated by *Champion.* The owner of the Titleist7 mark is surely entitled to prevent re-application of the mark to golf balls whose repainting covers the original mark.[9] The Court in *Champion* held that "the nature of the article involved and the characteristics of the merchandising methods used to sell it" are important considerations in devising an appropriate notice and disclaimer. 331 U.S. at 130–31. The nature of the refurbishment of a used spark plug is visible; the nature of the damage to a repainted golf ball is invisible, and any performance-deteriorating defects are permanently removed from view.

[14] In an ever more complex commercial economy, it is increasingly important to preserve standards of quality and confidence. Trademark law carries this burden. The record states that the Titleist7 balls are the premium balls in this market, and are recognized by the golfing public as of high and consistent quality and dependability. The producer of these products is entitled by law to protect the reputation and the value of its marks. Consumer expectations of quality should not be thwarted by an inappropriate balance of interests.

[15] A trademark owner has the absolute right to prevent others from affixing the mark with neither license nor quality control by the trademark owner. This is not a case of likelihood of confusion or dilution through the use of similar marks; it is a case of unauthorized use of an original mark on goods that have been invisibly altered, such that the use approaches the counterfeit. The re-application of the obliterated trademark is not simply information about the original source of used golf balls; it is an unauthorized exploitation of the mark, identifying the original manufacturer with the disguised product. The role of the trademark is its assurance of quality, and its value depends on the consistent quality of the product that bears the mark. Again quoting Professor McCarthy:

> [T]he chief function of a trademark is a kind of 'warranty' to purchasers that they will receive, when they purchase goods bearing the mark, goods of the same character and source, anonymous as it may be, as other goods previously purchased bearing the mark that have already given the purchaser satisfaction.

1 *McCarthy, supra,* § 3:10, at 3–20, 3–21 (quotation marks and citations omitted).

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[9] There was also evidence that Nitro applied the Titleist7 mark to balls of other makers, when the original mark was obscured by repainting.

[16] The trademark owner is required by law to police and preserve that quality; it cannot be deprived of that right and obligation. From the panel majority's contrary ruling and denial of the requested injunction I must, respectfully, dissent.

IV. False Advertising

A. False Advertising Under the Lanham Act

We turn now to federal false advertising law under Lanham Act § 43(a)(1)(B), 15 U.S.C. § 1125(a)(1)(B). Note from the very beginning that false advertising law covers much more than just §43(a)(1)(B). Plaintiffs may seek redress from the Federal Trade Commission under the FTC Act, 15 U.S.C. §§ 41-58, from the "little" or "baby" FTC Acts of the states, from the common law, and from alternative forms of dispute resolution such as the National Advertising Division. However, we cover here only false advertising law under the Lanham Act. (For a comprehensive treatment of false advertising, see REBECCA TUSHNET & ERIC GOLDMAN, ADVERTISING & MARKETING LAW: CASES AND MATERIALS).

As originally drafted, § 43(a) covered only an advertiser's "false description or representation" about itself; it did not cover "commercial disparagement," i.e., the advertiser's false representations about someone else. The Trademark Revision Act of 1988 significantly expanded the scope of § 43(a) and made clear its application to a defendant's false representations about itself and others. Here is § 43(a)(1)(B) in its current form:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--
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> …
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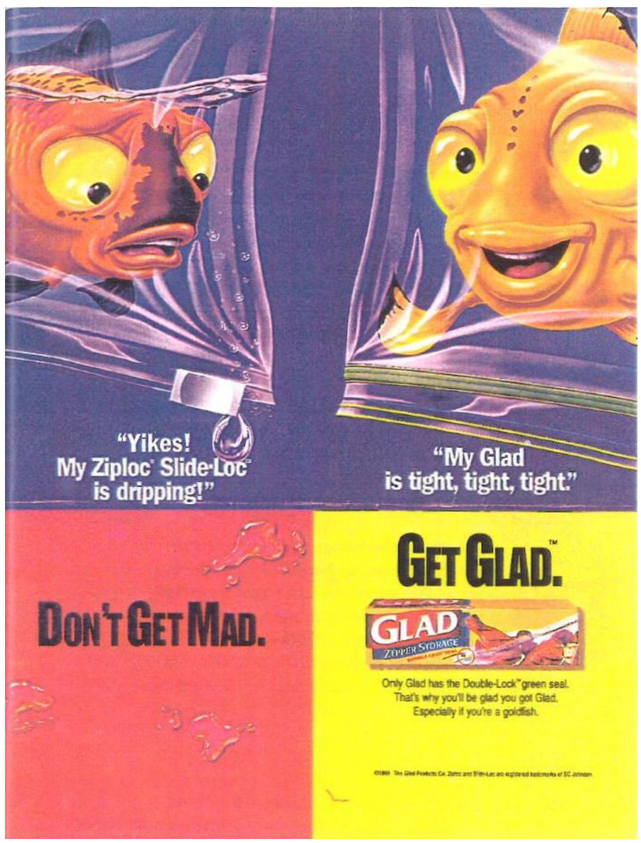
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(B).

In what follows, we will cover the various ways in which a statement may trigger liability under § 43(a)(1)(B). First (Part IV.A.1), a statement may be *literally false*, as in *S.C. Johnson & Son, Inc. v Clorox Co*., 241 F.3d 232 (2d Cir. 2001), where the defendant's television commercial and print advertisements falsely depicted the rate of leakage of the plaintiff's resealable plastic bags. Second (Part IV.A.2), a statement may be *literally false by necessary implication*, as in *Time Warner Cable, Inc. v. DIRECTV, Inc*., 497 F.3d 144 (2d Cir. 2007), where one of the defendant's television commercials made the false-by-necessary-implication claim that its transmitted picture quality was superior to the plaintiff's. Third (Part IV.A.3), a statement may be merely *misleading*, i.e., impliedly false, which is discussed in *Pizza Hut, Inc. v. Papa John's Intern., Inc*., 227 F.3d 489 (5th Cir. 2000), in connection with the defendant's slogan "Better Ingredients. Better Pizza." Finally in Part IV.A.4, we will turn to the issue of substantiation, particularly in connection with advertisements that claim that "tests prove" or "studies show" some factual proposition.

Note that consumers do not have standing to bring suit under § 43(a)(1)(B). In *Lexmark International, Inc. v. Static Components, Inc.*, 134 S. Ct. 1377 (2014), the Supreme Court held that plaintiffs under § 43(a)(1)(B) have standing if (1) their interests fall within the "zone of interests" protected by § 43(a)(1)(B), which consists of "protecting persons engaged in commerce within the control of Congress", *id*. at 1389 (brackets removed), and (2) their injuries are proximately caused by violations of the statute. Because consumers are not engaged in commerce, they are unable to bring suit under § 43(a)(1)(B). *See* MCCARTHY § 27.30.

1. Literal Falsity



S.C. Johnson & Son, Inc. v Clorox Co.
241 F.3d 232 (2d Cir. 2001)

HALL, District Judge:

[1] This case involves a Lanham Act challenge to the truthfulness of a television commercial and print advertisement depicting the plight of an animated goldfish in a Ziploc Slide–Loc bag that is being held upside down and is leaking water. Plaintiff-appellee S.C. Johnson & Son manufactures the Ziploc bags targeted by the advertisements. In an Order dated April 6, 2000, the United States District Court for the Southern District of New York (Griesa, J.) permanently enjoined the defendant-appellant, The Clorox Company, manufacturer of Ziploc's rival Glad–Lock resealable storage bags, from using these advertisements. *See S.C. Johnson & Son v. The Clorox Co.,* No. 99 Civ. 11079 (TPG), 2000 WL 423534, 2000 U.S. Dist. LEXIS 4977 (S.D.N.Y. Apr. 19, 2000) ("*S.C. Johnson II*"). We conclude that the district court did not abuse its discretion in entering this injunction and accordingly affirm.

BACKGROUND

[2] In August 1999, Clorox introduced a 15–second and a 30–second television commercial ("Goldfish I"), each depicting an S.C. Johnson Ziploc Slide–Loc resealable storage bag side-by-side with a Clorox Glad–Lock bag. The bags are identified in the commercials by brand name. Both commercials show an animated, talking goldfish in water inside each of the bags. In the commercials, the bags are turned upside-down, and the Slide–Loc bag leaks rapidly while the Glad–Lock bag does not leak at all. In both the 15– and 30–second Goldfish I commercials, the Slide–Loc goldfish says, in clear distress, "My Ziploc Slider is dripping. Wait a minute!," while the Slide Loc bag is shown leaking at a rate of approximately one drop per one to two seconds. In the 30–second Goldfish I commercial only, the Slide–Loc bag is shown leaking while the Slide–Loc goldfish says, "Excuse me, a little help here," and then, "Oh, dripping, dripping." At the end of both commercials, the Slide Loc goldfish exclaims, "Can I borrow a cup of water!!!"

[3] On November 4, 1999, S.C. Johnson brought an action against Clorox under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), for false advertising in the Goldfish I commercials. After S.C. Johnson moved for a preliminary injunction, the district court converted the evidentiary hearing on the motion to a trial on the merits under Fed.R.Civ.P. 65(a)(2).

[4] Dr. Phillip DeLassus, an outside expert retained by S.C. Johnson, conducted "torture testing," in which Slide–Loc bags were filled with water, rotated for 10 seconds, and held upside-down for an additional 20 seconds. He testified about the results of the tests he performed, emphasizing that 37 percent of all Slide–Loc bags tested did not leak at all. Of the remaining 63 percent that did leak, only a small percentage leaked at the rate depicted in the Goldfish I television commercials. The vast majority leaked at a rate between two and twenty times slower than that depicted in the Goldfish I commercials.

[5] On January 7, 2000, the district court entered findings of fact and conclusions of law on the record in support of an Order permanently enjoining Clorox from disseminating the Goldfish I television commercials. Specifically, the district court found that S.C. Johnson had shown by a preponderance of the evidence that the Goldfish I commercials are "literally false in respect to its depiction of the flow of water out of the Slide–Loc bag." *S.C. Johnson & Son, Inc. v. Clorox Co.,* No. 99 Civ. 11079 (TPG), 2000 WL 122209, at *1, 2000 U.S. Dist. LEXIS 3621, at *1–*2 (S.D.N.Y. Feb. 1, 2000) ("*S.C. Johnson I*").

[6] The court found that "the commercial impermissibly exaggerates the facts in respect to the flow of water or the leaking of water out of a Slide–Loc bag." *Id.,* at *1. The court further found that:

> [t]he commercial shows drops of water coming out of the bag at what appears to be a rapid rate. In fact, the rate is about one fairly large drop per second. Moreover, there is a depiction of the water level in the bag undergoing a substantial and rapid decline. Finally, there is an image of bubbles going through the water.

Id. at *1, 2000 U.S. Dist. LEXIS 3621, at *2–*3. The district court found that "the overall depiction in the commercial itself is of a rapid and substantial leakage and flow of water out of the Slide–Loc bag." *Id.* at *1, 2000 U.S. Dist. LEXIS 3621, at *3. The court noted that "[t]his is rendered even more graphic by the fact that there is a goldfish depicted in the bag which is shown to be in jeopardy because the water is running out at such a rate." *Id.*

[7] The district court found "that when these bags are subjected to the same kind of quality control test as used by Clorox for the Glad bags, there is some leakage in about two-thirds of the cases." *Id.* at *2, 2000 U.S. Dist. LEXIS 3621, at *4. However, the court found "that the great majority of those leaks are very small and at a very slow rate." *Id.* The court found that "[o]nly in about 10 percent of these bags is there leakage at the rate shown in the commercial, that is, one drop per second." *Id.* The district court further found that "[t]he problem with the commercial is that there is no depiction in the visual images to indicate anything else than the fact that the type of fairly rapid and substantial leakage shown in the commercial is simply characteristic of that kind of bag." *Id.*

[8] Accordingly, the court held that "the Clorox commercial in question misrepresents the Slide–Loc bag product," and that this "finding relates to the different sizes and types of the Slide–Loc bags because there is no attempt to limit the commercial to any particular category." *Id.* at *3, 2000 U.S. Dist. LEXIS 3621, at *7. The court entered an injunction, noting that S.C. Johnson had shown irreparable harm sufficient to support an injunction because, as the court found, the Goldfish I commercials are literally false. *Id.* The district court rejected S.C. Johnson's other theories of relief under section 43(a) of the Lanham Act, including a claim of implied falsity. *Id.* at *3, 2000 U.S. Dist. LEXIS 3621, at *6–*7. Clorox has not appealed this January 7 permanent injunction relating to the Goldfish I commercials.

[9] In February 2000, Clorox released a modified version of the Goldfish I television commercials as well as a related print advertisement ("Goldfish II"). In the 15 second Goldfish II television commercial, a Ziploc Slide–Loc bag and Glad–Lock bag are again shown side-by-side, filled with water and containing an animated, talking goldfish. The bags are then rotated, and a drop is shown forming and dropping in about a second from the Slide–Loc bag. During the approximately additional two seconds that it is shown, the Slide–Loc goldfish says, "My Ziploc slider is dripping. Wait a minute." The two bags are then off-screen for approximately eight seconds before the Slide–Loc bag is again shown, with a drop forming and falling in approximately one second. During this latter depiction of the Slide–Loc bag, the Slide–Loc goldfish says, "Hey, I'm gonna need a little help here." Both bags are identified by brand name, and the Glad–Lock bag does not leak at all. The second-to-last frame shows three puddles on an orange background that includes the phrase "Don't Get Mad."

[10] In the print advertisement, a large drop is shown forming and about to fall from an upside-down Slide–Loc bag in which a goldfish is partially out of the water. Bubbles are shown rising from the point of the leak in the Slide–Loc bag. Next to the Slide–Loc bag is a Glad–Lock bag that is not leaking and contains a goldfish that is completely submerged. Under the Slide–Loc bag appears: "Yikes! My Ziploc© Slide–Loc™ is dripping!" Under the Glad–Lock bag is printed: "My Glad is tight, tight, tight." On a third panel, three puddles and the words "Don't Get Mad" are depicted on a red background. In a fourth panel, the advertisement recites: "Only Glad has the Double–Lock™ green seal. That's why you'll be glad you got Glad. Especially if you're a goldfish."

[11] After these advertisements appeared, S.C. Johnson moved to enlarge the January 7 injunction to enjoin the airing and distribution of the Goldfish II advertisements. On April 6, 2000, after hearing oral argument, the district court entered another order on the record, setting forth further findings of fact and conclusions of law in support of an Order permanently enjoining the distribution of the Goldfish II television commercial and print advertisement. The district court explicitly noted that it was "in a position, in [its] view, to decide the case based on the existing evidence without further evidence." *S.C. Johnson II,* 2000 WL 423534, at *1, 2000 U.S. Dist. LEXIS 4977, at *1–*2.

[12] The court incorporated by reference its prior findings of fact from its January 7, 2000 Order, stating that it would "not attempt to repeat what was said in the earlier decision, although a great deal of it applies to the issue now presented to the court." *Id.* at *1, 2000 U.S. Dist. LEXIS 4977, at *2. The court then stated its finding that, "[f]ocusing now on the new television commercial, in my view it has the essential problems of the earlier 15 second commercial." *Id.* The court observed that the Goldfish II commercial "does not literally portray a rate of leakage which was portrayed in the earlier ad and which was the subject of certain of my findings in the earlier decision." *Id.* at *1, 2000 U.S. Dist. LEXIS 4977, at *3. Instead, the court noted,

> [t]here are two images shown of the slide-lock bag upside down with water coming out, two separate images. In each image a large drop immediately forms and the water drop falls. That is shown in the first image and then the commercial switches to some other subject and when the next image comes of the slide-lock bag there again is a large drop immediately forming and falling away.

Id. at *2, 2000 U.S. Dist. LEXIS 4977, at *4. The district court referenced its earlier finding that the Goldfish I commercials did not accurately depict either the rate or risk of leakage in Slide–Loc bags. *Id.* at *2, 2000 U.S. Dist. LEXIS 4977, at *4–*5. The court then found that:

> [E]ssentially the same problem that I commented upon in the earlier decision exists with this commercial, with the present commercial. There is nothing to indicate that anything goes on with the slide-lock bags except the leaking of large drops as shown in the only two depictions that are relevant. There is nothing indicated about slow rate or rapid rate. There is nothing shown except one image and that is an image of a big drop of water falling out of the bag.
>
> There is nothing to indicate that this kind of leakage occurs in only some particular percentage of bags, and there is nothing to indicate the degree of risk of such leakage. There is only one image, and that is of a big drop falling out.

Id. at *2, 2000 U.S. Dist. LEXIS 4977, at *5.

[13] The court rejected Clorox's argument "that what is really shown [in the Goldfish II television commercial] is that the leakage occurs at a rather slow rate, perhaps about once every seven or eight seconds." *Id.* According to the court, Clorox "bases this argument on the fact that if you take the elapsed time between the leak or the drop in the first image and the drop in the second image, this amount of time elapses." *Id.* at *2, 2000 U.S. Dist. LEXIS 4977, at *5–*6. The district court found, however, that "[t]here is nothing visually or in words to indicate that what is being depicted is some kind of a continuum of the condition of the bag from one image to the other." *Id.* at *2, 2000 U.S. Dist. LEXIS 4977, at *6. Rather, "[a]ll that is depicted is two separate images, each of which shows the same thing." *Id.* The district court found that "[w]hat is shown is the images, and what is omitted is any indication about the actual rates and degree and amount of leakage that the detailed evidence at the trial showed." *Id.* The court further found that the Goldfish II commercial "portray[s] ... a goldfish in danger of suffocating in air because of the outflow of water from the bag." *Id.*

[14] The court concluded that the Goldfish II television commercial "is decidedly contrary to what was portrayed in the actual evidence about the bags at the first trial, and all in all the television commercial in my view is literally false." *Id.* at *3, 2000 U.S. Dist. LEXIS 4977, at *6. The court then addressed the Goldfish II print advertisement, which, it found "is, if anything, worse," because "[i]t has a single

image of a Slide–Loc bag with a large drop about to fall away and a goldfish in danger of suffocating because the water is as portrayed disappearing from the bag." *Id.* at *3, 2000 U.S. Dist. LEXIS 4977, at *7. The district court concluded that the Goldfish II print advertisement "is literally false." *Id.* The court also found that the inability of a Ziploc Slide–Loc bag to prevent leakage is portrayed as an inherent quality or characteristic of that product. Accordingly, the court found that the Goldfish II television commercial and print advertisement "portray[ ] the leakage as simply an ever-present characteristic of the Slide–Loc bags." *Id.* at *3, 2000 U.S. Dist. LEXIS 4977, at *8.

[15] The district court found, in the alternative, that the Goldfish II ads were false by necessary implication, a doctrine this court has not yet recognized, because consumers would necessarily believe that more viscous liquids such as soups and sauces would leak as rapidly as water. *Id.* at *3, 2000 U.S. Dist. LEXIS 4977, at *6–*7.

[16] Clorox now appeals from this April 6, 2000 Order permanently enjoining the use of the Goldfish II television commercial and print advertisement.

DISCUSSION

[17] "We review the District Court's entry of a permanent injunction for abuse of discretion, which may be found where the Court, in issuing the injunction, relied on clearly erroneous findings of fact or an error of law." *Knox v. Salinas,* 193 F.3d 123, 128–29 (2d Cir.1999) (per curiam). "[T]he district judge's determination of the meaning of the advertisement [is] a finding of fact that 'shall not be set aside unless clearly erroneous.'" *Avis Rent A Car Sys., Inc. v. Hertz Corp.,* 782 F.2d 381, 384 (2d Cir.1986) (quoting Fed.R.Civ.P. 52(a)).

[18] The district court found that the Goldfish II television commercial and print advertisement are literally false in violation of section 43(a). That section provides, in pertinent part:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
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> . . . . .
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> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a). "Section 43(a) of the Lanham Act proscribes false designations of origin or false or misleading descriptions of fact in connection with any goods in commerce that are likely to cause confusion or that misrepresent the nature,

characteristics, qualities, or geographic origin of the goods." *Groden v. Random House, Inc.,* 61 F.3d 1045, 1051 (2d Cir.1995). "The Lanham Act does not prohibit false statements generally. It prohibits only false or misleading descriptions or false or misleading representations of fact made about one's own or another's goods or services." *Id.* at 1052.

[19] This court has recently restated the general requirements for a claim brought under section 43(a):

> To establish a false advertising claim under Section 43(a), the plaintiff must demonstrate that the statement in the challenged advertisement is false. "Falsity may be established by proving that (1) the advertising is literally false as a factual matter, or (2) although the advertisement is literally true, it is likely to deceive or confuse customers."

Nat'l Basketball Ass'n v. Motorola, Inc., 105 F.3d 841, 855 (2d Cir.1997) (quoting *Lipton v. Nature Co.,* 71 F.3d 464, 474 (2d Cir.1995)). It is also well-settled that, "in addition to proving falsity, the plaintiff must also show that the defendants misrepresented an 'inherent quality or characteristic' of the product. This requirement is essentially one of materiality, a term explicitly used in other circuits." *Id.* (citation and internal quotation marks omitted).

[20] In considering a false advertising claim, "[f]undamental to any task of interpretation is the principle that text must yield to context." *Avis,* 782 F.2d at 385.

> Thus, we have emphasized that in reviewing FTC actions prohibiting unfair advertising practices under the Federal Trade Commission Act a court must "consider the advertisement in its entirety and not ... engage in disputatious dissection. The entire mosaic should be viewed rather than each tile separately." Similar approaches have been taken in Lanham Act cases involving the claim that an advertisement was false on its face.

Id. (citations omitted). Moreover, we have explicitly looked to the visual images in a commercial to assess whether it is literally false. *See Coca–Cola Co. v. Tropicana Prods., Inc.,* 690 F.2d 312, 317–18 (2d Cir.1982) (abrogated on other grounds by statute as noted in *Johnson & Johnson v. GAC Int'l, Inc.,* 862 F.2d 975, 979 (2d Cir.1988)); *see also Avis,* 782 F.2d at 385.

[21] "Where the advertising claim is shown to be literally false, the court may enjoin the use of the claim 'without reference to the advertisement's impact on the buying public.' Additionally, a plaintiff must show that it will suffer irreparable harm absent the injunction." *McNeil–P.C.C., Inc. v. Bristol–Myers Squibb Co.,* 938 F.2d 1544, 1549 (2d Cir.1991) (citations omitted). Under section 43(a), however, "[w]e will presume irreparable harm where plaintiff demonstrates a likelihood of success in showing literally false defendant's comparative advertisement which mentions plaintiff's product by name." *Castrol, Inc. v. Quaker State Corp.,* 977 F.2d 57, 62 (2d Cir.1992).

I. The district court's findings of fact are not clearly erroneous.

[22] Clorox argues that the district court committed clear error in finding that its Goldfish II television commercial and print advertisement contain literal falsehoods. We find no clear error in the district court's findings of fact in support of its conclusion that the Goldfish II television commercial and print advertisement are literally false as a factual matter. We note that the court made its finding of literal falsity after a seven-day bench trial. The evidence presented at trial clearly indicates that, as the court found, only slightly more than one out of ten Slide–Loc bags tested dripped at a rate of one drop per second or faster, while more than one-third of the Slide–Loc bags tested leaked at a rate of less than one drop per five seconds. Over half of the Slide–Loc bags tested either did not leak at all or leaked at a rate no faster than one drop per 20 seconds. Moreover, less than two-thirds, or 63 percent, of Slide–Loc bags tested showed any leakage at all when subjected to the testing on which Clorox based its Goldfish I and II advertisements.

[23] The only Slide–Loc bag depicted in each of the two Goldfish II advertisements, on the other hand, is shown leaking and, when shown, is always leaking. Moreover, each time the Slide–Loc bag is on-screen, the Goldfish II television commercial shows a drop forming immediately and then falling from the Slide–Loc bag, all over a period of approximately two seconds. Accordingly, the commercial falsely depicts the risk of leakage for the vast majority of Slide–Loc bags tested.

[24] Clorox argues that, because approximately eight seconds pass between the images of the drops forming and falling in the Goldfish II television commercial, the commercial depicts an accurate rate of leakage. However, the commercial does not continuously show the condition of the Slide–Loc bag because the Slide–Loc bag is off-screen for eight seconds. Likewise, the print ad does not depict any rate of leakage at all, other than to indicate that the Slide–Loc bag is "dripping." Clorox's argument that its commercial shows a "continuum" also fails given that in each of the Goldfish II advertisements is a background image containing three puddles of water, when only two drops form and fall in the television commercial and just one drop forms and nearly falls in the print advertisement.

[25] Given the highly deferential standard of review accorded to the district court's findings entered after a bench trial, we cannot say that, having viewed the record in its entirety, we are left with the definite and firm conviction that a mistake has been committed. *See Mobil Shipping and Transp. Co. v. Wonsild Liquid Carriers Ltd.,* 190 F.3d 64, 67–68 (2d Cir.1999). We find no clear error in the district court's finding that the depiction of the risk of leakage from Slide–Loc bags in the Goldfish II television commercial and print advertisement is literally false as to an inherent quality or characteristic of Ziploc Slide–Loc storage bags.

II. The district court committed no error of law.

[26] Clorox alleges that the district court erred in finding literal falsity because "no facially false claim or depiction was present in the advertisements at issue in this case." As such, Clorox argues, the district court's finding of literal falsity "was based upon an interpretation of the ads that went beyond their facial or explicit claims." According to Clorox, the district court therefore must have based it injunction on the implied falsity of the ads. Clorox argues that the district court erred as a matter of law because "any alleged message beyond the literal claims in the advertisements [must] be proved by extrinsic evidence," upon which the district court undeniably did not rely in reaching its conclusions.

[27] We disagree. The district court properly concluded that the Goldfish II advertisements are literally false in violation of section 43(a) of the Lanham Act. The court looked at the Goldfish II television commercial and print advertisement in their entirety and determined that the risk of leakage from the Slide–Loc storage bag depicted in the ads is literally false based on the evidence presented at trial of the real risk and rate of leakage from Slide–Loc bags. The district court's conclusion that Clorox violated section 43(a) conforms to our earlier precedents applying the doctrine of literal falsity. In *Coca–Cola,* we reversed a district court's finding of no literal falsity in an orange juice commercial where:

> [t]he visual component of the ad makes an explicit representation that Premium Pack is produced by squeezing oranges and pouring the freshly-squeezed juice directly into the carton. This is not a true representation of how the product is prepared. Premium Pack juice is heated and sometimes frozen prior to packaging.

690 F.2d at 318. As in *Coca–Cola,* the Goldfish II advertisement depicts a literal falsity that requires no proof by extrinsic evidence: that Slide–Loc bags always leak when filled with water and held upside down.

[28] Furthermore, the district court did not erroneously enjoin Clorox's advertisements on the basis of implied falsity in the absence of extrinsic evidence. Contrary to Clorox's allegations on appeal, the district court's conclusion is not based on implied falsity or the district court's own subjective interpretation of the Goldfish II advertisements. Indeed, Clorox's purported "literal" reading of the Goldfish II ads requires the viewer to assume that the bag is not leaking while it is off-screen. It is therefore Clorox's interpretation that relies upon implication, not the district court's. The district court did not conclude that the Goldfish II advertisements are literally true but "nevertheless likely to mislead or confuse consumers." It correctly concluded that the advertisements are facially false. As such, our holding prohibiting a district judge from "determin[ing], based solely upon his or her own intuitive reaction, whether the advertisement is deceptive" under the doctrine of implied falsity is not implicated in this case. *Johnson & Johnson * Merck Consumer Pharms. Co. v. Smithkline Beecham Corp.,* 960 F.2d 294, 297 (2d Cir.1992).

[29] Because we affirm the injunction on the basis of literal falsity, we need not reach the issue of whether the district court erred in concluding as an alternative ground that Clorox's Goldfish II television commercial and print advertisement are false "by necessary implication" because consumers would necessarily believe that more viscous liquids than water would also leak rapidly from Ziploc Slide–Loc storage bags.

[30] Accordingly, we find no clearly erroneous findings of fact and no error of law. We therefore find that the district court did not abuse its discretion by permanently enjoining Clorox from disseminating the Goldfish II television commercial and print advertisement.

…

We affirm the judgment of the district court.

2. Literal Falsity by Necessary Implication


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DIRECTV.
LEGAL


FIND OUT WHY
DIRECTV'S
picture beats Cable.
GET $100 CASH BACK
LEARN MORE
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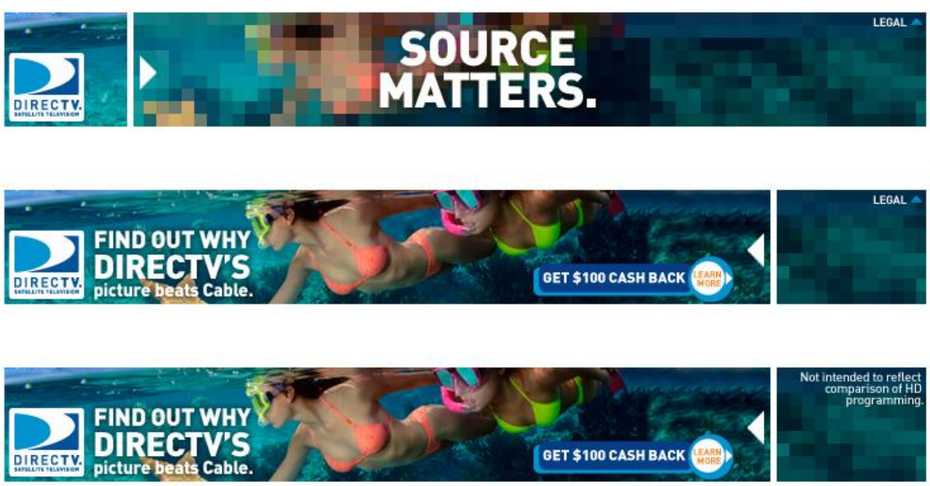
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SOURCE MATTERS.
LEGAL
DIRECTV
FIND OUT WHY DIRECTV'S picture beats Cable.
GET $100 CASH BACK
LEARN MORE
LEGAL
DIRECTV
FIND OUT WHY DIRECTV'S picture beats Cable.
GET $100 CASH BACK
LEARN MORE
Not intended to reflect comparison of HD programming.

Time Warner Cable, Inc. v. DIRECTV, Inc.
497 F.3d 144 (2d Cir. 2007)

STRAUB, Circuit Judge:

[1] Defendant–Appellant DIRECTV, Inc. ("DIRECTV") appeals from the February 5, 2007 opinion and order of the United States District Court for the Southern District of New York (Laura Taylor Swain, Judge) preliminarily enjoining it from disseminating, in any market in which Plaintiff–Appellee Time Warner Cable, Inc. ("TWC") provides cable service, certain television commercials and Internet advertisements found likely to violate the Lanham Act on literal falsity grounds. *Time Warner Cable, Inc. v. DIRECTV, Inc.,* 475 F.Supp.2d 299 (S.D.N.Y.2007).

[2] This appeal requires us to clarify certain aspects of our false advertising doctrine. We make three clarifications in particular. First, we hold that an advertisement can be literally false even though it does not explicitly make a false assertion, if the words or images, considered in context, necessarily and unambiguously imply a false message. Second, we decide that the category of non-actionable "puffery" encompasses visual depictions that, while factually inaccurate, are so grossly exaggerated that no reasonable consumer would rely on them in navigating the marketplace. Third, we conclude that the likelihood of irreparable harm may be presumed where the plaintiff demonstrates a likelihood of success in showing that the defendant's comparative advertisement is literally false and that given the nature of the market, it would be obvious to the viewing audience that the advertisement is targeted at the plaintiff, even though the plaintiff is not identified by name. Reviewing the District Court's decision under these principles, we affirm in part, vacate in part, and remand for further proceedings consistent with this opinion.

FACTUAL BACKGROUND[1]

A. The Parties

[3] TWC and DIRECTV are major players in the multichannel video service industry. TWC is the second-largest cable company in the United States, serving more than 13.4 million subscribers. Like all cable providers, TWC must operate through franchises let by local government entities; it is currently the franchisee in the greater part of New York City. DIRECTV is one of the country's largest satellite service providers, with more than 15.6 million customers nationwide. Because DIRECTV broadcasts directly via satellite, it is not subject to the same franchise limitations as cable companies. As a result, in the markets where TWC is the franchisee, DIRECTV and other satellite providers pose the greatest threat to its

[1] This factual background is derived from the District Court's findings of fact, which are not in dispute. *See Time Warner Cable, Inc.,* 475 F.Supp.2d at 302–04.

market share. The competition in these markets for new customers is extremely fierce, a fact to which the advertisements challenged in this case attest.

[4] TWC offers both analog and digital television services to its customers. DIRECTV, on the other hand, delivers 100% of its programming digitally. Both companies, however, offer high-definition ("HD") service on a limited number of their respective channels. Transmitted at a higher resolution than analog or traditional digital programming, HD provides the home viewer with theater-like picture quality on a wider screen. The picture quality of HD is governed by standards recommended by the Advanced Television Systems Committee ("ATSC"), an international non-profit organization that develops voluntary standards for digital television. To qualify as HD under ATSC standards, the screen resolution of a television picture must be at least 720p or 1080i.[2] TWC and DIRECTV do not set or alter the screen resolution for HD programming provided by the networks; instead, they make available sufficient bandwidth to permit the HD level of resolution to pass on to their customers. To view programming in HD format, customers of either provider must have an HD television set.

[5] There is no dispute, at least on the present record, that the HD programming provided by TWC and DIRECTV is equivalent in picture quality. In terms of non-HD programming, digital service generally yields better picture quality than analog service, because a digital signal is more resistant to interference. *See Consumer Elecs. Ass'n v. F.C.C.,* 347 F.3d 291, 293–94 (D.C.Cir.2003). That said, TWC's analog cable service satisfies the technical specifications, *e.g.* signal level requirements and signal leakage limits, set by the Federal Communications Commission ("FCC"). *See* 47 C.F.R. § 76.1, *et seq.* According to a FCC fact sheet, analog service that meets these specifications produces a picture that is "high enough in quality to provide enjoyable viewing with barely perceptible impairments."

B. DIRECTV's "SOURCE MATTERS" Campaign

[6] In the fall of 2006, DIRECTV launched a multimedia advertising campaign based on the theme of "SOURCE MATTERS." The concept of the campaign was to educate consumers that to obtain HD-standard picture quality, it is not enough to buy an HD television set; consumers must also receive HD programming from the "source," *i.e.,* the television service provider.

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[2] The "p" and "i" designations stand for "progressive" and "interlaced." In the progressive format, the full picture updates every sixtieth of a second, while in the interlaced format, half of the picture updates every sixtieth of a second. The higher the "p" or "i" number, the greater the resolution and the better the picture will appear to the viewer.

1. Jessica Simpson Commercial

[7] As part of its new campaign, DIRECTV began running a television commercial in October 2006 featuring celebrity Jessica Simpson. In the commercial, Simpson, portraying her character of Daisy Duke from the movie *The Dukes of Hazzard,* says to some of her customers at the local diner:

> Simpson: Y'all ready to order?
>
> Hey, 253 straight days at the gym to get this body and you're not gonna watch me on DIRECTV HD?
>
> You're just not gonna get the best picture out of some fancy big screen TV without DIRECTV.
>
> It's broadcast in 1080i. I totally don't know what that means, but I want it.

The original version of the commercial concluded with a narrator saying, "For picture quality that beats cable, you've got to get DIRECTV."

[8] In response to objections by TWC, and pursuant to agreements entered into by the parties, DIRECTV pulled the original version of the commercial and replaced it with a revised one ("Revised Simpson Commercial"), which began airing in early December 2006. The Revised Simpson Commercial is identical to the original, except that it ends with a different tag line: "For an HD picture that can't be beat, get DIRECTV."

2. William Shatner Commercial

[9] DIRECTV debuted another commercial in October 2006, featuring actor William Shatner as Captain James T. Kirk, his character from the popular *Star Trek* television show and film series. The following conversation takes place on the Starship Enterprise:

> Mr. Chekov: Should we raise our shields, Captain?
>
> Captain Kirk: At ease, Mr. Chekov.
>
> Again with the shields. I wish he'd just relax and enjoy the amazing picture clarity of the DIRECTV HD we just hooked up.
>
> With what Starfleet just ponied up for this big screen TV, settling for cable would be illogical.
>
> Mr. Spock: [Clearing throat.]
>
> Captain Kirk: What, I can't use that line?

The original version ended with the announcer saying, "For picture quality that beats cable, you've got to get DIRECTV."

[10] DIRECTV agreed to stop running the Shatner commercial in November 2006. In January 2007, DIRECTV released a revised version of the commercial

("Revised Shatner Commercial") with the revamped tag line, "For an HD picture that can't be beat, get DIRECTV."

3. Internet Advertisements

[11] DIRECTV also waged its campaign in cyberspace, placing banner advertisements on various websites to promote the message that when it comes to picture quality, "source matters." The banner ads have the same basic structure. They open by showing an image that is so highly pixelated that it is impossible to discern what is being depicted. On top of this indistinct image is superimposed the slogan, "SOURCE MATTERS." After about a second, a vertical line splits the screen into two parts, one labeled "OTHER TV" and the other "DIRECTV." On the OTHER TV side of the line, the picture is extremely pixelated and distorted, like the opening image. By contrast, the picture on the DIRECTV side is exceptionally sharp and clear. The DIRECTV screen reveals that what we have been looking at all along is an image of New York Giants quarterback Eli Manning; in another ad, it is a picture of two women snorkeling in tropical waters. The advertisements then invite browsers to "FIND OUT WHY DIRECTV'S picture beats cable" and to "LEARN MORE" about a special offer. In the original design, users who clicked on the "LEARN MORE" icon were automatically directed to the HDTV section of DIRECTV's website.

[12] In addition to the banner advertisements, DIRECTV created a demonstrative advertisement that it featured on its own website. Like the banner ads, the website demonstrative uses the split-screen technique to compare the picture quality of "DIRECTV" to that of "OTHER TV," which the ad later identifies as representing "basic cable," *i.e.,* analog cable. The DIRECTV side of the screen depicts, in high resolution, an image of football player Kevin Dyson making a touchdown at the Super Bowl. The portion of the image on the OTHER TV side is noticeably pixelated and blurry. This visual display is accompanied by the following text: "If you're hooking up your high-definition TV to basic cable, you're not getting the best picture on every channel. For unparalleled clarity, you need DIRECTV HD. You'll enjoy 100% digital picture and sound on every channel and also get the most sports in HD—including all your favorite football games in high definition with NFL SUNDAY TICKET."

PROCEDURAL HISTORY

A. Filing of Action and Stipulation

[13] On December 7, 2006, TWC filed this action charging DIRECTV with, *inter alia,* false advertising in violation of § 43(a) of the Lanham Act. 15 U.S.C. § 1114, *et seq.* Initial negotiations led to the execution of a stipulation, in which DIRECTV agreed that pending final resolution of the action, it would stop running the original versions of the Simpson and Shatner commercials and also disable the link on the banner advertisements that routed customers to the HDTV page of its website. DIRECTV further stipulated that it would not claim in any advertisement, either

directly or by implication, that "the picture quality presently offered by DIRECTV's HDTV service is superior to the picture offered presently by Time Warner Cable's HDTV service, or the present HDTV services of cable television providers in general." Finally, DIRECTV agreed that any breach of the stipulation would result in irreparable harm to TWC. The stipulation contained the caveat, however, that nothing in it "shall be construed to be a finding on the merits of this action." The District Court entered an order on the stipulation on December 12, 2006.

B. Preliminary Injunction Motion

[14] The following week, on December 18, TWC filed a motion for a preliminary injunction against the Revised Simpson Commercial, as well as the banner advertisements and website demonstrative (collectively, "Internet Advertisements"), none of which were specifically covered by the stipulation. TWC claimed that each of these advertisements was literally false, obviating the need for extrinsic evidence of consumer confusion. TWC further argued that as DIRECTV's direct competitor, it was entitled to a presumption of irreparable injury. On January 4, 2007, after discovering that DIRECTV had started running the Revised Shatner Commercial, TWC filed supplemental papers requesting that this commercial also be preliminarily enjoined on literal falsity grounds.

[15] DIRECTV vigorously opposed the motion. It asserted that the Revised Simpson and Shatner Commercials were not literally false because no single statement in the commercials explicitly claimed that DIRECTV HD is superior to cable HD in terms of picture quality. DIRECTV did not deny that the Internet Advertisements' depictions of cable were facially false. Rather, it argued that the Internet Advertisements did not violate the Lanham Act because the images constituted non-actionable puffery. Finally, DIRECTV argued that irreparable harm could not be presumed because none of the contested advertisements identified TWC by name.

C. The District Court's February 5, 2007 Opinion and Order

[16] On February 5, 2007, the District Court issued a decision granting TWC's motion. The District Court determined that TWC had met its burden of showing that each of the challenged advertisements was likely to be proven literally false. Addressing the television commercials, the District Court held that the meaning of particular statements had to be determined in light of the overall context, and not in a vacuum as urged by DIRECTV. Given the commercials' obvious focus on HD picture quality, the District Court found that the Simpson's assertion that a viewer cannot "get the best picture out of some big fancy big screen TV without DIRECTV" and Shatner's quip that "settling for cable would be illogical" could only be understood as making the literally false claim that DIRECTV HD is superior to cable HD in picture quality. *See Time Warner Cable, Inc.,* 475 F.Supp.2d at 305–06. As for the Internet Advertisements, the District Court found that the facially false depictions of

cable's picture quality could not be discounted as mere puffery because it was possible that consumers unfamiliar with HD technology would actually rely on the images in deciding whether to hook up their HD television sets to DIRECTV or analog cable. *See id.* at 306–08.

[17] In assessing irreparable harm *vel non,* the District Court observed that under Second Circuit case law, irreparable harm could be presumed where the movant "demonstrates a likelihood of success in showing literally false defendant's comparative advertisement which mentions plaintiff's product by name." *Id.* at 308 (quoting *Castrol, Inc. v. Quaker State Corp.,* 977 F.2d 57, 62 (2d Cir.1992) (internal quotation marks omitted)). The District Court acknowledged that the Revised Shatner Commercial and the Internet Advertisements did not specifically name TWC, but concluded that a presumption of irreparable harm was nevertheless appropriate because the advertisements made explicit references to "cable," and in the markets where TWC is the franchisee, "cable" is functionally synonymous with "Time Warner Cable." *See id.* As for the Revised Simpson Commercial, the District Court reasoned that although the advertisement did not explicitly reference "cable," irreparable harm should be presumed because "TWC is DIRECTV's main competitor in markets served by TWC." *Id.* The District Court further noted that DIRECTV had breached the stipulation by continuing to run the contested commercials and that this breach also supported a finding of irreparable harm. *See id.* at n. 5.

[18] In accordance with its opinion, the District Court entered a preliminary injunction barring DIRECTV from disseminating, "in any market in which [TWC] provides cable service,"

> (1) the Revised Simpson Commercial and Revised Shatner Commercial, "and any other advertisement disparaging the visual or audio quality of TWC or cable high-definition ("HDTV") programming as compared to that of DIRECTV or satellite HDTV programming"; and
>
> (2) the Internet Advertisements "and any other advertisement making representations that the service provided by Time Warner Cable, or cable service in general, is unwatchable due to blurriness, distortion, pixellation or the like, or inaudible due to static or other interference."

DISCUSSION

[19] A party seeking preliminary injunctive relief must establish: (1) either (a) a likelihood of success on the merits of its case or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in its favor, *and* (2) a likelihood of irreparable harm if the requested relief is denied. *See Coca–Cola Co. v. Tropicana Prods., Inc.,* 690 F.2d 312, 314–15 (2d Cir.1982), *abrogated on other grounds by* Fed.R.Civ.P. 52(a). We review the entry of a preliminary injunction for excess of discretion, which may be found where the district court, in issuing the injunction, relied upon clearly erroneous findings of fact or errors of law. *S.C. Johnson & Son, Inc. v. Clorox Co.,* 241

F.3d 232, 237 (2d Cir.2001). "[T]he district judge's determination of the meaning of the advertisement [is] a finding of fact that shall not be set aside unless clearly erroneous." *Id.* (alterations in original; internal quotation marks omitted); *see also Johnson & Johnson v. GAC Int'l, Inc.,* 862 F.2d 975, 979 (2d Cir.1988) ("*GAC Int'l, Inc.*").

A. Likelihood of Success on the Merits

1. Television Commercials

[20] Section 43(a) of the Lanham Act provides, in pertinent part that:

> Any person who, on or in connection with any goods or services ... uses in commerce ... any ... false or misleading description of fact, or false or misleading representation of fact, which—
>
> ....
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1).

[21] Two different theories of recovery are available to a plaintiff who brings a false advertising action under § 43(a) of the Lanham Act. First, the plaintiff can demonstrate that the challenged advertisement is literally false, *i.e.,* false on its face. *See GAC Int'l, Inc.,* 862 F.2d at 977. When an advertisement is shown to be literally or facially false, consumer deception is presumed, and "the court may grant relief without reference to the advertisement's [actual] impact on the buying public." *Coca–Cola Co.,* 690 F.2d at 317. "This is because plaintiffs alleging a literal falsehood are claiming that a statement, on its face, conflicts with reality, a claim that is best supported by comparing the statement itself with the reality it purports to describe." *Schering Corp. v. Pfizer Inc.,* 189 F.3d 218, 229 (2d Cir.1999).

[22] Alternatively, a plaintiff can show that the advertisement, while not literally false, is nevertheless likely to mislead or confuse consumers. *See Coca–Cola Co.,* 690 F.2d at 317. "[P]laintiffs alleging an implied falsehood are claiming that a statement, whatever its literal truth, has left an impression on the listener [or viewer] that conflicts with reality"—a claim that "invites a comparison of the impression, rather than the statement, with the truth." *Schering Corp.,* 189 F.3d at 229. Therefore, whereas "plaintiffs seeking to establish a literal falsehood must generally show the substance of what is conveyed, ... a district court *must* rely on

extrinsic evidence [of consumer deception or confusion] to support a finding of an implicitly false message." *Id.* (internal quotation marks omitted).[3]

[23] Here, TWC chose to pursue only the first path of literal falsity, and the District Court granted the preliminary injunction against the television commercials on that basis. In this appeal, DIRECTV does not dispute that it would be a misrepresentation to claim that the picture quality of DIRECTV HD is superior to that of cable HD. Rather, it argues that neither commercial explicitly makes such a claim and therefore cannot be literally false.

a. Revised Simpson Commercial

[24] DIRECTV's argument is easily dismissed with respect to the Revised Simpson Commercial. In the critical lines, Simpson tells audiences, "You're just not gonna get the best picture out of some fancy big screen TV without DIRECTV. It's broadcast in 1080i." These statements make the explicit assertion that it is impossible to obtain "the best picture"—*i.e.,* a "1080i"-resolution picture—from any source other than DIRECTV. This claim is flatly untrue; the uncontroverted factual record establishes that viewers can, in fact, get the same "best picture" by ordering HD programming from their cable service provider. We therefore affirm the District Court's determination that the Revised Simpson Commercial's contention "that a viewer cannot 'get the best picture' without DIRECTV is ... likely to be proven literally false." *Time Warner Cable, Inc.,* 475 F.Supp.2d at 306.

b. Revised Shatner Commercial

[25] The issue of whether the Revised Shatner Commercial is likely to be proven literally false requires more analysis. When interpreting the controversial statement, "With what Starfleet just ponied up for this big screen TV, settling for cable would be illogical," the District Court looked not only at that particular text, but also at the surrounding context. In light of Shatner's opening comment extolling the "amazing picture quality of [ ] DIRECTV HD" and the announcer's closing remark highlighting the unbeatable "HD picture" provided by DIRECTV, the District Court found that the line in the middle—"settling for cable would be illogical"—clearly referred to cable's HD picture quality. Since it would only be "illogical" to "settle" for cable's HD picture if it was materially inferior to DIRECTV's HD picture, the District

[3] Under either theory, the plaintiff must also demonstrate that the false or misleading representation involved an inherent or material quality of the product. *See S.C. Johnson & Son, Inc.,* 241 F.3d at 238; *Nat'l Basketball Ass'n v. Motorola, Inc.,* 105 F.3d 841, 855 (2d Cir.1997). TWC has met this requirement, as it is undisputed that picture quality is an inherent and material characteristic of multichannel video service.

Court concluded that TWC was likely to establish that the statement was literally false.

[26] DIRECTV argues that the District Court's ruling was clearly erroneous because the actual statement at issue, "settling for cable would be illogical," does not explicitly compare the picture quality of DIRECTV *HD* with that of cable *HD,* and indeed, does not mention *HD* at all. In DIRECTV's view, the District Court based its determination of literal falsity not on the words actually used, but on what it subjectively perceived to be the general message conveyed by the commercial as a whole. DIRECTV contends that this was plainly improper under this Court's decision in *American Home Products Corp. v. Johnson & Johnson,* 577 F.2d 160 (2d Cir.1978).

[27] TWC, on the other hand, maintains that the District Court properly took context into account in interpreting the commercial, as directed by this Court in *Avis Rent A Car System, Inc. v. Hertz Corp.,* 782 F.2d 381 (2d Cir.1986). TWC argues that under *Avis Rent A Car,* an advertisement can be literally false even though no "combination of words between two punctuation signals" is untrue, if the clear meaning of the statement, considered in context, is false. Given the commercial's repeated references to "HD picture," TWC contends that the District Court correctly found that "settling for cable would be illogical" literally made the false claim that cable's HD picture quality is inferior to DIRECTV's.

[28] To appreciate the parties' dispute, it is necessary to understand the two key cases, *American Home Products* and *Avis Rent A Car.* The *American Home Products* case involved a false advertising claim asserted by McNeil Laboratories, Inc., the manufacturer of Tylenol, against American Home Products Corporation, the manufacturer of the competing drug Anacin. One of the challenged advertisements was a television commercial, in which a spokesman told consumers:

> Your body knows the difference between these pain relievers [showing other products] and Adult Strength Anacin. For pain other than headache Anacin reduces the inflammation that often comes with pain. These do not. Specifically, inflammation of tooth extraction[,] muscle strain[,] backache [,] or if your doctor diagnoses tendonitis [,] neuritis. Anacin reduces that inflammation as Anacin relieves pain fast. These do not. Take Adult Strength Anacin.

Am. Home Prods., 577 F.2d at 163 n. 3 (notations of special effects omitted). Another advertisement, which appeared in national magazines, advised readers:

> Anacin can reduce inflammation that comes with most pain. Tylenol cannot.
>
> With any of these pains, your body knows the difference between the pain reliever in Adult–Strength Anacin and other pain relievers like Tylenol. Anacin can reduce the inflammation that often comes with these pains.
>
> Tylenol cannot. Even Extra–Strength Tylenol cannot. And Anacin relieves pain fast as it reduces inflammation.

Id. at 163 n. 4. The print advertisement visually depicted the aforementioned "pains" as spots located on a human body, correlating to tooth extraction, muscle strain, muscular backache, tendonitis, neuritis, sinusitis, and sprains. *Id.*

[29] To ascertain the meaning of these advertisements, the district court turned to consumer reaction surveys. *See id.* at 163. Based on these surveys, it found that: (1) the television commercial represented that Anacin is a superior pain reliever generally, and not only with reference to the particular conditions enumerated in the commercial or to Anacin's alleged ability to reduce inflammation; (2) the print advertisement claimed that Anacin is a superior analgesic for certain kinds of pain because Anacin can reduce inflammation; and (3) both advertisements represented that Anacin reduces inflammation associated with the conditions specified in the ads. *Id.* at 163–64. The district court determined that the first two claims were factually false. *Id.* at 164. Although the district court did not definitively decide the veracity of the third claim, it reasoned that "because the three claims [were] 'integral and inseparable,' the advertisements as a whole" violated the Lanham Act. *Id.* (internal quotations and citation omitted).

[30] American Home Products appealed, arguing that since the advertisements did not contain an *express* claim for greater analgesia, they could not violate § 43(a), even if consumers mistakenly perceived a different and incorrect meaning. *See id.* This Court disagreed. It first observed that "[§] 43(a) of the Lanham Act encompasses more than literal falsehoods"; implied falsehoods are also prohibited. *Id.* at 165. The Court emphasized, however, that when an advertisement relies on "clever use of innuendo, indirect intimations, and ambiguous suggestions," instead of literally false statements, the truth or falsity of the ad "usually should be tested by the reactions of the public." *Id.* It provided district courts with the following guidance for analyzing a claim of implied falsity:

> A court may, of course, construe and parse the language of the advertisement. It may have personal reactions as to the defensibility or indefensibility of the deliberately manipulated words. It may conclude that the language is far from candid and would never pass muster under tests otherwise applied—for example, the Securities Acts' injunction that "thou shalt disclose"; but the court's reaction is at best not determinative and at worst irrelevant. *The question in such cases is—what does the person to whom the advertisement is addressed find to be the message*?

Id. at 165–66 (quoting *Am. Brands, Inc. v. R.J. Reynolds Tobacco Co.,* 413 F.Supp. 1352, 1357 (S.D.N.Y.1976)).

[31] Applying these principles to the facts of the case, the *American Home Products* Court determined that "the district court's use of consumer response data was proper" because "the claims of both the television commercial and the print advertisement [were] ambiguous." *Id.* at 166. "This obscurity," the Court explained, "[wa]s produced by several references to 'pain' and body sensation accompanying

the assertions that Anacin reduces inflammation." *Id.* Therefore, "[a] reader of or listener to these advertisements could reasonably infer that Anacin is superior to Tylenol in reducing pain generally (Claim One) and in reducing certain kinds of pain (Claim Two)." *Id.* "Given this rather obvious ambiguity," the Court concluded that the district judge "was warranted in examining, and may have been compelled to examine, consumer data to determine first the messages conveyed in order to determine ultimately the truth or falsity of the messages." *Id.* (footnote omitted).

[32] *American Home Products* dealt with a claim of implied falsity. *See id.* at 165 ("We are dealing not with statements which are literally or grammatically untrue.... Rather, we are asked to determine whether a statement acknowledged to be *literally true and grammatically correct nevertheless has a tendency to mislead, confuse or deceive.*" (quoting *Am. Brands, Inc.,* 413 F.Supp. at 1357)). In *Avis Rent A Car,* the false advertising action was premised on a theory of literal, not implied, falsity. In the facts of that case, Avis Rent A Car System, Inc., the self-proclaimed "Number 2" in the car rental business, sued "Number 1" Hertz Corporation over an advertisement that proclaimed, in large bold print, that "**Hertz has more new cars than Avis has cars.**" *Avis Rent A Car,* 782 F.2d at 381–82. Below a picture of mechanics unloading new cars into an airport parking lot, the advertisement went on to explain: "If you'd like to drive some of the newest cars on the road, rent from Hertz. Because we have more new 1984 cars than Avis or anyone else has cars—new or old.... Whether you're renting for business or pleasure, chances are you'll find a domestic or imported car you'll want to drive." *Id.* at 382. At the bottom of the ad was Hertz's slogan, "***The # 1 way to rent a car.***" *Id.*

[33] At the time the advertisement was published, Hertz only had about 97,000 1984 model cars, whereas Avis had a total of approximately 102,000 cars. *See id.* at 383. However, 6776 cars in Avis's fleet were in the process of being sold and were no longer available for rental. *Id.* at 384. Thus, the literal truth or falsity of the claim that "Hertz has more new cars than Avis has cars" turned on whether the statement "referred to the rental fleets or the total fleets of the two companies." *Id.* at 383. The district court found that because the advertisement said "cars," and not "cars for rent," it had to be read as referring to the companies' total fleets and, as such, was literally false. *See id.* at 384.

[34] This Court held that the district court's finding was clearly erroneous. It pointed out that the parties had "made their reputations as companies that *rent* cars, not companies that sell or merely own cars," and that the advertisement had appeared "in publications that would come to the attention of prospective renters, not car buyers or financial analysts." *Id.* at 385. Moreover, the advertisement featured a large picture of an airport rental lot and made three specific references to rentals. *See id.* Taking this context into consideration, the Court concluded that the claim that "Hertz has more new cars than Avis has new cars" could only be understood as referring to the companies' rental fleets. The Court elaborated:

> Fundamental to any task of interpretation is the principle that text must yield to context. Recognizing this, the Supreme Court long ago inveighed against "the tyranny of literalness." In his determination to "go by the written word" and to ignore the context in which the words were used, the district judge in the present case failed to heed the familiar warning of Judge Learned Hand that "[t]here is no surer way to misread any document than to read it literally," as well as his oft-cited admonition that "it is one of the surest indexes of a mature and developed jurisprudence not to make a fortress out of the dictionary."
>
> These and similar invocations against literalness, though delivered most often in connection with statutory and contract interpretation, are relevant to the interpretation of any writing, including advertisements. Thus, we have emphasized that in reviewing FTC actions prohibiting unfair advertising practices under the Federal Trade Commission Act a court must "consider the advertisement in its entirety and not ... engage in disputatious dissection. The entire mosaic should be viewed rather than each tile separately." ... Similar approaches have been taken in Lanham Act cases involving the claim that an advertisement was false on its face.

Id. at 385 (citations omitted).

[35] At first glance, *American Home Products* and *Avis Rent A Car* may appear to conflict. *American Home Products* counsels that when an advertisement is not false on its face, but instead relies on indirect intimations, district courts should look to consumer reaction to determine meaning, and not rest on their subjective impressions of the advertisement as a whole. *Avis Rent A Car,* on the other hand, instructs district courts to consider the overall context of an advertisement to discern its true meaning, and holds that the message conveyed by an advertisement may be viewed as not false in the context of the business at issue, even though the written words are not literally accurate.

[36] On closer reading, however, the two cases can be reconciled. In *American Home Products,* we did not say that context is irrelevant or that courts are myopically bound to the explicit words of an advertisement. Rather, we held that where it is "clear that ... the language of the advertisement[ ] is not unambiguous," the district court should look to consumer response data to resolve the ambiguity. *Am. Home Prods.,* 577 F.2d at 164. In *Avis Rent A Car,* we concluded that there was no ambiguity to resolve because even though the statement, "Hertz has more new cars than Avis has cars," did not expressly qualify the comparison, given the surrounding context, it "unmistakably" referred to the companies' rental fleets. *Avis Rent A Car,* 782 F.2d at 384.

[37] These two cases, read together, compel us to now formally adopt what is known in other circuits as the "false by necessary implication" doctrine. *See, e.g., Scotts Co. v. United Indus. Corp.,* 315 F.3d 264, 274 (4th Cir.2002); *Clorox Co. Puerto*

Rico v. Proctor & Gamble Commercial Co., 228 F.3d 24, 34–35 (1st Cir.2000); *Southland Sod Farms v. Stover Seed Co.,* 108 F.3d 1134, 1139 (9th Cir.1997); *Castrol Inc. v. Pennzoil Co.,* 987 F.2d 939, 946–47 (3d Cir.1993) ("*Pennzoil Co.*").[4] Under this doctrine, a district court evaluating whether an advertisement is literally false "must analyze the message conveyed in full context," *Pennzoil Co.,* 987 F.2d at 946, *i.e.,* it "must consider the advertisement in its entirety and not ... engage in disputatious dissection," *Avis Rent A Car,* 782 F.2d at 385 (internal quotation marks omitted). If the words or images, considered in context, necessarily imply a false message, the advertisement is literally false and no extrinsic evidence of consumer confusion is required. *See Novartis Consumer Health, Inc. v. Johnson & Johnson–Merck Pharm. Co.,* 290 F.3d 578, 586–87 (3d Cir.2002) ("A 'literally false' message may be either explicit or 'conveyed by necessary implication when, considering the advertisement in its entirety, the audience would recognize the claim as readily as if it had been explicitly stated.'" (quoting *Clorox Co. Puerto Rico,* 228 F.3d at 35)). However, "only an *unambiguous* message can be literally false." *Id.* at 587. Therefore, if the language or graphic is susceptible to more than one reasonable interpretation, the advertisement cannot be literally false. *See Scotts Co.,* 315 F.3d at 275 (stating that a literal falsity argument fails if the statement or image "can reasonably be understood as conveying different messages"); *Clorox Co. Puerto Rico,* 228 F.3d at 35 ("[A] factfinder might conclude that the message conveyed by a particular advertisement remains so balanced between several plausible meanings that the claim made by the advertisement is too uncertain to serve as the basis of a literal falsity claim...."). There may still be a "basis for a claim that the advertisement is misleading," *Clorox Co. Puerto Rico,* 228 F.3d at 35, but to resolve such a claim, the district court must look to consumer data to determine what "the person to whom the advertisement is addressed find[s] to be the message," *Am. Home Prods.,* 577 F.2d at 166 (citation omitted). In short, where the advertisement does not unambiguously make a claim, "the court's reaction is at best not determinative and at worst irrelevant." *Id.*

[38] Here, the District Court found that Shatner's assertion that "settling for cable would be illogical," considered in light of the advertisement as a whole, unambiguously made the false claim that cable's HD picture quality is inferior to that of DIRECTV's. We cannot say that this finding was clearly erroneous, especially given that in the immediately preceding line, Shatner praises the "amazing picture clarity of DIRECTV HD." We accordingly affirm the District Court's conclusion that TWC established a likelihood of success on its claim that the Revised Shatner Commercial is literally false.

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[4] Several district courts in this Circuit have already embraced the doctrine. *See, e.g., Johnson & Johnson–Merck Consumer Pharm. Co. v. Procter & Gamble Co.,* 285 F.Supp.2d 389, 391 (S.D.N.Y.2003), *aff'd,* 90 Fed.Appx. 8 (2d Cir.2003); *Tambrands, Inc. v. Warner–Lambert Co.,* 673 F.Supp. 1190, 1193–94 (S.D.N.Y.1987).

2. Internet Advertisements

[39] We have made clear that a district court must examine not only the words, but also the "visual images ... to assess whether [the advertisement] is literally false." *S.C. Johnson & Son, Inc.,* 241 F.3d at 238. It is uncontroverted that the images used in the Internet Advertisements to represent cable are inaccurate depictions of the picture quality provided by cable's digital or analog service. The Internet Advertisements are therefore explicitly and literally false. *See Coca–Cola Co.,* 690 F.2d at 318 (reversing the district court's finding of no literal falsity in an orange juice commercial where "[t]he visual component of the ad makes an explicit representation that Premium Pack is produced by squeezing oranges and pouring the freshly-squeezed juice directly into the carton. This is not a true representation of how the product is prepared. Premium Pack juice is heated and sometimes frozen prior to packaging.").

[40] DIRECTV does not contest this point. Rather, it asserts that the images are so grossly distorted and exaggerated that no reasonable buyer would take them to be accurate depictions "of how a consumer's television picture would look when connected to cable." Consequently, DIRECTV argues, the images are obviously just puffery, which cannot form the basis of a Lanham Act violation. Notably, TWC agrees that no Lanham Act action would lie against an advertisement that was so exaggerated that no reasonable consumer would rely on it in making his or her purchasing decisions. TWC contends, however, that DIRECTV's own evidence—which indicates that consumers are highly confused about HD technology—shows that the Internet Advertisements pose a real danger of consumer reliance.

[41] This Court has had little occasion to explore the concept of puffery in the false advertising context. In *Lipton v. Nature Co.,* 71 F.3d 464 (2d Cir.1995), the one case where we discussed the subject in some depth, we characterized puffery as "[s]ubjective claims about products, which cannot be proven either true or false." *Id.* at 474 (internal quotation marks omitted). We also cited to the Third Circuit's description of puffery in *Pennzoil Co.:* "Puffery is an exaggeration or overstatement expressed in broad, vague, and commendatory language. 'Such sales talk, or puffing, as it is commonly called, is considered to be offered and understood as an expression of the seller's opinion only, which is to be discounted as such by the buyer.... The 'puffing' rule amounts to a seller's privilege to lie his head off, so long as he says nothing specific.'" *Pennzoil Co.,* 987 F.2d at 945 (quoting W. Page Keeton et al., *Prosser and Keeton on the Law of Torts* § 109, at 756–57 (5th ed.1984)). Applying this definition, we concluded that the defendant's contention that he had conducted "thorough" research was just puffery, which was not actionable under the Lanham Act. *See Lipton,* 71 F.3d at 474.

[42] *Lipton*'s and *Pennzoil Co.*'s definition of puffery does not translate well into the world of images. Unlike words, images cannot be vague or broad. *Cf. Pennzoil Co.,* 987 F.2d at 945. To the contrary, visual depictions of a product are generally

"specific and measurable," *id.* at 946, and can therefore "be proven either true or false," *Lipton,* 71 F.3d at 474 (internal quotation marks omitted), as this case demonstrates. Yet, if a visual representation is so grossly exaggerated that no reasonable buyer would take it at face value, there is no danger of consumer deception and hence, no basis for a false advertising claim. *Cf. Johnson & Johnson Merck Consumer Pharm. Co. v. Smithkline Beecham Corp.,* 960 F.2d 294, 298 (2d Cir.1992) ("[T]he injuries redressed in false advertising cases are the result of public deception. Thus, where the plaintiff cannot demonstrate that a statistically significant part of the commercial audience holds the false belief allegedly communicated by the challenged advertisement, the plaintiff cannot establish that it suffered any injury as a result of the advertisement's message. Without injury there can be no claim, regardless of commercial context, prior advertising history, or audience sophistication."); *see also U.S. Healthcare, Inc. v. Blue Cross of Greater Philadelphia,* 898 F.2d 914, 922 (3d Cir.1990) ("Mere puffery, advertising that is not deceptive for no one would rely on its exaggerated claims, is not actionable under § 43(a)." (internal quotation marks omitted)).

[43] Other circuits have recognized that puffery can come in at least two different forms. *See, e.g., Pizza Hut, Inc. v. Papa John's Int'l, Inc.,* 227 F.3d 489, 497 (5th Cir.2000). The first form we identified in *Lipton*—"a general claim of superiority over comparable products that is so vague that it can be understood as nothing more than a mere expression of opinion." *Id.; see Lipton,* 71 F.3d at 474. The second form of puffery, which we did not address in *Lipton,* is "an exaggerated, blustering, and boasting statement upon which no reasonable buyer would be justified in relying." *Pizza Hut, Inc.,* 227 F.3d at 497; *accord United Indus. Corp. v. Clorox Co.,* 140 F.3d 1175, 1180 (8th Cir.1998) ("Puffery is exaggerated advertising, blustering, and boasting upon which no reasonable buyer would rely and is not actionable under § 43(a)." (internal quotation marks omitted)). We believe that this second conception of puffery is a better fit where, as here, the "statement" at issue is expressed not in words, but through images.

[44] The District Court determined that the Internet Advertisements did not satisfy this alternative definition of puffery because DIRECTV's own evidence showed that "many HDTV equipment purchasers are confused as to what image quality to expect when viewing non-HD broadcasts, as their prior experience with the equipment is often limited to viewing HD broadcasts or other digital images on floor model televisions at large retail chains." *Time Warner Cable, Inc.,* 475 F.Supp.2d at 307. Given this confusion, the District Court reasoned that "consumers unfamiliar with HD equipment could be led to believe that using an HD television set with an analog cable feed might result in the sort of distorted images showcased in DIRECTV's Internet Advertisements, especially since those advertisements make reference to 'basic cable.'" *Id.*

[45] Our review of the record persuades us that the District Court clearly erred in rejecting DIRECTV's puffery defense. The "OTHER TV" images in the Internet Advertisements are—to borrow the words of Ronald Boyer, TWC's Senior Network

Engineer—"unwatchably blurry, distorted, and pixelated, and ... nothing like the images a customer would ordinarily see using Time Warner Cable's cable service." Boyer further explained that

> the types of gross distortions shown in DIRECTV's Website Demonstrative and Banner Ads are not the type of disruptions that could naturally happen to an analog or non-HD digital cable picture. These advertisements depict the picture quality of cable television as a series of large colored square blocks, laid out in a grid like graph paper, which nearly entirely obscure the image. This is not the type of wavy or "snowy" picture that might occur from degradation of an unconverted analog cable picture, or the type of macro-blocking or "pixelization" that might occur from degradation of a digital cable picture. Rather, the patchwork of colored blocks that DIRECTV depicts in its advertisement appears to be the type of distortion that would result if someone took a low-resolution photograph and enlarged it too much or zoomed in too close. If DIRECTV intended the advertisement to depict a pixelization problem, this is a gross exaggeration of one.

As Boyer's declaration establishes, the Internet Advertisements' depictions of cable are not just inaccurate; they are not even remotely realistic. It is difficult to imagine that any consumer, whatever the level of sophistication, would actually be fooled by the Internet Advertisements into thinking that cable's picture quality is so poor that the image is "nearly entirely obscure [d]." As DIRECTV states in its brief, "even a person not acquainted with cable would realize TWC could not realistically supply an unwatchably blurry image and survive in the marketplace."

[46] In reaching the contrary conclusion, the District Court relied heavily on the declaration of Jon Gieselman, DIRECTV's Senior Vice–President of Advertising and Public Relations. However, Gieselman merely stated that the common misconception amongst first-time purchasers of HD televisions is that "they will automatically get exceptional clarity on every channel" just by plugging their new television sets into the wall. Nothing in Gieselman's declaration indicates that consumers mistakenly believe that hooking up their HD televisions to an analog cable feed will produce an unwatchably distorted picture. More importantly, the Internet Advertisements do not claim that the "OTHER TV" is an HD television set, or that the corresponding images represent what happens when an HD television is connected to basic cable. The Internet Advertisements simply purport to compare the picture quality of DIRECTV's programming to that of basic cable programming, and as discussed above, the comparison is so obviously hyperbolic that "no reasonable buyer would be justified in relying" on it in navigating the marketplace. *Pizza Hut, Inc.,* 227 F.3d at 497.

[47] For these reasons, we conclude that the District Court exceeded its permissible discretion in preliminarily enjoining DIRECTV from disseminating the Internet Advertisements.

…

3. Misleading Statements and Materiality

Pizza Hut, Inc. v. Papa John's Intern., Inc.
227 F.3d 489 (5th Cir. 2000)

E. GRADY JOLLY, Circuit Judge:

[1] This appeal presents a false advertising claim under section 43(a) of the Lanham Act, resulting in a jury verdict for the plaintiff, Pizza Hut. At the center of this appeal is Papa John's four word slogan "Better Ingredients. Better Pizza."

[2] The appellant, Papa John's International Inc. ("Papa John's"), argues that the slogan "cannot and does not violate the Lanham Act" because it is "not a misrepresentation of fact." The appellee, Pizza Hut, Inc., argues that the slogan, when viewed in the context of Papa John's overall advertising campaign, conveys a false statement of fact actionable under section 43(a) of the Lanham Act. The district court, after evaluating the jury's responses to a series of special interrogatories and denying Papa John's motion for judgment as a matter of law, entered judgment for Pizza Hut stating:

> When the "Better Ingredients. Better Pizza." slogan is considered in light of the entirety of Papa John's post-May 1997 advertising which violated provisions of the Lanham Act and in the context in which it was juxtaposed with the false and misleading statements contained in Papa John's print and broadcast media advertising, the slogan itself became tainted to the extent that its continued use should be enjoined.

We conclude that (1) the slogan, standing alone, is not an objectifiable statement of fact upon which consumers would be justified in relying, and thus not actionable under section 43(a); and (2) while the slogan, when utilized in connection with some of the post-May 1997 comparative advertising—specifically, the sauce and dough campaigns—conveyed objectifiable and misleading facts, Pizza Hut has failed to adduce any evidence demonstrating that the facts conveyed by the slogan were material to the purchasing decisions of the consumers to which the slogan was directed. Thus, the district court erred in denying Papa John's motion for judgment as a matter of law. We therefore reverse the judgment of the district court denying Papa John's motion for judgment as a matter of law, vacate its final judgment, and remand the case to the district court for entry of judgment for Papa John's.

I

A

[3] Pizza Hut is a wholly owned subsidiary of Tricon Global Restaurants. With over 7000 restaurants (both company and franchisee-owned), Pizza Hut is the largest pizza chain in the United States. In 1984, John Schnatter founded Papa John's Pizza in the back of his father's tavern. Papa John's has grown to over 2050 locations, making it the third largest pizza chain in the United States.

[4] In May 1995, Papa John's adopted a new slogan: "Better Ingredients. Better Pizza." In 1996, Papa John's filed for a federal trademark registration for this slogan with the United States Patent & Trademark Office ("PTO"). Its application for registration was ultimately granted by the PTO. Since 1995, Papa John's has invested over $300 million building customer goodwill in its trademark "Better Ingredients. Better Pizza." The slogan has appeared on millions of signs, shirts, menus, pizza boxes, napkins and other items, and has regularly appeared as the "tag line" at the end of Papa John's radio and television ads, or with the company logo in printed advertising.

[5] On May 1, 1997, Pizza Hut launched its "Totally New Pizza" campaign. This campaign was the culmination of "Operation Lightning Bolt," a nine-month, $50 million project in which Pizza Hut declared "war" on poor quality pizza. From the deck of a World War II aircraft carrier, Pizza Hut's president, David Novak, declared "war" on "skimpy, low quality pizza." National ads aired during this campaign touted the "better taste" of Pizza Hut's pizza, and "dared" anyone to find a "better pizza."

[6] In early May 1997, Papa John's launched its first national ad campaign. The campaign was directed towards Pizza Hut, and its "Totally New Pizza" campaign. In a pair of TV ads featuring Pizza Hut's co-founder Frank Carney, Carney touted the superiority of Papa John's pizza over Pizza Hut's pizza. Although Carney had left the pizza business in the 1980's, he returned as a franchisee of Papa John's because he liked the taste of Papa John's pizza better than any other pizza on the market. The ad campaign was remarkably successful. During May 1997, Papa John's sales increased 11.7 percent over May 1996 sales, while Pizza Hut's sales were down 8 percent.

[7] On the heels of the success of the Carney ads, in February 1998, Papa John's launched a second series of ads touting the results of a taste test in which consumers were asked to compare Papa John's and Pizza Hut's pizzas. In the ads, Papa John's boasted that it "won big time" in taste tests. The ads were a response to Pizza Hut's "dare" to find a "better pizza." The taste test showed that consumers preferred Papa John's traditional crust pizzas over Pizza Hut's comparable pizzas by a 16–point margin (58% to 42%). Additionally, consumers preferred Papa John's thin crust pizzas by a fourteen-point margin (57% to 43%).

[8] Following the taste test ads, Papa John's ran a series of ads comparing specific ingredients used in its pizzas with those used by its "competitors." During the course of these ads, Papa John's touted the superiority of its sauce and its dough. During the sauce campaign, Papa John's asserted that its sauce was made from "fresh, vine-ripened tomatoes," which were canned through a process called "fresh pack," while its competitors—including Pizza Hut—make their sauce from remanufactured tomato paste. During the dough campaign, Papa John's stated that it used "clear filtered water" to make its pizza dough, while the "biggest chain" uses "whatever comes out of the tap." Additionally, Papa John's asserted that it gives its yeast "several days to work its magic," while "some folks" use "frozen dough or dough made the same day." At or near the close of each of these ads, Papa John's punctuated its ingredient comparisons with the slogan "Better Ingredients. Better Pizza."

[9] Pizza Hut does not appear to contest the truthfulness of the underlying factual assertions made by Papa John's in the course of these ads. Pizza Hut argues, however, that its own independent taste tests and other "scientific evidence" establishes that filtered water makes no difference in pizza dough, that there is no "taste" difference between Papa John's "fresh-pack" sauce and Pizza Hut's "remanufactured" sauce, and that fresh dough is not superior to frozen dough. In response to Pizza Hut's "scientific evidence," Papa John's asserts that "each of these 'claims' involves a matter of common sense choice (fresh versus frozen, canned vegetables and fruit versus remanufactured paste, and filtered versus unfiltered water) about which individual consumers can and do form preferences every day without 'scientific' or 'expert' assistance."

[10] In November 1997, Pizza Hut filed a complaint regarding Papa John's "Better Ingredients. Better Pizza." advertising campaign with the National Advertising Division of the Better Business Bureau, an industry self-regulatory body. This complaint, however, did not produce satisfactory results for Pizza Hut.

B

[11] On August 12, 1998, Pizza Hut filed a civil action in the United States District Court for the Northern District of Texas charging Papa John's with false advertising in violation of Section 43(a)(1)(B) of the Lanham Act. The suit sought relief based on the above-described TV ad campaigns, as well as on some 249 print ads. On March 10, 1999, Pizza Hut filed an amended complaint. Papa John's

answered the complaints by denying that its advertising and slogan violated the Lanham Act. Additionally, Papa John's asserted a counterclaim, charging Pizza Hut with engaging in false advertising. The parties consented to a jury trial before a United States magistrate judge. The parties further agreed that the liability issues were to be decided by the jury, while the equitable injunction claim and damages award were within the province of the court.

[12] The trial began on October 26, 1999, and continued for over three weeks. At the close of Pizza Hut's case, and at the close of all evidence, Papa John's moved for a judgment as a matter of law. The motions were denied each time. The district court, without objection, submitted the liability issue to the jury through special interrogatories.[1] The special issues submitted to the jury related to (1) the slogan and (2) over Papa John's objection, certain classes of groups of advertisements referred to as "sauce claims," "dough claims," "taste test claims," and "ingredients claims."

[13] On November 17, 1999, the jury returned its responses to the special issues finding that Papa John's slogan, and its "sauce claims" and "dough claims" were false or misleading and deceptive or likely to deceive consumers.[2] The jury

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[1] Although Papa John's did not object to the submission of the issue of Lanham Act liability to the jury via special interrogatories, it did object to the district court's refusal to submit special interrogatories on the essential elements of materiality and injury. Specifically, Papa John's submitted the following proposed jury interrogatories: (1) "Do you find that any false or misleading description or representation of fact in Papa John's Slogan 'Better Ingredients. Better Pizza.' *are material in that they are likely to influence the purchasing decisions of prospective purchasers of pizza?* " (emphasis added); and (2) "Do you find that any facts or misleading descriptions or representations of fact in Papa John's Slogan 'Better Ingredients. Better Pizza.' are likely to cause injury or damage to Pizza Hut in terms of declining sales or loss of good will?" The district court, without issuing written reasons, denied Papa John's request for special jury interrogatories on these two elements of Pizza Hut's prima facie case.

[2] Specifically, the jury answered "Yes" to each of the following interrogatories: (1) Did you find that Papa John's "Better Ingredients. Better Pizza" slogan is false or misleading, and was a false or misleading description or representation of fact which deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed; (2) Did you find that Papa John's "sauce" claims are false or misleading, and was a false or misleading description or representation of fact which deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed; and (3) Did you find that Papa John's "dough" claims are false or misleading, and was a false or misleading description or representation of fact which deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed? Although the jury was

also determined that Papa John's "taste test" ads were not deceptive or likely to deceive consumers, and that Papa John's "ingredients claims" were not false or misleading.[3] As to Papa John's counterclaims against Pizza Hut, the jury found that two of the three Pizza Hut television ads at issue were false or misleading and deceptive or likely to deceive consumers.[4]

[14] On January 3, 2000, the trial court, based upon the jury's verdict and the evidence presented by the parties in support of injunctive relief and on the issue of damages, entered a Final Judgment and issued a Memorandum Opinion and Order. The court concluded that the "Better Ingredients. Better Pizza." slogan was "consistent with the legal definition of non-actionable puffery" from its introduction in 1995 until May 1997. However, the slogan "became tainted ... in light of the entirety of Papa John's post-May 1997 advertising." Based on this conclusion, the magistrate judge permanently enjoined Papa John's from "using any slogan in the future that constitutes a recognizable variation of the phrase 'Better Ingredients. Better Pizza.' or which uses the adjective 'Better' to modify the terms 'ingredients' and/or 'pizza'." Additionally, the court enjoined Papa John's from identifying Frank Carney as a co-founder of Pizza Hut, "unless such advertising includes a voice-over, printed statement or a superimposed message which states that Frank Carney has not been affiliated with Pizza Hut since 1980," and enjoined the dissemination of any advertising that was produced or disseminated prior to the date of this judgment and that explicitly or implicitly states or suggested that "Papa John's component is superior to the same component of Pizza Hut's pizzas." Finally, the court enjoined Papa John's from "explicitly or implicitly claim[ing] that a component of Papa John's pizza is superior to the same component of Pizza Hut's unless the superiority claim is supported by either (1) scientifically demonstrated attributes of superiority or (2) taste test surveys." Additionally, the injunction required that if the claim is supported by taste test surveys, the advertising shall include a printed statement, voice-over or "super," whichever is appropriate, stating the localities

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specifically asked whether the advertisements were likely to deceive consumers, the interrogatories failed to ask whether the deception created by these advertisements was material to the consumers to which the ads were directed—that is, whether consumers actually relied on the misrepresentations in making purchasing decisions.

[3] Specifically, the jury answered "No" to the following interrogatories: (1) Did you find that Papa John's "taste test" commercials are a false or misleading description or representation of fact which deceived or was likely to deceive a substantial number of the consumers to whom the slogan was directed; and (2) Did you find that Papa John's "ingredients" claims are false or misleading? The "ingredients" ads found not to be false or misleading did not include any of the "sauce" or "dough" ads.

[4] Pizza Hut has not sought to appeal the jury's verdict regarding its advertising.

where the tests were conducted, the inclusive dates on which the surveys were performed, and the specific pizza products that were tested. The court also awarded Pizza Hut $467,619.75 in damages for having to run corrective ads.

[15] On January 20, 2000, Papa John's filed a notice of appeal with our court. On January 26, we granted Papa John's motion to stay the district court's injunction pending appeal.

II

[16] We review the district court's denial of a motion for judgment as a matter of law de novo applying the same standards as the district court.… Thus, for purposes of this appeal, we will review the evidence, in the most favorable light to Pizza Hut, to determine if, as a matter of law, it is sufficient to support a claim of false advertising under section 43(a) of the Lanham Act.

III

A

[17] Section 43(a) of the Lanham Act, codified at 15 U.S.C. § 1125, provides in relevant part:

> Any person who ... in commercial advertising or promotion, misrepresents the nature, characteristics, quality, or geographic origin of his or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(B) (West 1999). We have interpreted this section of the Lanham Act as providing "protection against a 'myriad of deceptive commercial practices,' including false advertising or promotion." *Seven–Up Co. v. Coca–Cola Co.,* 86 F.3d 1379, 1387 (5th Cir.1996)(quoting *Resource Developers v. Statue of Liberty–Ellis Island Found.,* 926 F.2d 134, 139 (2d Cir.1991)).

[18] A prima facie case of false advertising under section 43(a) requires the plaintiff to establish:

> (1) A false or misleading statement of fact about a product;
>
> (2) Such statement either deceived, or had the capacity to deceive a substantial segment of potential consumers;
>
> (3) The deception is material, in that it is likely to influence the consumer's purchasing decision;
>
> (4) The product is in interstate commerce; and
>
> (5) The plaintiff has been or is likely to be injured as a result of the statement at issue.

See Taquino v. Teledyne Monarch Rubber, 893 F.2d 1488, 1500 (5th Cir.1990); *Cook, Perkiss and Liehe, Inc. v. Northern Cal. Collection Serv. Inc.,* 911 F.2d 242, 246 (9th Cir.1990); 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition,

§ 27:24 (4th ed.1996). The failure to prove the existence of any element of the prima facie case is fatal to the plaintiff's claim. *Id.*

B

[19] The law governing false advertising claims under section 43(a) of the Lanham Act is well settled. In order to obtain monetary damages or equitable relief in the form of an injunction, "a plaintiff must demonstrate that the commercial advertisement or promotion is either literally false, or that [if the advertisement is not literally false,] it is likely to mislead and confuse consumers." *Seven–Up,* 86 F.3d at 1390 (citing *McNeil–P.C.C., Inc. v. Bristol–Myers Squibb Co.,* 938 F.2d 1544, 1548–49 (2d Cir.1991)); *see also Johnson & Johnson v. Smithkline Beecham Corp.,* 960 F.2d 294, 298 (2d Cir.1992).[5] If the statement is shown to be misleading, the plaintiff must also introduce evidence of the statement's impact on consumers, referred to as materiality. *American Council of Certified Podiatric Physicians and Surgeons v. American Bd. of Podiatric Surgery, Inc.,* 185 F.3d 606, 614 (6th Cir.1999).

(1)

(a)

[20] Essential to any claim under section 43(a) of the Lanham Act is a determination of whether the challenged statement is one of fact—actionable under section 43(a)—or one of general opinion—not actionable under section 43(a). Bald assertions of superiority or general statements of opinion cannot form the basis of Lanham Act liability. *See Presidio Enters., Inc. v. Warner Bros. Distrib. Corp.,* 784 F.2d

[5] When construing the allegedly false or misleading statement to determine if it is actionable under section 43(a), the statement must be viewed in the light of the overall context in which it appears. *See Avis,* 782 F.2d at 385; *Southland,* 108 F.3d at 1139. "Fundamental to any task of interpretation is the principle that text must yield to context." *Avis,* 782 F.2d at 385. Context will often help to determine whether the statement at issue is so overblown and exaggerated that no reasonable consumer would likely rely upon it. As the court in *Federal Express Corporation v. United States Postal Service,* 40 F.Supp.2d 943 (W.D.Tenn.1999), noted:

> On its face, [the statement at issue] does not seem to be the type of vague, general exaggeration which no reasonable person would rely upon in making a purchasing decision. Nevertheless, the determination of whether an advertising statement should be deemed puffery is driven by the context in which the statement is made. Where the context of an advertising statement may lend greater specificity to an otherwise vague representation, the court should not succumb to the temptation to hastily rule a phrase to be unactionable under the Lanham Act.

Id. at 956.

674, 685 (5th Cir.1986); *Groden v. Random House, Inc.,* 61 F.3d 1045, 1051 (2d Cir.1995)(citing Restatement (Third) of Unfair Competition § 3 (1993)). Rather the statements at issue must be a "specific and measurable claim, capable of being proved false or of being reasonably interpreted as a statement of objective fact." *Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co.,* 173 F.3d 725, 731 (9th Cir.1999); *see also American Council,* 185 F.3d at 614(stating that "a Lanham Act claim must be based upon a statement of fact, not of opinion"). As noted by our court in *Presidio:* "[A] statement of fact is one that (1) admits of being adjudged true or false in a way that (2) admits of empirical verification." *Presidio,* 784 F.2d at 679; *see also Southland Sod Farms v. Stover Seed Co.,* 108 F.3d 1134, 1145 (9th Cir.1997)(stating that in order to constitute a statement of fact, a statement must make "a specific and measurable advertisement claim of product superiority").

(b)

[21] One form of non-actionable statements of general opinion under section 43(a) of the Lanham Act has been referred to as "puffery." Puffery has been discussed at some length by other circuits. The Third Circuit has described "puffing" as "advertising that is not deceptive for no one would rely on its exaggerated claims." *U.S. Healthcare, Inc. v. Blue Cross of Greater Philadelphia,* 898 F.2d 914 (3d Cir.1990). Similarly, the Ninth Circuit has defined "puffing" as "exaggerated advertising, blustering and boasting upon which no reasonable buyer would rely and is not actionable under 43(a)." *Southland Sod Farms v. Stover Seed Co.,* 108 F.3d 1134, 1145 (9th Cir.1997) (quoting 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 27.04[4][d] (3d ed.1994)); *see also Cook,* 911 F.2d at 246 (stating that "[p]uffing has been described by most courts as involving outrageous generalized statements, not making specific claims, that are so exaggerated as to preclude reliance by consumers").[6]

[22] These definitions of puffery are consistent with the definitions provided by the leading commentaries in trademark law. A leading authority on unfair competition has defined "puffery" as an "exaggerated advertising, blustering, and boasting upon which no reasonable buyer would rely," or "a general claim of superiority over a comparative product that is so vague, it would be understood as a mere expression of opinion." 4 J. Thomas McCarthy, McCarthy on Trademark and

[6] In the same vein, the Second Circuit has observed that "statements of opinion are generally not the basis for Lanham Act liability." *Groden v. Random House,* 61 F.3d 1045, 1051 (2d Cir.1995). When a statement is "obviously a statement of opinion," it cannot "reasonably be seen as stating or implying provable facts." *Id.* "The Lanham Act does not prohibit false statements generally. It prohibits only false or misleading description or false or misleading representations of fact made about one's own or another's goods or services." *Id.* at 1052.

Unfair Competition § 27.38 (4th ed.1996).[7] Similarly, Prosser and Keeton on Torts defines "puffing" as "a seller's privilege to lie his head off, so long as he says nothing specific, on the theory that no reasonable man would believe him, or that no reasonable man would be influenced by such talk." W. Page Keeton, et al., Prosser and Keeton on the Law of Torts § 109, at 757 (5th ed.1984).

[23] Drawing guidance from the writings of our sister circuits and the leading commentators, we think that non-actionable "puffery" comes in at least two possible forms: (1) an exaggerated, blustering, and boasting statement upon which no reasonable buyer would be justified in relying; or (2) a general claim of superiority over comparable products that is so vague that it can be understood as nothing more than a mere expression of opinion.

(2)

(a)

[24] With respect to materiality, when the statements of fact at issue are shown to be literally false, the plaintiff need not introduce evidence on the issue of the impact the statements had on consumers. *See Castrol, Inc. v. Quaker State Corp.,* 977 F.2d 57, 62 (2d Cir.1992); *Avila v. Rubin,* 84 F.3d 222, 227 (7th Cir.1996). In such a circumstance, the court will assume that the statements actually misled consumers. *See American Council,* 185 F.3d at 614; *Johnson & Johnson, Inc. v. GAC Int'l, Inc.,* 862 F.2d 975, 977 (2d Cir.1988); *U–Haul Inter'l, Inc. v. Jartran, Inc.,* 793 F.2d 1034, 1040 (9th Cir.1986). On the other hand, if the statements at issue are either ambiguous or true but misleading, the plaintiff must present evidence of actual deception. *See American Council,* 185 F.3d at 616; *Smithkline,* 960 F.2d at 297 (stating that when a "plaintiff's theory of recovery is premised upon a claim of implied falsehood, a plaintiff must demonstrate, by extrinsic evidence, that the challenged commercials tend to mislead or confuse"); *Avila,* 84 F.3d at 227. The plaintiff may not rely on the judge or the jury to determine, "based solely upon his or her own intuitive reaction, whether the advertisement is deceptive." *Smithkline,* 960 F.2d at 297. Instead, proof of actual deception requires proof that "consumers were actually deceived by the defendant's ambiguous or true-but-misleading statements." *American Council,* 185 F.3d at 616; *see also Avis Rent A Car Sys., Inc. v. Hertz Corp.,* 782 F.2d 381, 386 (2d Cir.1986)(stating that the plaintiff's claim fails due to its failure to introduce evidence establishing that the public was actually deceived by the statements at issue).

(b)

[25] The type of evidence needed to prove materiality also varies depending on what type of recovery the plaintiff seeks. Plaintiffs looking to recover monetary

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[7] McCarthy on Trademarks goes on to state: "[V]ague advertising claims that one's product is 'better' than that of competitors' can be dismissed as mere puffing that is not actionable as false advertising." 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 27:38 (4th ed.1997).

damages for false or misleading advertising that is not literally false must prove actual deception. *See Balance Dynamics Corp. v. Schmitt Ind.,* 204 F.3d 683, 690 (6th Cir.2000); *Resource Developers,* 926 F.2d at 139. Plaintiffs attempting to prove actual deception have to produce evidence of actual consumer reaction to the challenged advertising or surveys showing that a substantial number of consumers were actually misled by the advertisements. *See, e.g., PPX Enters., Inc. v. Audiofidelity Enters., Inc.,* 818 F.2d 266, 271 (2d Cir.1987) ("Actual consumer confusion often is demonstrated through the use of direct evidence, e.g., testimony from members of the buying public, as well as through circumstantial evidence, e.g., consumer surveys or consumer reaction tests.").

[26] Plaintiffs seeking injunctive relief must prove that defendant's representations "have a tendency to deceive consumers." *Balance Dynamics,* 204 F.3d 683 at 690. *See also Resource Developers,* 926 F.2d at 139; *Blue Dane Simmental Corp. v. American Simmental Assoc.,* 178 F.3d 1035, 1042–43 (8th Cir.1999); *Black Hills Jewelry Mfg. Co. v. Gold Rush, Inc.,* 633 F.2d 746, 753 (8th Cir.1980); 4 McCarty on Trademark and Unfair Competition § 27:36 (4th ed.). Although this standard requires less proof than actual deception, plaintiffs must still produce evidence that the advertisement tends to deceive consumers. *See Coca–Cola Co. v. Tropicana Prod., Inc.,* 690 F.2d 312, 317 (2d Cir.1982) (noting that when seeking a preliminary injunction barring an advertisement that is implicitly false, "its tendency to violate the Lanham Act by misleading, confusing or deceiving should be tested by public reaction"). To prove a tendency to deceive, plaintiffs need to show that at least some consumers were confused by the advertisements. *See, e.g., American Council,* 185 F.3d at 618 ("Although plaintiff need not present consumer surveys or testimony demonstrating actual deception, it must present evidence of some sort demonstrating that consumers were misled.")

IV

[27] We turn now to consider the case before us. Reduced to its essence, the question is whether the evidence, viewed in the most favorable light to Pizza Hut, established that Papa John's slogan "Better Ingredients. Better Pizza." is misleading and violative of section 43(a) of the Lanham Act. In making this determination, we will first consider the slogan "Better Ingredients. Better Pizza." standing alone to determine if it is a statement of fact capable of deceiving a substantial segment of the consuming public to which it was directed. Second, we will determine whether the evidence supports the district court's conclusion that after May 1997, the slogan was tainted, and therefore actionable, as a result of its use in a series of ads comparing specific ingredients used by Papa John's with the ingredients used by its "competitors."

A

[28] The jury concluded that the slogan itself was a "false or misleading" statement of fact, and the district court enjoined its further use. Papa John's argues, however, that this statement "quite simply is not a statement of fact, [but] rather, a

statement of belief or opinion, and an argumentative one at that." Papa John's asserts that because "a statement of fact is either true or false, it is susceptible to being proved or disproved. A statement of opinion or belief, on the other hand, conveys the speaker's state of mind, and even though it may be used to attempt to persuade the listener, it is a subjective communication that may be accepted or rejected, but not proven true or false." Papa John's contends that its slogan "Better Ingredients. Better Pizza." falls into the latter category, and because the phrases "better ingredients" and "better pizza" are not subject to quantifiable measures, the slogan is non-actionable puffery.

[29] We will therefore consider whether the slogan standing alone constitutes a statement of fact under the Lanham Act. Bisecting the slogan "Better Ingredients. Better Pizza.," it is clear that the assertion by Papa John's that it makes a "Better Pizza." is a general statement of opinion regarding the superiority of its product over all others. This simple statement, "Better Pizza.," epitomizes the exaggerated advertising, blustering, and boasting by a manufacturer upon which no consumer would reasonably rely. *See, e.g., In re Boston Beer Co.,* 198 F.3d 1370, 1372 (Fed.Cir.1999)(stating that the phrase "The Best Beer in America" was "trade puffery" and that such a general claim of superiority "should be freely available to all competitors in any given field to refer to their products or services"); *Atari Corp. v. 3D0 Co.,* 1994 WL 723601, *2 (N.D.Cal.1994)(stating that a manufacturer's slogan that its product was "the most advanced home gaming system in the universe" was non-actionable puffery); *Nikkal Indus., Ltd. v. Salton, Inc.,* 735 F.Supp. 1227, 1234 n. 3 (S.D.N.Y.1990)(stating that a manufacturers claim that its ice cream maker was "better" than competition ice cream makers is non-actionable puffery). Consequently, it appears indisputable that Papa John's assertion "Better Pizza." is non-actionable puffery.[8]

[30] Moving next to consider separately the phrase "Better Ingredients.," the same conclusion holds true. Like "Better Pizza.," it is typical puffery. The word "better," when used in this context is unquantifiable. What makes one food ingredient "better" than another comparable ingredient, without further description, is wholly a matter of individual taste or preference not subject to scientific quantification. Indeed, it is difficult to think of any product, or any component of any product, to which the term "better," without more, is quantifiable. As our court stated in *Presidio:*

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[8] It should be noted that Pizza Hut uses the slogan "The Best Pizza Under One Roof." Similarly, other nationwide pizza chains employ slogans touting their pizza as the "best": (1) Domino's Pizza uses the slogan "Nobody Delivers Better."; (2) Danato's uses the slogan "Best Pizza on the Block."; (3) Mr. Gatti's uses the slogan "Best Pizza in Town: Honest!"; and (4) Pizza Inn uses the slogans "Best Pizza Ever." and "The Best Tasting Pizza."

> The law recognizes that a vendor is allowed some latitude in claiming merits of his wares by way of an opinion rather than an absolute guarantee, so long as he hews to the line of rectitude in matters of fact. Opinions are not only the lifestyle of democracy, they are the brag in advertising that has made for the wide dissemination of products that otherwise would never have reached the households of our citizens. If we were to accept the thesis set forth by the appellees, [that all statements by advertisers were statements of fact actionable under the Lanham Act,] the advertising industry would have to be liquidated in short order.

Presidio, 784 F.2d at 685. Thus, it is equally clear that Papa John's assertion that it uses "Better Ingredients." is one of opinion not actionable under the Lanham Act.

[31] Finally, turning to the combination of the two non-actionable phrases as the slogan "Better Ingredients. Better Pizza.," we fail to see how the mere joining of these two statements of opinion could create an actionable statement of fact. Each half of the slogan amounts to little more than an exaggerated opinion of superiority that no consumer would be justified in relying upon. It has not been explained convincingly to us how the combination of the two phrases, without more, changes the essential nature of each phrase so as to make it actionable. We assume that "Better Ingredients." modifies "Better Pizza." and consequently gives some expanded meaning to the phrase "Better Pizza," i.e., our pizza is better because our ingredients are better. Nevertheless, the phrase fails to give "Better Pizza." any more quantifiable meaning. Stated differently, the adjective that continues to describe "pizza" is "better," a term that remains unquantifiable, especially when applied to the sense of taste. Consequently, the slogan as a whole is a statement of non-actionable opinion. Thus, there is no legally sufficient basis to support the jury's finding that the slogan standing alone is a "false or misleading" statement of fact.

B

[32] We next will consider whether the use of the slogan "Better Ingredients. Better Pizza." in connection with a series of comparative ads found by the jury to be misleading—specifically, ads comparing Papa John's sauce and dough with the sauce and dough of its competitors—"tainted" the statement of opinion and made it misleading under section 43(a) of the Lanham Act. Before reaching the ultimate question of whether the slogan is actionable under the Lanham Act, we will first examine the sufficiency of the evidence supporting the jury's conclusion that the comparison ads were misleading.

(1)

[33] After the jury returned its verdict, Papa John's filed a post-verdict motion under Federal Rule of Civil Procedure 50 for a judgment as a matter of law. In denying Papa John's motion, the district court, while apparently recognizing that the slogan "Better Ingredients. Better Pizza." standing alone is non-actionable puffery under the Lanham Act, concluded that after May 1997, the slogan was transformed

as a result of its use in connection with a series of ads that the jury found misleading. These ads had compared specific ingredients used by Papa John's with the ingredients used by its competitors.[9] In essence, the district court held that the comparison ads in which the slogan appeared as the tag line gave objective, quantifiable, and fact-specific meaning to the slogan. Consequently, the court concluded that the slogan was misleading and actionable under section 43(a) of the Lanham Act and enjoined its further use.

(2)

[34] We are obligated to accept the findings of the jury unless the facts point so overwhelmingly in favor of one party that no reasonable person could arrive at a different conclusion. *See Scottish Heritable Trust v. Peat Marwick Main & Co.,* 81 F.3d 606, 610 (5th Cir.1996). In examining the record evidence, we must view it the way that is most favorable to upholding the verdict. *See Hiltgen v. Sumrall,* 47 F.3d 695, 700 (5th Cir.1995). Viewed in this light, it is clear that there is sufficient evidence to support the jury's conclusion that the sauce and dough ads were misleading statements of fact actionable under the Lanham Act.

[35] Turning first to the sauce ads, the evidence establishes that despite the differences in the methods used to produce their competing sauces: (1) the primary ingredient in both Pizza Hut and Papa John's sauce is vine-ripened tomatoes; (2) at the point that the competing sauces are placed on the pizza, just prior to putting the pies into the oven for cooking, the consistency and water content of the sauces are essentially identical; and (3) as noted by the district court, at no time "prior to the close of the liability phase of trial was any credible evidence presented [by Papa John's] to demonstrate the existence of demonstrable differences" in the competing sauces. Consequently, the district court was correct in concluding that: "Without any

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[9] In its memorandum opinion addressing Papa John's post-verdict Rule 50 motion, the court stated:

> Although Papa John's started in May 1995 with a slogan which was essentially ambiguous and self-laudatory, consistent with the legal definition of non-actionable puffery, Papa John's deliberately and intentionally exploited its slogan as a centerpiece of its subsequent advertising campaign after May 1997 which falsely portrayed Papa Johns's tomato sauce and pizza dough as being superior to the sauce and dough components used in Pizza Hut's pizza products. When the "Better Ingredients. Better Pizza." slogan is considered in light of the entirety of Papa John's post-May 1997 advertising which violated the provisions of the Lanham Act and in the context in which it was juxtaposed with the false and misleading statements contained in Papa John's print and broadcast media advertising, the slogan itself became tainted to the extent that its continued use should be enjoined.

scientific support or properly conducted taste preference test, by the written and/or oral negative connotations conveyed that pizza made from tomato paste concentrate is inferior to the 'fresh pack' method used by Papa John's, its sauce advertisements conveyed an impression which is misleading....” Turning our focus to the dough ads, while the evidence clearly established that Papa John's and Pizza Hut employ different methods in making their pizza dough, again, the evidence established that there is no quantifiable difference between pizza dough produced through the “cold or slow-fermentation method” (used by Papa John's), or the “frozen dough method” (used by Pizza Hut).[10] Further, although there is some evidence indicating that the texture of the dough used by Papa John's and Pizza Hut is slightly different, this difference is not related to the manufacturing process used to produce the dough. Instead, it is due to a difference in the wheat used to make the dough. Finally, with respect to the differences in the pizza dough resulting from the use of filtered water as opposed to tap water, the evidence was sufficient for the jury to conclude that there is no quantifiable difference between dough produced with tap water, as opposed to dough produced with filtered water.

[36] We should note again that Pizza Hut does not contest the truthfulness of the underlying factual assertions made by Papa John's in the course of the sauce and dough ads. Pizza Hut concedes that it uses “remanufactured” tomato sauce to make its pizza sauce, while Papa John's uses “fresh-pack.” Further, in regard to the dough, Pizza Hut concedes the truth of the assertion that it uses tap water in making its pizza dough, which is often frozen, while Papa John's uses filtered water to make its dough, which is fresh—never frozen. Consequently, because Pizza Hut does not contest the factual basis of Papa John's factual assertions, such assertions cannot be found to be factually false, but only impliedly false or misleading.

[37] Thus, we conclude by saying that although the ads were true about the ingredients Papa John's used, it is clear that there was sufficient evidence in the record to support the jury's conclusion that Papa John's sauce and dough ads were misleading—but not false—in their suggestion that Papa John's ingredients were superior.

(3)

[38] Thus, having concluded that the record supports a finding that the sauce and dough ads are misleading statements of fact, we must now determine whether the district court was correct in concluding that the use of the slogan “Better Ingredients. Better Pizza.” in conjunction with these misleading ads gave quantifiable meaning to the slogan making a general statement of opinion misleading within the meaning of the Lanham Act.

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[10] The testimony of Pizza Hut's expert, Dr. Faubion, established that although consumers stated a preference for fresh dough rather than frozen dough, when taste tests were conducted, respondents were unable to distinguish between pizza made on fresh as opposed to frozen dough.

[39] In support of the district court's conclusion that the slogan was transformed, Pizza Hut argues that "in construing any advertising statement, the statement must be considered in the overall context in which it appears." Building on the foundation of this basic legal principle, *see Avis,* 782 F.2d at 385, Pizza Hut argues that "[t]he context in which Papa John's slogan must be viewed is the 2 1/2 year campaign during which its advertising served as 'chapters' to demonstrate the truth of the 'Better Ingredients. Better Pizza.' book." Pizza Hut argues, that because Papa John's gave consumers specific facts supporting its assertion that its sauce and dough are "better"—specific facts that the evidence, when viewed in the light most favorable to the verdict, are irrelevant in making a better pizza—Papa John's statement of opinion that it made a "Better Pizza" became misleading. In essence, Pizza Hut argues, that by using the slogan "Better Ingredients. Better Pizza." in combination with the ads comparing Papa John's sauce and dough with the sauce and dough of its competitions, Papa John's gave quantifiable meaning to the word "Better" rendering it actionable under section 43(a) of the Lanham Act.

[40] We agree that the message communicated by the slogan "Better Ingredients. Better Pizza." is expanded and given additional meaning when it is used as the tag line in the misleading sauce and dough ads. The slogan, when used in combination with the comparison ads, gives consumers two fact-specific reasons why Papa John's ingredients are "better." Consequently, a reasonable consumer would understand the slogan, *when considered in the context of the comparison ads,* as conveying the following message: Papa John's uses "better ingredients," which produces a "better pizza" because Papa John's uses "fresh-pack" tomatoes, fresh dough, and filtered water. In short, Papa John's has given definition to the word "better." Thus, when the slogan is used in this context, it is no longer mere opinion, but rather takes on the characteristics of a statement of fact. When used in the context of the sauce and dough ads, the slogan is misleading for the same reasons we have earlier discussed in connection with the sauce and dough ads.[11]

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[11] The judgment of the district court enjoining the future use by Papa John's of the slogan "Better Ingredients. Better Pizza." did not simply bar Papa John's use of the slogan in future ads comparing its sauce and dough with that of its competitors. Rather, the injunction permanently enjoined any future use of the slogan "in association with the sale, promotion and/or identification of pizza products sold under the Papa John's name." Further, the injunction precluded Papa John's from using the "adjective 'better' to modify the terms 'ingredients' and/or 'pizza.' " While it is clear that the jury did not make any finding to support such a broad injunction, and Pizza Hut offered no survey evidence indicating how potential consumers viewed the slogan, the district court concluded that the evidence established that

> Papa John's deliberately and intentionally exploited its slogan as a centerpiece of its subsequent advertising campaign after May 1997 which falsely portrayed Papa John's tomato sauce and pizza dough as

(4)

[41] Concluding that when the slogan was used as the tag line in the sauce and dough ads it became misleading, we must now determine whether reasonable consumers would have a tendency to rely on this misleading statement of fact in making their purchasing decisions. We conclude that Pizza Hut has failed to adduce evidence establishing that the misleading statement of fact conveyed by the ads and the slogan was material to the consumers to which the slogan was directed. Consequently, because such evidence of materiality is necessary to establish liability under the Lanham Act, the district court erred in denying Papa John's motion for judgment as a matter of law.

[42] As previously discussed, none of the underlying facts supporting Papa John's claims of ingredient superiority made in connection with the slogan were literally false. Consequently, in order to satisfy its prima facie case, Pizza Hut was required to submit evidence establishing that the impliedly false or misleading statements were material to, that is, they had a tendency to influence the purchasing decisions of, the consumers to which they were directed.[12] *See American Council,*

> being superior to the sauce and dough components used in Pizza Hut's products.... [Thus,] the slogan itself became tainted to the extent that its continued use should be enjoined.

Our review of the record convinces us that there is simply no evidence to support the district court's conclusion that the slogan was irreparably tainted as a result of its use in the misleading comparison sauce and dough ads. At issue in this case were some 249 print ads and 29 television commercials. After a thorough review of the record, we liberally construe eight print ads to be sauce ads, six print ads to be dough ads, and six print ads to be both sauce and dough ads. Further, we liberally construe nine television commercials to be sauce ads and two television commercials to be dough ads. Consequently, out of a total of 278 print and television ads, the slogan appeared in only 31 ads that could be liberally construed to be misleading sauce or dough ads.

We find simply no evidence, survey or otherwise, to support the district court's conclusion that the advertisements that the jury found misleading—ads that constituted only a small fraction of Papa John's use of the slogan—somehow had become encoded in the minds of consumers such that the mention of the slogan reflectively brought to mind the misleading statements conveyed by the sauce and dough ads. Thus, based on the record before us, Pizza Hut has failed to offer sufficient evidence to support the district court's conclusion that the slogan had become forever "tainted" by its use as the tag line in the handful of misleading comparison ads.

[12] Since Pizza Hut sought only equitable relief and no monetary damages, it was required to offer evidence sufficient to establish that the claims made by Papa John's

185 F.3d at 614 (stating that "a plaintiff relying upon statements that are literally true yet misleading cannot obtain relief by arguing how consumers could react; it must show how consumers actually do react"); *Smithkline,* 960 F.2d at 298; *Sandoz Pharm. Corp. v. Richardson–Vicks, Inc.,* 902 F.2d 222, 228–29 (3d Cir.1990); *Avis,* 782 F.2d at 386; *see also* 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 27:35 (4th ed.1997)(stating that the "[p]laintiff must make some showing that the defendant's misrepresentation was 'material' in the sense that it would have some effect on consumers' purchasing decision").[13] We conclude that the evidence proffered by Pizza Hut fails to make an adequate showing.

[43] In its appellate brief and during the course of oral argument, Pizza Hut directs our attention to three items of evidence in the record that it asserts establishes materiality to consumers. First, Pizza Hut points to the results of a survey conducted by an "independent expert" (Dr. Dupont) regarding the use of the slogan "Better Ingredients. Better Pizza." as written on Papa John's pizza box (the box survey). The results of the box survey, however, were excluded by the district court.[14] Consequently, these survey results provide no basis for the jury's finding.

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had the "*tendency to deceive consumers,*" rather than evidence indicating that the claims made by Papa John's *actually deceived consumers. American Council,* 185 F.3d at 606; *see also Balance Dynamics,* 204 F.3d at 690 (emphasis added).

[13] In *Johnson & Johnson v. Smithkline Beecham Corp.,* 960 F.2d 294 (2d Cir.1992), the Second Circuit discussed this requirement in some detail:

> Where, as here, a plaintiff's theory of recovery is premised upon a claim of implied falsehood, a plaintiff must demonstrate, by extrinsic evidence, that the challenged commercials tend to mislead or confuse consumers. It is not for the judge to determine, based solely upon his or her own intuitive reaction whether the advertisement is deceptive. Rather, as we have reiterated in the past, "the question in such cases is—what does the person to whom the advertisement is addressed find to be the message?" That is, what does the public perceive the message to be.
>
> The answer to this question is pivotal because, where the advertisement is literally true, it is often the only measure by which a court can determine whether a commercial's net communicative effect is misleading. Thus, the success of a plaintiff's implied falsity claim usually turns on the persuasiveness of a consumer survey.

Id. at 287–98.

[14] Pizza Hut has not sought review on appeal of the district court's ruling that the results of the box survey were inadmissible.

[44] Second, Pizza Hut points to two additional surveys conducted by Dr. Dupont that attempted to measure consumer perception of Papa John's "taste test" ads. This survey evidence, however, fails to address Pizza Hut's claim of materiality with respect to the slogan. Moreover, the jury rejected Pizza Hut's claims of deception with regard to Papa John's "taste test" ads—the very ads at issue in these surveys.

[45] Finally, Pizza Hut attempts to rely on Papa John's own tracking studies and on the alleged subjective intent of Papa John's executives "to create a perception that Papa John's in fact uses better ingredients" to demonstrate materiality. Although Papa John's 1998 Awareness, Usage & Attitude Tracking Study showed that 48% of the respondents believe that "Papa John's has better ingredients than other national pizza chains," the study failed to indicate whether the conclusions resulted from the advertisements at issue, or from personal eating experiences, or from a combination of both. Consequently, the results of this study are not reliable or probative to test whether the slogan was material. Further, Pizza Hut provides no precedent, and we are aware of none, that stands for the proposition that the subjective intent of the defendant's corporate executives to convey a particular message is evidence of the fact that consumers in fact relied on the message to make their purchases. Thus, this evidence does not address the ultimate issue of materiality.

[46] In short, Pizza Hut has failed to offer probative evidence on whether the misleading facts conveyed by Papa John's through its slogan were material to consumers: that is to say, there is no evidence demonstrating that the slogan had the tendency to deceive consumers so as to affect their purchasing decisions. *See American Council,* 185 F.3d at 614; *Blue Dane,* 178 F.3d at 1042–43; *Sandoz Pharm. Corp. v. Richardson–Vicks, Inc.,* 902 F.2d 222, 228–29 (3d Cir.1990). Thus, the district court erred in denying Papa John's motion for judgment as a matter of law.

[47] Additionally, we note that the district court erred in requiring Papa John's to modify the Carney ads and the taste test ads. The Carney ads were removed from the jury's consideration by Pizza Hut, and the jury expressly concluded that the taste test ads were not actionable under section 43(a) of the Lanham Act. Thus, the district court, lacking the necessary factual predicate, abused its discretion in ordering Papa John's to modify these ads.

V

[48] In sum, we hold that the slogan "Better Ingredients. Better Pizza." standing alone is not an objectifiable statement of fact upon which consumers would be justified in relying. Thus, it does not constitute a false or misleading statement of fact actionable under section 43(a) of the Lanham Act.

[49] Additionally, while the slogan, when appearing in the context of some of the post-May 1997 comparative advertising—specifically, the sauce and dough campaigns—was given objectifiable meaning and thus became misleading and actionable, Pizza Hut has failed to adduce sufficient evidence establishing that the

misleading facts conveyed by the slogan were material to the consumers to which it was directed. Thus, Pizza Hut failed to produce evidence of a Lanham Act violation, and the district court erred in denying Papa John's motion for judgment as a matter of law.

[50] Therefore, the judgment of the district court denying Papa John's motion for judgment as a matter of law is REVERSED; the final judgment of the district court is VACATED; and the case is REMANDED for entry of judgment for Papa John's.

REVERSED, VACATED, and REMANDED with instructions.

4. Substantiation

a. Establishment Claims

Castrol Inc. v. Quaker State Corp.
977 F.2d 57 (2d Cir. 1992)

WALKER, Circuit Judge:

[1] A Quaker State television commercial asserts that “tests prove” its 10W–30 motor oil provides better protection against engine wear at start-up. In a thoughtful opinion reported at 1992 WL 47981 (S.D.N.Y. March 2, 1992), the United States District Court for the Southern District of New York (Charles S. Haight, *Judge*) held that plaintiff-appellee Castrol, Inc. (“Castrol”) had proven this advertised claim literally false pursuant to § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1988). The district court issued a March 20, 1992 Order preliminarily enjoining defendants-appellants Quaker State Corporation, Quaker State Oil Refining Corporation, and Grey Advertising Inc., (“Quaker State”), from airing the commercial. We agree that Castrol has shown a likelihood of success in proving the commercial literally false. We accordingly affirm.

BACKGROUND

[2] Judge Haight's March 2, 1992 opinion thoroughly recites the facts of this case. We describe only those facts essential to the disposition of this appeal.

The voiceover to Quaker State's 10W–30 motor oil commercial states:

> Warning: Up to half of all engine wear can happen when you start your car.
>
> At this critical time, tests prove Quaker State 10W–30 protects better than any other leading 10W–30 motor oil.
>
> In an overwhelming majority of engine tests, Quaker State 10W–30 flowed faster to all vital parts. In all size engines tested, Quaker State protected faster, so it protected better.
>
> Get the best protection against start up wear. Today's Quaker State! It's one tough motor oil.

[3] Visually, the commercial begins with a man entering a car and then shows a bottle of Quaker State 10W–30 motor oil. Large, block letters, superimposed over the bottle, "crawl" across the screen with the words:

> AT START UP QUAKER STATE 10W–30 PROTECTS BETTER THAN ANY OTHER LEADING 10W–30 MOTOR OIL.

Originally, this "crawl" used the words "tests prove" instead of "at start up," but shortly after the filing of the current lawsuit Quaker State revised the message. The commercial then shows an engine, superimposed over which are bottles of Quaker State and four competing motor oils (including Castrol GTX 10W–30) and a bar graph depicting the speed with which each oil flowed to components of a Chrysler engine. The Quaker State bar is higher than all four competitors indicating that it flowed faster. The commercial closes with the words: "ONE TOUGH MOTOR OIL."

[4] Polymethacrylate or "PMA," an additive intended to quicken oil flow to engine parts, is the source of Quaker State's superiority claim. The competitors listed in its commercial use olefin copolymer or "OCP," another additive. Two laboratory tests, the first run in 1987 and the second in 1991, have compared Quaker State's PMA–based oil with competing OCP–based oils. Rohm and Haas, the Pennsylvania corporation which manufactures PMA, conducted both tests.

[5] Rohm and Haas' 1987 tests measured two performance indicators: "oiling time," or the time it takes for oil to reach distant parts in a just-started engine, and engine wear, measured through the amount of metal debris observed in the oil after the engine had run. Rohm and Haas technicians filled engines, in all other respects similar, with either Quaker State's PMA–based 10W–30 oil, or with a generic OCP–based oil known as "Texstar." During numerous engine starts, Quaker State's oil demonstrated a substantially faster oiling time, reaching distant engine parts as much as 100 seconds earlier than the Texstar competitor. Contrary to expectations, however, this did not translate into reduced engine wear. A Rohm and Haas report stated that "[a]fter 64 starts ... the Quaker State oil gave marginally better results, but there was no significant difference in wear metals accumulation between the two oils."

[6] Rohm and Haas initially attributed the poor engine wear results to the presence of "residual oil" remaining from the prior engine starts. They theorized that this oil might be lubricating the engine in the period between ignition and arrival of the new oil, and so might be preventing the faster flowing Quaker State oil from demonstrating better protection that is statistically significant. To address this, they conducted additional engine starts with a warm-up between each run so as to burn off the residual oil. The Rohm and Haas report, however, concluded that "[w]ear metals analysis for this test cycle also failed to differentiate significantly between the two oils...." Thus, while the 1987 Rohm and Haas tests demonstrated faster oil flow, they could not prove better protection against engine wear that is statistically significant.

[7] The 1991 Rohm and Haas tests compared Quaker State's oiling time with that of four leading OCP–based competitors, including Castrol GTX 10W–30. Again, Quaker State's PMA–based oil flowed significantly faster to engine parts. Using a 1991 2.2 liter Chrysler engine with a sump temperature of minus 20 degrees Fahrenheit, for example, the Quaker State oiling time was 345 seconds, as compared to the competing oils' times of 430, 430, 505 and 510 seconds. In the 1991 tests, as opposed to the 1987 studies, Rohm and Haas made no attempt to measure whether this faster oiling time resulted in reduced engine wear.

[8] Quaker State broadcast their commercial in November, 1991. On December 19, 1991, Castrol initiated the present action. Castrol asserted that no studies supported the commercial's claim that "tests prove" Quaker State's oil provides better protection, and that this claim of test-proven superiority constituted false advertising. It sought preliminary and permanent injunctive relief and damages pursuant to § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), New York General Business Law §§ 349, 350, and common law unfair competition.

[9] At the hearing on the motion for a preliminary injunction, Quaker State relied on the Rohm and Haas tests. It argued that the Rohm and Haas oiling time findings support the advertised claim of better protection because oil which flows faster to engine parts necessarily protects them better. Dr. Elmer Klaus, Quaker State's sole expert witness, explained this "faster means better" theory as follows: Prior to start-up "the metal parts [of an engine] are not separated by a film of oil. The solid members are sitting on each other," a condition referred to as "boundary lubrication." Upon ignition, engine wear begins to occur. Soon, however, the movement of the parts generates a film of lubrication from the "residual oil" remaining from a prior running of the engine and engine wear ceases. But the heat of the running engine thins the residual oil which can no longer keep the parts sufficiently apart. The engine returns to a condition of boundary lubrication and wear again occurs until the arrival of the new oil. Dr. Klaus concluded that the faster the new oil flows to the engine parts, the better job it does of minimizing this second period of boundary lubrication. Faster oil flow, therefore, means better protection.

[10] Castrol's three experts focused on the role of residual oil. They testified that the small amount of residual oil left from a prior running of an engine provides more than adequate lubrication at the next start-up. Moreover, they asserted that this residual oil remains functional for a significant period of time so that both PMA–based and OCP–based 10W–30 motor oils reach the engine parts *before* this residual oil burns off. Thus, they maintained, there is no second boundary lubrication period and Quaker State's faster oiling time is irrelevant to engine wear.

[11] Castrol's experts supported their residual oil theory with a Rohm and Haas videotape, produced in the course of its tests, which shows the residual oil present on the cam lobe interface of a Chrysler 2.2 liter engine. Dr. Hoult, who narrated the tape for the court, explained that "as the film goes on the lubricant there will never go away[,] which means it's lubricated throughout the starting process and that's

the basic reason that the time for the replenishment oil to reach these parts is not related to wear[,] because the parts have already lubricated okay."

[12] The experts also cited the near absence of catastrophic engine failure since the imposition of mandatory "pumpability" standards, known as "J300" standards, in the early 1980's. Pumpability refers to the ease with which the pump can spread oil throughout the engine. As pumpability increases, oiling times decrease. Prior to the J300 standards, certain oils became unpumpable in cold weather. This, the experts testified, caused engines to suffer catastrophic failure within a "fraction" of a second after the residual oil had burned off. The J300 standards, however, required increased pumpability and have virtually eradicated reported cases of engine failure. The experts inferred that all 10W–30 oils, which are required to meet the J300 standards, must therefore be reaching the engine before the residual oil burns off. At best, there is only a "fraction" of a second between residual oil burn-off and catastrophic failure during which a faster flowing oil could conceivably reduce engine wear.

[13] The district court assessed the parties' conflicting testimony in its March 2, 1991 opinion. Judge Haight found Dr. Klaus' testimony lacking in credibility because

> [Dr. Klaus'] current research programs at Pennsylvania State University are funded in significant part by Quaker State or an industry association to which Quaker State belongs. Klaus arrived at his opinions not on the basis of independent research but by digesting technical papers furnished to him by Quaker State and Rohm and Haas in preparation for his testimony; and he acknowledged that he reached his conclusion concerning Quaker State's better protection before even being made aware of the contrary 1987 Rohm and Haas tests.

Judge Haight credited the testimony of Castrol's three experts. In addition, he found their testimony corroborated by three key facts: (1) the failure of the 1987 Rohm and Haas tests to demonstrate reduced engine wear; (2) the Rohm and Haas technician's 1987 hypothesis that the presence of residual oil might be the reason for the failure to show better engine wear protection that is statistically significant; and (3) the virtual disappearance of catastrophic engine failure following the imposition of the J300 standards. Judge Haight accordingly "accept[ed]" the residual oil theory put forth by these experts. The court explained that an engine is like "a fort besieged by an encircling and encroaching enemy." The enemy is engine wear; the fort's supplies are residual oil; and a relief column on its way to reinforce the fort is the new oil. "If that relief column does not reach the bearing surfaces before the residual oil is burned away, the engine will suffer not only wear but catastrophic failure.... [T]he Quaker State commercial is false because the evidence shows that during the time differentials demonstrated by the [Rohm and Haas] oiling tests, residual oil holds the fort."

[14] Judge Haight concluded that because residual oil "holds the fort," Rohm and Haas' faster oiling time findings did not necessarily prove better protection. He

consequently held that "Castrol has established the likelihood of proving at trial the falsity of Quaker State's claim that tests prove its oil protects better against start-up engine wear." On March 20, 1992, 1992 WL 73569 the district court entered an Order granting preliminary injunctive relief. Quaker State appeals.

DISCUSSION

[15] A party seeking preliminary injunctive relief must show (a) that it will suffer irreparable harm if relief is denied, and (b) either (1) a likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them fair ground for litigation and a balance of hardships tipping decidedly in plaintiff's favor. *See Procter & Gamble Co. v. Chesebrough–Pond's, Inc.,* 747 F.2d 114, 118 (2d Cir.1984); *Coca–Cola Co. v. Tropicana Prods., Inc.,* 690 F.2d 312, 314–15 (2d Cir.1982); *United States v. Siemens Corp.,* 621 F.2d 499, 505 (2d Cir.1980). We will presume irreparable harm where plaintiff demonstrates a likelihood of success in showing literally false defendant's comparative advertisement which mentions plaintiff's product by name. *See McNeilab, Inc. v. American Home Products Corp.,* 848 F.2d 34, 38 (2d Cir.1988); *Nester's Map & Guide Corp. v. Hagstrom Map Co.,* 760 F.Supp. 36, 36 (E.D.N.Y.1991); *Valu Eng'g, Inc. v. Nolu Plastics, Inc.,* 732 F.Supp. 1024, 1025 (N.D.Cal.1990).

[16] Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1988), pursuant to which Castrol brings this false advertising claim, provides that

> Any person who, on or in connection with any goods or services ... uses in commerce any ... false or misleading description of fact, or false or misleading representation of fact, which—
>
> * * * * * *
>
> (2) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

To succeed under § 43(a), a plaintiff must demonstrate that "an advertisement is either literally false or that the advertisement, though literally true, is likely to mislead and confuse consumers.... Where the advertising claim is shown to be literally false, the court may enjoin the use of the claim 'without reference to the advertisement's impact on the buying public.'" *McNeil–P.C.C., Inc. v. Bristol–Myers Squibb Co.,* 938 F.2d 1544, 1549 (2d Cir.1991) (quoting *Coca–Cola,* 690 F.2d at 317) (citations omitted). Here, Castrol contends that the challenged advertisement is literally false. It bears the burden of proving this to a "likelihood of success" standard.

[17] As we have on two occasions explained, plaintiff bears a different burden in proving literally false the advertised claim that tests prove defendant's product

superior, than it does in proving the falsity of a superiority claim which makes no mention of tests. In *Procter & Gamble Co. v. Chesebrough–Pond's, Inc.,* 747 F.2d 114 (2d Cir.1984), for example, Chesebrough alleged the literal falsity of Procter's advertised claim that "clinical tests" proved its product superior. *Id.* at 116. Procter, in return, challenged as literally false a Chesebrough commercial which, making no mention of tests, asserted that its lotion was equal in effectiveness to any leading brand. *Id.* We explained that in order to prove literally false Procter's claim of "test-proven superiority," Chesebrough bore the burden of "showing that the tests referred to by P & G were not sufficiently reliable to permit one to conclude with reasonable certainty that they established the proposition for which they were cited." *Id.* at 119. We held that Procter could prove false Chesebrough's advertisement, however, "only upon adducing evidence" that affirmatively showed Chesebrough's claim of parity to be false. *Id.*

[18] We drew this same distinction in *McNeil–P.C.C., Inc. v. Bristol–Myers Squibb Co.,* 938 F.2d 1544 (2d Cir.1991). Bristol–Myers initially advertised to trade professionals that "clinical studies" had shown its analgesic provided better relief than McNeil's. *Id.* at 1546. Bristol–Myers' later televised commercial made the product superiority claim but "did not refer to clinical studies." *Id.* We held that, with respect to the initial trade advertising, "McNeil could ... meet its burden of proof by demonstrating that these studies did not establish that AF Excedrin provided superior pain relief." *Id.* at 1549. With respect to the televised commercial, however, McNeil bore the burden of generating "scientific proof that the challenged advertisement was false." *Id.*

[19] A plaintiff's burden in proving literal falsity thus varies depending on the nature of the challenged advertisement. Where the defendant's advertisement claims that its product is superior, plaintiff must affirmatively prove defendant's product equal or inferior. Where, as in the current case, defendant's ad explicitly or implicitly represents that tests or studies prove its product superior, plaintiff satisfies its burden by showing that the tests did not establish the proposition for which they were cited. *McNeil,* 938 F.2d at 1549. We have held that a plaintiff can meet this burden by demonstrating that the tests were not sufficiently reliable to permit a conclusion that the product is superior. *Procter,* 747 F.2d at 119; *see also Alpo Petfoods, Inc. v. Ralston Purina Co.,* 720 F.Supp. 194, 213 (D.D.C.1989), *aff'd in part and rev'd in part on other grounds,* 913 F.2d 958 (D.C.Cir.1990); *American Home Prods. Corp. v. Johnson & Johnson,* 654 F.Supp. 568, 590 (S.D.N.Y.1987); *Thompson Medical Co. v. Ciba–Geigy Corp.,* 643 F.Supp. 1190, 1196–99 (S.D.N.Y.1986). The *Procter* "sufficiently reliable" standard of course assumes that the tests in question, if reliable, would prove the proposition for which they are cited. If the plaintiff can show that the tests, even if reliable, do not establish the proposition asserted by the defendant, the plaintiff has obviously met its burden. In such a case, tests which may or may not be "sufficiently reliable," are simply irrelevant.

[20] The district court held that Castrol had met this latter burden, stating that "Castrol has established the likelihood of proving at trial the falsity of Quaker State's

claim that tests prove its oil protects better....” In this Lanham Act case, we will reverse the district court's order of preliminary injunctive relief “only upon a showing that it abused its discretion, which may occur when a court bases its decision on clearly erroneous findings of fact or on errors as to applicable law.” *Procter,* 747 F.2d at 118.

I. The district court committed no errors of law.

[21] Quaker State contends that the district court improperly shifted the burden of proof to the defendant when it stated that “the claim that tests demonstrate ... superiority is false because no test does so and [Dr.] Klaus' analysis fails to fill the gap.” It argues that plaintiff bears the burden in a false advertising action and there should be no “gap” for defendant to fill.

[22] Where a plaintiff challenges a test-proven superiority advertisement, the defendant must identify the cited tests. Plaintiff must then prove that these tests did not establish the proposition for which they were cited. *McNeil,* 938 F.2d at 1549. At the hearing, Quaker State cited the 1987 and 1991 Rohm and Haas oiling time tests in conjunction with Dr. Klaus' theory of engine wear at the second boundary lubrication period. Castrol's burden was to prove that neither the Rohm and Haas tests alone, nor the tests in conjunction with Dr. Klaus' theory, permitted the conclusion to a reasonable certainty that Quaker State's oil protected better at start-up. The district court's statement that “no test [demonstrates superiority] and Klaus' analysis fails to fill the gap” is a finding that Castrol, through its residual oil theory, met its burden. It is, in substance, a finding that the Quaker State tests, which proved faster oiling time, are irrelevant to their claim that Quaker State's oil protects better at start-up. Therefore, we need not consider the tests' reliability. The district court's statement does not shift the burden to defendant.

[23] Quaker State also contends that the district court should have subjected the 1987 Rohm and Haas engine wear results to *Procter'*s “sufficiently reliable” test before relying on them. It argues, in other words, that the *Procter* standard applies not only to the studies offered to support defendant's claim of test-proven superiority, but also to plaintiff's evidence offered to rebut this claim.

[24] Quaker State misreads *Procter.* In that case, we established that a plaintiff proves false a test-proven superiority claim when it shows that “the tests referred to by [defendant were] not sufficiently reliable....” *Id.* at 119. This phrase merely establishes plaintiff's burden of proof with respect to defendant's tests. It in no way limits the evidence which plaintiff may use in meeting this burden. Such evidence is governed by the usual standards of admissibility. It was not error for the district court to consider the 1987 tests in this regard.

II. The district court's findings as to the role of residual oil were not clearly erroneous.

[25] Quaker State asserts that the district court's factual findings as to the role of residual oil are clearly erroneous. *See* Fed.R.Civ.P. 52(a). We disagree.

[26] The Supreme Court has explained that "[i]f the district court's account of the evidence is plausible in light of the record viewed in its entirety, the court of appeals may not reverse it even though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently. Where there are two permissible views of the evidence, the factfinder's choice between them cannot be clearly erroneous." *Anderson v. City of Bessemer City,* 470 U.S. 564, 573–74, 105 S.Ct. 1504, 1511, 84 L.Ed.2d 518 (1985); *see also ABKCO Music, Inc. v. Harrisongs Music, Ltd.,* 944 F.2d 971, 978 (2d Cir.1991). We owe particularly strong deference where the district court premises its findings on credibility determinations. "[W]hen a trial judge's finding is based on his decision to credit the testimony of one of two or more witnesses, each of whom has told a coherent and facially plausible story that is not contradicted by extrinsic evidence, that finding, if not internally inconsistent, can virtually never be clear error." *Anderson,* 470 U.S. at 575, 105 S.Ct. at 1512; *see also ABKCO,* 944 F.2d at 978 (trial court's credibility determinations entitled to "considerable deference"). A district court finding is clearly erroneous only where "'although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed.'" *Anderson,* 470 U.S. at 573, 105 S.Ct. at 1511 (quoting *United States v. United States Gypsum Co.,* 333 U.S. 364, 395, 68 S.Ct. 525, 542, 92 L.Ed. 746 (1948)).

[27] In this case, the district court heard five days of expert testimony. Its credibility determinations in favor of Castrol's experts and against Quaker State's support its finding that "residual oil holds the fort." This finding also receives support from the videotape of residual oil in an engine, the absence of catastrophic engine failure following the imposition of the J300 standards, and Rohm and Haas' 1987 failure to demonstrate reduced engine wear. Nothing in the record convincingly contradicts the district court's conclusion. Under the applicable legal standards, we are hard pressed to hold Judge Haight's residual oil finding clearly erroneous.

[28] Quaker State argues that the residual oil theory flies in the face of decades of technical literature documenting the existence of start-up wear. It reasons that if residual oil truly lasted until the new oil arrived, start-up wear would not be possible.

[29] Dr. Hoult, a Castrol expert, answered this point. He testified that the term "start-up," as used in the cited technical papers, refers not to the period between ignition and full oil flow but to the time between ignition and the achievement of equilibrium temperature in the engine. The relatively cool engine temperature during the start-up period, thus defined, results in increased wear due to certain chemical properties best described by Dr. Hoult himself:

> When the engine is driven for a short period of time under cold conditions, it never gets fully warm. And in the combustion process of

> reciprocating engines, there are acids which are formed, typically nitrate acid; if the fuels have sulfur, sulfuric acid. In a cold engine, there is more acids that mix with the lubricants than there is in a hot engine, because in a hot engine, the parts are hot enough that the acid doesn't condense on them. So that when an engine is colder[,] when it's started up from cold conditions, the engine chemistry is different. And the general understanding [in the field] is that that changes engine wear rate.

This credited testimony effectively rebuts Quaker State's objection. Viewing the record as a whole, we are not left with a "'definite and firm conviction that a mistake has been committed.'" *Anderson,* 470 U.S. at 573, 105 S.Ct. at 1511 (citation omitted). We accordingly reject Quaker State's contention that Judge Haight's findings on the role of residual oil are clearly erroneous.

III. Is the district court's injunction overly broad?

[30] In a March 20, 1992 memorandum opinion accompanying its simultaneously-issued Order of Preliminary Injunction, the district court explained its intent "to enjoin preliminarily Quaker State from claiming 'that tests prove its oil protects better against start-up engine wear.'" The injunction, however, goes beyond this limited intent. Paragraph 2 of the injunction states that

> Defendants ... are preliminarily enjoined from broadcasting, publishing or disseminating, in any manner or in any medium, any advertisement, commercial, or promotional matter ... that claims, directly or by clear implication, that:
>
> (a) Quaker State 10W–30 motor oil provides superior protection against engine wear at start-up;
>
> (b) Quaker State 10W–30 motor oil provides better protection against engine wear at start-up than other leading 10W–30 motor oils, including Castrol GTX 10W–30; or
>
> (c) Castrol GTX 10W–30 motor oil provides inferior protection against engine wear at start-up.

This paragraph enjoins Quaker State from distributing *any* advertisement claiming that its oil provides superior protection against engine wear at start-up, whether or not the ad claims test-proven superiority. As explained above, Castrol bears a different burden of proof with respect to this broader injunction than it does in seeking to enjoin only commercials which make the test-proven superiority claim.

[31] The district court expressly found that Castrol had met its burden with respect to any test-proven superiority advertisement. It stated that "Castrol has established the likelihood of proving at trial the falsity of Quaker State's claim that tests prove its oil protects better...." Its injunction would be too broad, however, absent the additional finding that Castrol had met its burden with respect to

superiority advertisements that omit the "tests prove" language. As we have noted above, Castrol meets this burden by adducing proof that Quaker State's oil is not, in fact, superior.

[32] Judge Haight made this additional finding. Castrol submitted the report from the 1987 Rohm and Haas tests as proof that Quaker State's oil did not protect better. This submission was proper under our holding that "[plaintiff can] rel [y] on and analy[se] data generated by [defendant] as scientific proof that the challenged advertisement was false." *McNeil–P.C.C.,* 938 F.2d at 1549. The district court, referring to this document, stated that "the record makes it crystal clear that to the extent tests were performed to demonstrate better wear protection (as opposed to faster flowing), *the tests contradict, rather than support* the claim. I refer to the 1987 Rohm and Haas tests...." (emphasis added). The court went on to find that "Quaker State presents no convincing argument to counter the unequivocal conclusion of Roland [author of the 1987 report], a Rohm and Haas scientist, that the 1987 tests failed to demonstrate a superiority in protection against engine wear...." These statements amount to a finding that Castrol has met the additional burden. The injunction is not overly broad.

[33] Quaker State also asks us to limit the injunction to advertisements based on the 1987 and 1991 Rohm and Haas tests. It contends that it should not be barred from advertising a superiority claim if later tests should support it.

[34] Any time a court issues a preliminary injunction there is some chance that, after the issuance of the order but prior to a full adjudication on the merits, changes in the operative facts will undercut the court's rationale. We will not, however, require the district court to draft a technical and narrow injunction to address the possibility of additional tests which are, at this time, purely hypothetical. If tests supporting its claim do come to light, Quaker State may move to modify or dissolve the injunction. *See Flavor Corp. of Am. v. Kemin Indus., Inc.,* 503 F.2d 729, 732 (8th Cir.1974); 11 C. Wright & A. Miller, *Federal Practice and Procedure,* § 2961 at 604 (1973). We will likely have jurisdiction to review the district court's disposition of such a motion, and can consider the issue at that point if necessary. *See* 28 U.S.C. § 1292(a)(1) (1988); *United States v. City of Chicago,* 534 F.2d 708, 711 (7th Cir.1976) (denial of motion to dissolve preliminary injunction is appealable pursuant to 28 U.S.C. § 1292(a)(1)); *Int'l Brotherhood of Teamsters v. Western Penn. Motor Carriers Ass'n,* 660 F.2d 76, 80 (3d Cir.1981) (denial of motion to amend injunction is appealable).

CONCLUSION

[35] We affirm the district court's March 20, 1992 Order granting the preliminary injunction.

b. Non-Establishment Claims

Castrol Inc. v. Pennzoil Co.
987 F.2d 939 (3d Cir. 1993)

ROSENN, Circuit Judge.

[1] The primary issue raised by this appeal is whether one of this nation's major oil companies engaged in deceptive advertising in violation of the Lanham Act, 15 U.S.C. § 1125(a) (1988). The parties to this appeal further call upon this court to interpret the degree to which commercial speech is protected by the First Amendment to the United States Constitution.

[2] Commercial advertising plays a dynamic role in the complex financial and industrial activities of our society, leading author Norman Douglas to go so far as to observe that "[y]ou can tell the ideals of a nation by its advertisements."[1] Because honesty and fair play are prominent arrows in America's quiver of commercial and personal ideals, Congress enacted section 43(a) of the Lanham Act "to stop the kind of unfair competition that consists of lying about goods or services." *U-Haul Int'l, Inc. v. Jartran, Inc.,* 681 F.2d 1159, 1162 (9th Cir.1982). Although "[c]omparative advertising, when truthful and nondeceptive, is a source of important information to consumers and assists them in making rational purchase decision," *Triangle Publications v. Knight-Ridder Newspapers,* 626 F.2d 1171, 1176 (5th Cir.1980), the consumer called upon to discern the true from the false requires a fair statement of what is true and false.

[3] The plaintiff-appellee in this case, Castrol Inc. (Castrol), a major motor oil manufacturer and distributor of its products, sued in the United States District Court for the District of New Jersey, alleging that Pennzoil Company and Pennzoil Products Company (Pennzoil) advertised its motor oil in violation of section 43(a) of the Lanham Act when it claimed that its product "outperforms any leading motor oil against viscosity breakdown." Additionally, Castrol challenged Pennzoil's related secondary claim that Pennzoil's motor oil provides "longer engine life and better engine protection." After a bench trial on the merits, the district court held that Pennzoil's advertisements contained claims of superiority which were "literally false."

[4] Consequently, the court permanently enjoined Pennzoil from "broadcasting, publishing, or disseminating, in any form or in any medium," the challenged advertisements or any "revised or reformulated versions" thereof. This injunction was superseded by a more narrowly tailored Amended Order and Final Judgment, prohibiting only "revised or reformulated *false or deceptive* versions of the commercials." The district court denied Castrol's request for money damages and attorney's fees and retained jurisdiction for the purpose of enforcing or modifying its judgment. Pennzoil immediately appealed on the grounds that its advertisements

[1] Norman Douglas, *South Wind* 63 (Scholarly Press, Inc.1971) (1931).

did not contain false claims and that the permanent injunction issued by the district court infringed on its right to free speech as protected by the First Amendment.[2] We affirm.

I. FACTS

[5] The district court opinion thoroughly recites the material facts of this case, which are not in dispute. *Castrol Inc. v. Pennzoil Co. & Pennzoil Prods. Co.,* 799 F.Supp. 424 (D.N.J.1992). We set forth only a distillation thereof essential to an understanding of our disposition of this appeal. Castrol's suit stems from a Pennzoil advertising campaign of its motor oil consisting of print and television commercials. These commercials feature either various members of national race car glitterati, or Arnold Palmer, a professional golf luminary of national repute, asserting that Pennzoil motor oil outperforms any leading motor oil against viscosity breakdown. The court found that the advertisements also implied that Pennzoil's products offered better protection against engine failure than any other leading motor oil.

[6] Motor oils minimize metal-to-metal contact in an engine by providing an optimum protective film between moving parts. The oils are designed to provide sufficient resistance to flow to maintain the oil's thickness and protective film across the wide range of temperatures and stress generated by high speed motor engines. The measure of a motor oil's resistance to flow is called “viscosity.” Ideally, viscosity should remain at an adequate level under all types of stress when the oil flows between engine parts in operation, but stress may cause a “shearing” effect which breaks down the viscosity of the oil during engine use. Viscosity breakdown has both a mechanical and chemical effect, the first causing a physical thinning of the lubricant and the latter the formation of sludge, varnish, and deposits on the engine. Because it is critical to motor oil performance, viscosity is the basis on which motor oils are classified and marketed by a grading system known as “SAE J300.”

[7] According to SAE J300, the viscosity of unused motor oils is measured by an industry-recognized laboratory test developed by the American Society for Testing and Materials (ASTM). The tests and specifications measure the breakdown in motor oil viscosity caused by the stress of shearing and high temperatures during engine use. The court found that the Committee of Common Market Automobile Constructors (CCMC) has established “the most demanding viscosity breakdown standards.” *Castrol,* 799 F.Supp. at 430. CCMC is an association of major European automobile manufacturers, including Mercedes-Benz, BMW, and Jaguar. CCMC motor oil specifications contain two viscosity breakdown requirements: (1) the

[2] The district court denied Pennzoil's motion to stay the Amended Order and Final Judgment pending appeal. Subsequently, Pennzoil filed a motion with this court to stay the injunction pending appeal, or in the alternative, to expedite its appeal. This court granted Pennzoil's latter motion to expedite the appeal, but denied the stay.

Shear Stability or Stay-in-Grade test, and (2) the High Temperature/High Shear (HTHS) test.

[8] The Stay-in-Grade Test requires that the subject motor oil, after being sheared, maintain a minimum kinematic viscosity level in order to remain within its SAE J300 grade. The Stay-in-Grade standard is a "pass/fail" standard, and it does not rank motor oils within each grade. The district court found that all Castrol and Pennzoil passenger car motor oils pass the SAE J300 standards for their specified grades. *Castrol,* 799 F.Supp. at 429. Both parties to the litigation have stipulated that Pennzoil does not outperform Castrol against the Stay-in-Grade viscosity breakdown standard.

[9] The HTHS test is a more rigorous test, which measures an oil's reduced viscosity during exposure to high temperatures and large shear forces generated by rapidly moving parts similar to the conditions in an operating engine. HTHS standards have been adopted by the Society of Automotive Engineers (SAE), the CCMC, General Motors, Chrysler, and Ford. By this standard's measure, Pennzoil did not outperform Castrol in any way; rather, it was Castrol motor oils which proved superior.[3]

[10] Pennzoil, however, does not rely on the aforementioned tests to lend credence to its claims of superiority with respect to viscosity breakdown and protection from engine wear. Rather, Pennzoil claimed superiority on the basis of research it conducted utilizing the ASTM D-3945 Test, promulgated by the American Society of Testing and Materials.

[11] Pursuant to this test, motor oil is passed through a diesel injector nozzle at a shear rate that causes a reduction in the kinematic viscosity of the fluid under test. The reduction in kinematic viscosity is reported as a *percent loss* of the initial kinematic viscosity. These tests showed that Pennzoil motor oil suffered less viscosity loss percentage than Castrol motor oil. Pennzoil contends that *percent viscosity loss* is one method of measuring viscosity breakdown and therefore asserts that this test substantiates its advertised superiority claims.

[12] The district court, however, found that the ASTM-3945 Test was not a true measure of viscosity breakdown; it therefore relied upon the Stay-in-Grade and the HTHS tests. These tests, along with others conducted by Castrol, led the trial court to find that Pennzoil's claims of superiority for viscosity breakdown and engine protection were literally false. Pennzoil challenges these findings and argues also that the district court's injunction infringes upon Pennzoil's right to freedom of speech.

[13] "We review the district court's conclusions of law in plenary fashion, its factual findings under a clearly erroneous standard, and its decision to [grant or]

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[3] Pennzoil's 5W-30 and 10W-30 oils did not pass this standard but all of Castrol oils succeeded.

deny an injunction on an abuse of discretion standard." *Sandoz Pharmaceuticals Corp. v. Richardson-Vicks, Inc.,* 902 F.2d 222, 226 (3d Cir.1990) (citations omitted).

II. THE VISCOSITY BREAKDOWN CLAIM

[14] First, Pennzoil asserts that, absent any evidence of consumer confusion in this case, Castrol failed to meet its burden of proving literal falsity by the standard set forth in *Sandoz, supra.* Likewise, a substantial portion of the dissent is spent urging that *Sandoz* requires that we consider consumer evidence even in a case where there has been a finding of literal falsity. However, this argument ignores crucial differences between the case *sub judice* and *Sandoz.* In *Sandoz,* we sustained the trial court's findings that the advertisements in question were *not literally false* and held, where the advertisements are *not literally false,* a plaintiff bears the burden of proving actual consumer deception. *Sandoz,* 902 F.2d at 228-29. The *Sandoz* trial court resorted to proof of consumer confusion only after finding that the challenged claims were *not literally false.* As that court stated:

> Where the advertisements are *not literally false,* plaintiff bears the burden of proving actual deception by a preponderance of the evidence. Hence, it cannot obtain relief by arguing how consumers could react; it must show how consumers actually do react.

Id. (emphasis supplied) (citations omitted).

[15] In the instant case, however, the trial court found that Pennzoil's advertisements were literally false. *Sandoz* definitively *holds* that a plaintiff must prove *either* literal falsity *or* consumer confusion, but not both. *Sandoz,* 902 F.2d at 227; *see also McNeil-P.C.C., Inc. v. Bristol-Myers Squibb Co.,* 938 F.2d 1544, 1549 (2d Cir.1991) (Where the advertisement is shown to be literally false, the court may enjoin it without reference to its impact on the consumer.).

[16] Thus, there are two different theories of recovery for false advertising under section 43(a) of the Lanham Act: "(1) an advertisement may be false on its face; or (2) the advertisement may be literally true, but given the merchandising context, it nevertheless is likely to mislead and confuse consumers." *Johnson & Johnson v. GAC Int'l, Inc.,* 862 F.2d 975, 977 (2d Cir.1988) (Garth, J., sitting by designation).

> When a merchandising statement or representation is literally or explicitly false, the court may grant relief without reference to the advertisement's impact on the buying public. When the challenged advertisement is implicitly rather than explicitly false, its tendency to violate the Lanham Act by misleading, confusing or deceiving should be tested by public reaction.

Coca-Cola Co. v. Tropicana Prod., Inc., 690 F.2d 312, 317 (2d Cir.1982) (citations omitted).

[17] Therefore, because the district court properly found that claims in this case were literally false, it did not err in ignoring Pennzoil's superfluous evidence relating to the absence of consumer confusion. In addition, because the advertisement in *Sandoz* was not literally false, that case's references to consumer confusion, read in context, are completely consistent with the majority's disposition of this matter.

[18] Second, Pennzoil argues that Castrol failed to sustain its burden of proving literal falsity because Castrol never offered affirmative proof to refute Pennzoil's claims, but merely cast doubt upon Pennzoil's research. *See, e.g., Castrol, Inc. v. Quaker State Corp.,* 977 F.2d 57, 62 (2d Cir.1992) ("Where the defendant's advertisement claims that its product is superior plaintiff must affirmatively prove defendant's product equal or inferior.").

[19] Yet Pennzoil's contention is meritless, as the trial record is replete with Castrol's affirmative evidence proving the literal falsity of Pennzoil's claims. For example, between October 25, 1991, and February 26, 1992, the Castrol Technical Center conducted the CCMC, International Lubricant Standardization and Approval Committee, and Chrysler Stay-in-Grade Tests. Both Pennzoil and Castrol met the Stay-in-Grade requirements, thus refuting Pennzoil's contention that it outperforms Castrol with respect to viscosity breakdown.

[20] Between January 1, 1992, and March 25, 1992, the Castrol Technical Center conducted HTHS Tests, and all Castrol motor oils met the HTHS standard established by the CCMC, as well as all the other HTHS specifications. Pennzoil's 5W-30 and 10W-30 motor oils, however, failed to meet this standard, although other Pennzoil motor oils passed this test. Therefore, this test also did not substantiate Pennzoil's claims of *superiority;* on the contrary, it demonstrated Pennzoil motor oil's *inferiority* in some respects to Castrol motor oil. Thus, according to the only two industry accepted tests for measuring viscosity breakdown, Pennzoil's claims of superiority were literally false.

[21] Castrol also presented expert testimony and field tests which affirmatively demonstrated that Pennzoil motor oil does not outperform Castrol motor oil with respect to viscosity breakdown. For example, the Southwest Research Institute conducted an automobile fleet test at Castrol's request. Researchers placed Pennzoil motor oil inside a group of three automobiles, each of a different model, and then placed Castrol motor oil inside three cars identical to the first set. The researchers then drove these automobiles through various tests and compared the viscosity breakdown of the two motor oils. According to this test, Castrol motor oil outperformed Pennzoil's product with respect to viscosity breakdown, therefore discrediting Pennzoil's claims.

[22] Moreover, the court found that Pennzoil failed to adequately refute Castrol's affirmative evidence. For example, the fundament of Pennzoil's claim of superior protection against viscosity breakdown was the results of its ASTM D-3945 Test. Castrol's expert, Marvin F. Smith, Jr. (Smith), who was a member of the task

force which developed the ASTM D-3945 Test method, testified that the ASTM D-3945 test renders inaccurate results with regard to viscosity breakdown.

[23] Smith explained that the ASTM-3945 Test was developed for manufacturers to measure the quality of one batch of oil against the next batch of the same type of oil. This test was never intended to compare the viscosity breakdown of oils of different polymer classes, and the test cannot perform this function accurately. Pennzoil and Castrol are motor oils of different polymer classes, and thus this test's comparison of the two oils proves nothing relevant. Actually, the test does not measure viscosity breakdown at all; rather, it measures percentage of viscosity loss. As Trial Judge Wolin perceptively observed:

> Pennzoil ignores the caveat embodied in the [ASTM D-3945] test as to the significance and use of ASTM D-3945. In § 4.2 it states "[T]hese test methods are not intended to predict viscosity loss in field service for different polymer classes or for different field equipment."

Castrol Inc. v. Pennzoil Co. & Pennzoil Prods. Co., 799 F.Supp. 424, 438 (D.N.J.1992). Thus, it cannot be gainsaid that Castrol presented affirmative evidence to prove the literal falsity of Pennzoil's claims and that Judge Wolin did not find Pennzoil's evidence to rebut Castrol's proof persuasive.

[24] The dissent asserts, however, that a defendant need only establish a reasonable basis to support its claims to render the advertisement literally true. We disagree. Rather, the test for literal falsity is simpler; if a defendant's claim is untrue, it must be deemed literally false.

[25] In this case, Pennzoil made a claim of superiority, and when tested, it proved false. Hence, under this standard, the district court correctly found literal falsity. Therefore, Castrol sustained its burden of proof, especially given this court's narrow scope of review:

> If the district court's account of the evidence is plausible in light of the record viewed in its entirety, the court of appeals may not reverse it even though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently. Where there are two permissible views of the evidence, the factfinder's choice between them cannot be clearly erroneous.
>
> * * * * * *
>
> [Moreover,] when a trial judge's finding is based on his decision to credit the testimony of one of two or more witnesses, each of whom has told a coherent and facially plausible story that is not contradicted by extrinsic evidence, that finding, if not internally inconsistent, can virtually never be clear error.

Anderson v. Bessemer City, 470 U.S. 564, 573-75, 105 S.Ct. 1504, 1511-12, 84 L.Ed.2d 518 (1985).[4]

[26] Pennzoil and the dissent assert that the district court declined to allow Pennzoil to rely on the ASTM-3945 Test to substantiate its claims solely because the test is not an industry standard. They argue, therefore, that the court erred because an advertised product's failure to meet industry standards does not render the advertisement literally false. *See ConAgra, Inc. v. Geo. A. Hormel & Co.,* 784 F.Supp. 700 (D.Neb.1992).

[27] We do not disagree that a test which is not an industry standard can yield accurate results. However, the district court did not enjoin Pennzoil's advertisements merely because the ASTM-3945 was not an industry standard test. It did so because it found that the ASTM-3945 Test did not measure viscosity breakdown at all. On the contrary, that test measured *percent viscosity loss.*[5]

III. THE ENGINE WEAR CLAIM

[The court rejected Pennzoil's argument that its claims regarding superior engine protection were mere "puffery." The court also affirmed the district court's determination that these superiority claims were false by necessary implication.]

IV. THE FIRST AMENDMENT CONCERNS

…

[28] In essence, the district court has enjoined Pennzoil only from broadcasting, publishing, or disseminating the very statements which the court found to be literally false. Pennzoil argues that this is a prior restraint, in contravention of the First Amendment of the United States Constitution. At this moment, however, these claims are false, and it is well settled that false commercial speech is not protected

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[4] Moreover, Pennzoil failed to meet even the dissent's liberal burden of proving literal truth in this case. The dissent suggests that a defendant need only establish a reasonable basis to support its claims to render the advertisement literally true. However, the ASTM-3945 Test is not a credible test upon which Pennzoil could reasonably rely for its advertisements; it simply does not measure viscosity breakdown.

[5] The dissent suggests that we have taken an approach that abandons "materiality" and presumes injury from "even the most innocuous of false claims." Dissent at 954-55. Pennzoil, however, argued that its claims were literally true. Pennzoil never argued that the claims were "immaterial" in the sense of being false but innocuous. Thus, the question of materiality is not before us, and we have simply not addressed the issue.

by the First Amendment and may be banned entirely. *Bates v. State Bar of Ariz.,* 433 U.S. 350, 383, 97 S.Ct. 2691, 2709, 53 L.Ed.2d 810 (1977). Moreover, the prior restraint doctrine does not apply in this case because there has been "an adequate determination that [the expression] is unprotected by the First Amendment." *Pittsburgh Press Co. v. Pittsburgh Comm'n on Human Relations,* 413 U.S. 376, 390, 93 S.Ct. 2553, 2561, 37 L.Ed.2d 669 (1973). The injunction is also not overbroad because it only reaches the specific claims that the district court found to be literally false. If, in the future, Pennzoil should improve its motor oil to surpass Castrol for viscosity breakdown, Pennzoil can at that time apply for a modification of the present injunction. *See F.T.C. v. Brown & Williamson Tobacco Corp.,* 778 F.2d 35, 44 (D.C.Cir.1985).

…

[Judge Roth's dissent has not been included.]

c. False Demonstrations

Schick Mfg., Inc. v. Gillette Co.
372 F.Supp.2d 273 (D. Conn. 2005)

HALL, District Judge.

[1] The plaintiff, Schick Manufacturing Company ("Schick"), seeks a preliminary injunction enjoining the defendant, The Gillette Company ("Gillette"), from making certain claims about its M3 Power razor system ("M3 Power"). Schick contends that Gillette has made various false claims in violation of section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) and the Connecticut Unfair Trade Practices Act ("CUTPA"), Conn. Gen.Stat. § 42–110a, *et seq.*

…

[2] In order to succeed on its false advertising claim, Schick must prove five elements of this claim. *Omega Engineering, Inc. v. Eastman Kodak Co.,* 30 F.Supp.2d 226, 255 (D.Conn.1998) (citing various treatises and cases). These are the following:

> (1) The defendant has made a false or misleading statement of fact. The statement must be (a) literally false as a factual matter or (b) likely to deceive or confuse. *S.C. Johnson & Son, Inc. v. Clorox Company,* 241 F.3d 232, 238 (2d Cir.2001).
>
> (2) The statement must result in actual deception or capacity for deception "Where the advertising claim is shown to be literally false, the court may enjoin the use of the claim without reference to the advertisement's impact on the buying public." *Id.* (internal quotations omitted).
>
> (3) The deception must be material. "[I]n addition to proving falsity, the plaintiff must also show that the defendants misrepresented an inherent quality or characteristic of the product." *Id.* (internal quotations omitted).
>
> (4) Schick must demonstrate that it has been injured because of potential decline in sales. Where parties are head-to-head competitors, the fact that the defendant's advertising is misleading presumptively injures the plaintiff. *Coca–Cola Co. v. Tropicana Products, Inc.,* 690 F.2d 312, 317 (2d Cir.1982) (abrogated on other grounds by statute as noted in *Johnson & Johnson v. GAC Int'l, Inc.,* 862 F.2d 975, 979 (2d Cir.1988)).
>
> (5) The advertised goods must travel in interstate commerce.

FACTS

[3] The court held a scheduling conference on the preliminary injunction motion on March 2, 2005. The court allowed the parties to conduct limited discovery prior to conducting a hearing on Schick's motion for a preliminary injunction. The hearing on the motion was conducted over four days: April 12, 13, 22, and May 2, 2005. During the hearing, Schick called five witnesses: Adel Mekhail, Schick's Director of Marketing; Peter M. Clay, Gillette's Vice–President for Premium Systems; Dr. David J. Leffell, Professor of Dermatology; Christopher Kohler, Schick Research Technician; and John Thornton, statistical consultant. Gillette also called five witnesses during the hearing: Dr. Kevin L. Powell, Gillette's Director of the Advanced Technology Centre; Dr. Michael A. Salinger, Professor of Economics; Peter M. Clay, Gillette's Vice–President for Premium Systems; Dr. lan Saker, Gillette Group Leader at the Advanced Technology Centre and Dr. Michael P. Philpott, Professor of Cutaneous Biology.

[4] The men's systems razor and blade market is worth about $1.1 billion per year in the United States. Gillette holds about 90% of the dollar share of that market, while Schick holds about 10%. The parties are engaged in head-to-head competition

and the court credits testimony that growth in the razor systems market results not from volume increases but "with the introduction of high price, new premium items." Hr'g Tr. 39:20–21.

[5] Schick launched its Quattro razor system in September of 2003 and expended many millions of dollars in marketing the product. Although Schick had projected $100 million in annual sales for the Quattro, its actual sales fell short by approximately $20 million. From May 2004 to December 2004, Quattro's market share fell from 21% of dollar sales to 13.9% of dollar sales.

[6] Gillette launched the M3 Power in the United States on May 24, 2004. In preparation for that launch, it began advertising that product on May 17, 2004. The M3 Power is sold throughout the United States. The M3 Power includes a number of components including a handle, a cartridge, guard bar, a lubricating strip, three blades, and a battery-powered feature which causes the razor to oscillate. The market share of the M3 Power, launched in May 2004, was 42% of total dollar sales in December 2004.

[7] Gillette's original advertising for the M3 Power centered on the claim that "micropulses raise hair up and away from skin," thus allowing a consumer to achieve a closer shave. This "hair-raising" or hair extension claim was advertised in various media, including the internet, television, print media, point of sale materials, and product packaging. For example, Gillette's website asserted that, in order to combat the problem of "[f]acial hair grow[ing] in different directions," the M3 Power's "[m]icro-pulses raise hair up and away from skin ..." PX 2, Hr'g Tr. 33:25–34:22. Of Gillette's expenditures on advertising, 85% is spent on television advertising. At the time of the launch, the television advertising stated, "turn on the first micro-power shaving system from Gillette and turn on the amazing new power-glide blades. Micro-pulses raise the hair, so you shave closer in one power stroke." PX 14.2(C). The advertisement also included a 1.8 second-long animated dramatization of hairs growing. In the animated cartoon, the oscillation produced by the M3 Power is shown as green waves moving over hairs. In response, the hairs shown extended in length in the direction of growth and changed angle towards a more vertical position.

[8] The court notes that eight months passed between the launch of the M3 Power and the date Schick initiated the instant suit. Schick maintains that there are two factors that excuse this delay. First, Schick invested time in developing a stroke machine and test protocol that would allow it to test the M3 Power with some degree of confidence and effectiveness.[1] Specifically, the development of a machine that would deliver a stroke of consistent pressure to a test subject's face took time. Second, after completing its first tests of Gillette's claims that the M3 Power raises hair in October, Schick chose to pursue its claims in Germany. In November of 2004,

[1] The court also notes that time spent by Schick testing Gillette's "angle-change" claim, which claim Gillette abandoned in January of 2005.

Schick sued Gillette in Germany to enjoin it from making claims that the M3 Power raised hairs. In late December of 2004, the Hamburg Regional Court affirmed the lower court's order enjoining Gillette from making such claims in Germany.

[9] While the court finds that it may have been possible to develop testing protocols in a quicker fashion, the court finds the M3 Power was a new product with a feature (the use of battery power) that had never before been present in wet shavers. The court finds the time Schick took to develop testing of and to test the M3 Power is excusable. The court has been presented with no evidence of bad faith or strategic maneuvering behind the timing of the instant lawsuit.

[10] In late January of 2005, Gillette revised its television commercials for the M3 Power in the United States. It chose to do so based on both the German litigation as well as conversations between the parties about Schick's discomfort with certain claims made in the advertising. The animated product demonstration in the television commercials was revised so that the hairs in the demonstration no longer changed angle, and some of the hairs are shown to remain static. The voice-over was changed to say, “Turn it on and micropulses raise the hair so the blades can shave closer.” PX 14.10C. The product demonstration in the revised advertisements depicts the oscillations to lengthen many hairs significantly. The depiction in the revised advertisements of how much the hair lengthens—the magnitude of the extension—is not consistent with Gillette's own studies regarding the effect of micropulses on hair. The animated product demonstration depicts many hairs extending, in many instances, multiple times the original length. Gillette began broadcasting the revised television commercials on or about January 31, 2005. Schick provided credible evidence, however, that the prior version of the advertisement is still featured on the Internet and on product packaging.

[11] Television advertisements aim to provide consumers a “reason to believe,” that is, the reason consumers should buy the advertised product. Because of the expense of television advertising, companies have a very short period of time in which to create a “reason to believe” and are generally forced to pitch only the key qualities and characteristics of the product advertised.

[12] Gillette conceded during the hearing that the M3 Power's oscillations do not cause hair to change angle on the face. Its original advertisements depicting such an angle change are both unsubstantiated and inaccurate. Gillette also concedes that the animated portion of its television advertisement is not physiologically exact insofar as the hairs and skin do not appear as they would at such a level of magnification and the hair extension effect is “somewhat exaggerated.” Gillette Co.'s Prop. Findings of Fact [Dkt. No. 114] ¶ 33. The court finds that the hair “extension” in the commercial is greatly exaggerated. Gillette does contend, however, that the M3 Power's oscillations cause beard hairs to be raised out of the skin. Gillette contends that the animated product demonstration showing hair extension in its revised commercials is predicated on its testing showing that oscillations cause “trapped” facial hairs to lengthen from the follicle so that more of these hairs' length

is exposed. Gillette propounds two alternative physiological bases for its "hair extension" theory. First, Gillette hypothesizes that a facial hair becomes "bound" within the follicle due to an accumulation of sebum and corneocytes (dead skin cells). Gillette contends that the oscillations could free such a "bound" hair. Second, Gillette hypothesizes that hairs may deviate from their normal paths in the follicle and become "trapped" outside the path until vibrations from the M3 Power restore them to their proper path.

[13] Schick's expert witness, Dr. David Leffell, Professor of Dermatology and Chief of Dermatologic Surgery at the Yale School of Medicine, testified that, based on his clinical and dermatological expertise, he is aware of no scientific basis for the claim that the oscillations of the M3 Power would result in hair extension, as Gillette contends. Dr. Leffell stated that Gillette's "hair extension" theory is inconsistent with his 20 years of experience in dermatology. He testified that he has never seen a hair trapped in a sub-clinical manner, as hypothesized by Gillette. Dr. Leffell testified that, in certain circumstances, trapped hairs will result in clinical symptoms, such as infection or inflammation. With respect to Gillette's hypothesis that the interaction between sebum and corneocytes trap hairs, however, Dr. Leffell stated, and the court credits, that in non-clinical circumstances, sebum and comeocytes do not accumulate sufficiently to inhibit hair growth. Moreover, everyday activities such as washing or shaving remove accumulations of sebum and corneocytes.

[14] Gillette's expert hair biologist, Dr. Michael Philpott, has studied hair biology for almost twenty years. He testified that, prior to his retention as an expert by Gillette, he had never seen a hair trapped in the manner posited by Gillette. Only after being retained by Gillette did Dr. Philpott first claim to have encountered this hair extension theory. Dr. Philpott acknowledged that neither of Gillette's two hypothesis of hair extension have any support in medical or scientific literature. With regard to Gillette's theory that hair could become bound in the follicle by sebum and corneocytes, Dr. Philpott admitted that no evidence supports that theory. Dr. Leffell testified that erector pili muscles, which cause hairs to stand up in response to various stimuli, as is commonly seen in the case of goosebumps, may also provide a biologicial mechanism for hair extension. Neither Dr. Leffell nor Dr. Philpott, however, testified on the relationship between the application of mechanical energy and the erector pili muscles, and neither party has contended that these muscles play a role in Gillette's hair extension theory.

[15] In addition to positing biological mechanisms that might support the claim that the M3 Power's oscillations raise hairs, Gillette introduced evidence of experiments and testing to support those claims. Gillette provided summaries of said testing which were not prepared contemporaneously with the testing, conducted in the early 1990's, they purport to memorialize. Instead, they were prepared in anticipation of litigation in late 2004.

[16] Gillette performed experiments using oscillating razors in 1990, 1991 and 2003. In 1990 and 1991, Gillette performed studies using prototype oscillating razor

handles fitted with razor systems other than the M3 Power, the Atra Plus and Sensor razor cartridge, two other Gillette products. In each of these initial experiments, a circle was drawn on a test subject's face. Twenty beard hairs within the circled region were measured with an imaging stereomicroscope manufactured by the Leica Company. That instrument measures hairs three-dimensionally to a resolution of three to four microns. The test subject then stroked the area using an oscillating razor with blunted blades. Then, twenty beard hairs within the circled region were again measured with a stereomicroscope. The same protocol was followed using a non-oscillating razor with blunted blades, and the changes in hair measurement were compared.

[17] The Atra Plus study was performed in 1990 and included 10 test subjects. The study results show that the panelists' average hair length increased by 83.3 microns after five strokes with the oscillating razor versus 6.3 microns with the non-oscillating razor. The Sensor study was performed from 1990 to 1991 and also involved 10 test subjects. The subjects' mean hair length increased by 27.9 microns versus 12.9 microns with the non-oscillating razor. While both tests provided some evidence of a hair extension effect and the magnitude of that effect, neither test indicated what percentage of hairs were lengthened.

[18] Notably, while Gillette found that use of both the oscillating Atra Plus and Sensor razors resulted in an increase in beard hair length, there was significant difference between the average increase caused by the Atra Plus and that caused by the Sensor. Furthermore, no evidence was presented to the court regarding similarities or differences between the M3 Power razor and the Atra Plus or Sensor. The sample size, ten test subjects per study, was small. The twenty beard hairs measured prior to stroking were not necessarily the same hairs measured after stroking. The test included no efforts to keep constant the variables of pressure on the razor or speed of the shaving stroke. In addition, Gillette's chief scientist, Kevin Powell, testified that the pressure or load applied by consumers co-varies to a statistically significant degree with whether a razor oscillates. All these deficiencies cause this court not to credit the studies' finding that oscillations cause hair lengthening.[2]

[19] In 2003, Gillette performed a study using a prototype of the M3 Power. In the fall of 2003, Gillette tested a Mach 3 cartridge fitted with an oscillating handle. That prototype was called the “Swan.” The Swan prototype's motor, handle, and cartridge differ from those features of the actually-marketed M3 Power. Four test

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[2] In Gillette's testing, no effort was made to control for variables, such as pressure on, or speed of, the razor. Failure to control for variable makes Gillette's “results” unscientific and not supportive of any conclusion.

subjects were used.[3] The test protocol was identical to that used in 1990 and 1991 except that, instead of using blunted blades, Gillette removed the blades from the razor. The study results suggest that the oscillating-Swan-prototype produced an average increase in hair length of between 32 and 40 microns while the non-oscillating prototype yielded no average increase. That 32 to 40 micron increase represented an average of eight to ten percent increase in hair length. The test does not indicate what percentage of hairs experience any lengthening as a result of oscillations. The court does not credit Dr. Powell's opinion that the differences between the model used in the test and the marketed product has no impact on the testing. Failure to use the marketed product is critical. The court cites the varied results Gillette reports between the Atra Plus, Sensor, and "Swan" tests as only one reason to conclude that failure to use the market product undercuts the 2003 testing. Further, the test protocol and sample size cause the court to question the validity of these study findings.

[20] In addition to testing oscillating battery-powered razors, Gillette conducted what has been called the Microwatcher study. The Microwatcher is a commercially available product consisting of a miniature camera with an illumination system that channels light into an orifice at the tip of a transparent hemispherical dome. The device allows the user to impart mechanical energy into the top and underlying layers of the skin, which, according to Gillette, replicates the mechanical energy imparted by the oscillating razor.[4] The recorded video images introduced into evidence show individual hairs releasing from just below the skin surface. Gillette did not introduce evidence to describe what the various elements of the photo were. When asked by the court to identify the various elements appearing in the video were, Dr. Philpott could not identify or explain important skin features. For example, the court pointed to an area surrounding the individual hair, of darker hue than the rest of the skin, on the video, but Dr. Philpott could not explain what that area was or what might explain its coloration. The court further finds that Gillette provides no evidence to suggest the relationship between the amount of mechanical energy imparted by the Microwatcher and that imparted by the M3 Power.

[21] Schick performed its own study which it contends proves the falsity of Gillette's advertising with respect to claims regarding hair extension.[5] Schick's study took place over three days and included 37 test subjects. With respect to each test subject, twenty hairs were measured before and after strokes with an M3 Power

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[3] The sample size of four was chosen because the 2003 study, according to Gillette, was merely "confirmatory." Because the court finds the earlier tests deficient, the 2003 study cannot be "confirmatory."

[4]

[5] Schick first performed tests to determine whether the M3 Power changes the angle of beard hairs.

razor with blunted blades in both the power-on and power-off modes. The strokes were taken using an automated shaving device developed specially by Schick for the purposes of testing the M3 Power razor and Gillette's claims with respect to it. Images of the hairs were taken before and after the razor strokes using a camera with a plate that flattened hair onto the face. The images were then downloaded to a computer and hair lengths were assessed using ImagePro software. An independent statistician evaluated the data for all three days. Schick argues that its data indicates that there was no statistically significant difference between the change in hair length with power off and the change in hair length with power on.

[22] Again, however, the court finds the test protocol lacking and results questionable. Schick's testing shows that some hairs shrunk even in the absence of the use of water, which Gillette's testing has found to result in hair shrinkage. Schick's expert testified that this may have been the result of measurement error, and the court agrees.[6] Furthermore, Gillette provided expert testimony that the glass plate used to flatten hairs so that they could be measured would likely result in distortion, making it difficult to accurately measure hair lengths. Such flaws in Schick's testing cause the court to be skeptical of Schick's test results and the suggestion that these results demonstrate that the M3 Power does not cause hairs to extend.

[23] The flaws in testing conducted by both parties prevent the court from concluding whether, as a matter of fact, the M3 Power raises beard hairs.

II. ANALYSIS

…

B. False Advertising

[24] **1. Literal Falsity.** "Falsity may be established by proving that (1) the advertising is literally false as a factual matter, or (2) although the advertising is literally true, it is likely to deceive or confuse customers." *Nat'l Basketball Ass'n v. Motorola, Inc.,* 105 F.3d 841, 855 (2d Cir.1997). "A plaintiff's burden in proving literal falsity thus varies depending on the nature of the challenged advertisement." *Castrol, Inc.,* 977 F.2d at 63. The Second Circuit has found that where an advertisement alleges that tests have established a product's superiority, a plaintiff must demonstrate that the tests or studies did not prove such superiority. "[A] plaintiff can meet this burden by demonstrating that the tests were not sufficiently reliable to permit a conclusion that the product is superior." *Id.* In addition, "[i]f the plaintiff can show that the tests, even if reliable, do not establish the proposition asserted by the defendant, the plaintiff has obviously met its burden." *Id.*

[6] It may also result from the application of a glass plate meant to flatten the hairs so that they could be measured in two dimensions.

[25] Where, however, as here, the accused advertising does not allege that tests or clinical studies have proven a particular fact, the plaintiff's burden to come forward with affirmative evidence of falsity is qualitatively different. "To prove that an advertising claim is literally false, a plaintiff must do more than show that the tests supporting the challenged claim are unpersuasive." *Mc–Neil–P.C.C., Inc. v. Bristol–Myers Squibb Co.,* 938 F.2d 1544, 1549 (2d Cir.1991). The plaintiff must prove falsity by a preponderance of the evidence, either using its own scientific testing or that of the defendant. If a plaintiff is to prevail by relying on the defendant's own studies, it cannot do so simply by criticizing the defendant's studies. It must prove either that "such tests 'are not sufficiently reliable to permit one to conclude with reasonable certainty that they established' the claim made" or that the defendant's studies establish that the defendant's claims are false. *Id.* at 1549–50.

[26] The challenged advertising consists of two basic components: an animated representation of the effect of the M3 Power razor on hair and skin and a voice-over that describes that effect. The animation, which lasts approximately 1.8 seconds, shows many hairs growing at a significant rate, many by as much as four times the original length. During the animation, the voice-over states the following: "Turn it on and micropulses raise the hair so the blades can shave closer." Schick asserts that this M3 Power advertising is false in three ways: first, it asserts the razor changes the angle of beard hairs; second, it portrays a false amount of extension; and third, it asserts that the razor raises or extends the beard hair.

[27] With regard to the first claim of falsity, if the voiceover means that the razor changes the angle of hairs on the face, the claim is false. Although Gillette removed the "angle changing" claim from its television advertisements, it is unclear whether it has completely removed all material asserting this angle-change claim. The court concludes that the current advertising claim of "raising" hair does not unambiguously mean to changes angles.[7] *See Novartis Consumer Health, Inc. v. Johnson & Johnson–Merck Consumer Pharmaceuticals Co.,* 290 F.3d 578, 587 (3d Cir.2002) ("only an unambiguous message can be literally false"). Thus, the revised advertising is not literally false on this basis.

[28] With regard to the second asserted basis of falsity, the animation, Gillette concedes that the animation exaggerates the effect that the razor's vibration has on hair. Its own tests show hairs extending approximately 10% on average, when the animation shows a significantly greater extension. The animation is not even a "reasonable approximation," which Gillette claims is the legal standard for non-falsity. *See* Gillette's Prop. Conclusions of Law at ¶ 32, 37–38 [Dkt. No. 114]. Here, Schick can point to Gillette's own studies to prove that the animation is false. *See Mc–Neil–P.C.C., Inc.,* 938 F.2d at 1549.

[7] It is the words "up and away" when combined with "raises" that suggest both extension and angle change.

[29] Gillette argues that such exaggeration does not constitute falsity. However, case law in this circuit indicates that a defendant cannot argue that a television advertisement is "approximately" correct or, alternatively, simply a representation in order to excuse a television ad or segment thereof that is literally false. *S.C. Johnson & Son, Inc.,* 241 F.3d at 239–40 (finding that depiction of leaking plastic bag was false where rate at which bag leaked in advertisement was faster than rate tests indicated); *Coca–Cola Co.,* 690 F.2d at 318 (finding that advertisement that displaced fresh-squeezed orange juice being poured into a Tropicana carton was false). Indeed, "[the Court of Appeals has] explicitly looked to the visual images in a commercial to assess whether it is literally false." *S.C. Johnson,* 241 F.3d at 238.[8]

[30] Gillette's argument that the animated portion of its advertisement need not be exact is wrong as a matter of law. Clearly, a cartoon will not exactly depict a real-life situation, here, *e.g.,* the actual uneven surface of a hair or the details of a hair plug. However, a party may not distort an inherent quality of its product in either graphics or animation. Gillette acknowledges that the magnitude of beard hair extension in the animation is false. The court finds, therefore, that any claims with respect to changes in angle and the animated portion of Gillette's current advertisement are literally false.

[31] The court does not make such a finding with respect to Schick's third falsity ground, Gillette's hair extension theory generally. Gillette claims that the razor's vibrations raise some hairs trapped under the skin to come out of the skin. While its own studies are insufficient to establish the truth of this claim, the burden is on Schick to prove falsity. Neither Schick's nor Gillette's testing can support a finding of falsity.

[32] While there can be no finding of literal falsity with respect to Gillette's hair extension claim at this stage in the instant litigation, the court expresses doubt about that claim. As described earlier, Gillette's own testing is suspect. Furthermore, Schick introduced expert testimony and elicited evidence from Gillette's expert regarding the lack of scientific foundation for any biological mechanism that would explain the effect described by Gillette in its advertising. Gillette's own expert, Dr. Philpott, testified that no scientific foundation exists to support Gillette's hypothesis that beard hairs might be trapped under the skin by sebum and comeocytes and that the application of mechanical energy might release such hairs. While Dr. Philpott put forward another hypothesis—that a hair's curliness might cause it to be trapped-he also conceded that, prior to his engagement as an expert on Gillette's behalf, in twenty years of studying hair, he had never come across such a phenomenon. The court credits the testimony of Schick's expert, Dr. Leffell, that while certain clinical

[8] At least one other circuit has held that picture depictions can constitute false advertising. *Scotts Co. v. United Indus. Corp.,* 315 F.3d 264 (4th Cir.2002) (finding that while ambiguous graphic on packaging did not constitute literally false advertising, an unambiguous graphic could do so).

conditions are characterized by hairs trapped under the surface of the skin, there is no such non-clinical phenomenon.

[33] Nevertheless, putting forth credible evidence that there is no known biological mechanism to support Gillette's contention that the M3Power raises hairs is insufficient to meet Schick's burden. Such evidence is not affirmative evidence of falsity. Further, while Schick successfully attacked Gillette's testing, that attack did not result in evidence of falsity. Unlike in *McNeil,* here Gillette's own tests do not prove hair extension does not occur. Schick merely proved that Gillette's testing is inadequate to prove it does occur.

[34] **2. Actual Deception.** Schick need not prove actual deception if Gilette's advertising is determined to be literally false. *Mc–Neil–P.C.C., Inc.,* 938 F.2d at 1549 ("Where the advertising claim is shown to be literally false, the court may enjoin the use of the claim without reference to the advertisement's impact on the buying public." (internal quotation marks and citations omitted)). Because the court finds that claims regarding angle change and the magnitude and frequency of hair extension portrayed in the animated portion of Gillette's television advertisement are both literally false, it presumes that these claims result in actual deception.

[35] **3. Materiality.** "It is also well-settled that, in addition to proving falsity, the plaintiff must also show that the defendants misrepresented an inherent quality or characteristic of the product. This requirement is essentially one of materiality, a term explicitly used in other circuits." *S.C. Johnson & Son, Inc.,* 241 F.3d at 238 (internal quotation marks and citations omitted). In determining that certain allegedly false statements were not material, the Second Circuit considered the relevance of the statements and the fact that "[t]he inaccuracy in the statements would not influence customers." *Nat'l Basketball Ass'n v. Motorola, Inc.,* 105 F.3d 841, 855 (2d Cir.1997).

[36] It is clear that whether the M3 Power raises hairs is material. Gillette's employees testified that television advertising time is too valuable to include things that are "unimportant". Furthermore, in this case, hair extension is the "reason to believe" that the M3 Power is a worthwhile product. The magnitude and frequency of that effect are also, therefore, material. Whether a material element of a product's performance happens very often and how often that element happens are, in themselves, material.

[37] **4. Injury.** The court finds that, in light of the advertisement's literal falsity, the fact that the parties are head-to-head competitors, and recent declines in the sale of Schick's premiere wet shave system injury will be presumed. *Coca–Cola Co.,* 690 F.2d at 316–317. While Schick has not submitted consumer surveys or market research, the fact that the parties are head-to-head competitors supports an inference of causation.

[38] **5. Interstate Commerce.** The parties do not dispute that this element of the claim has been established.

[39] Accordingly, the court finds that Schick has established a likelihood of success on the merits of its claims insofar as Gillette's claims regarding changes in hair angle and its animation depicting an exaggerated amount of hair extension are literally false. The court finds that Schick has failed to establish a likelihood of success, or even serious questions going to the merits, on the claim of hair "extension."

BOND

[40] Gillette has requested a bond of $49,579,248. It contends that this amount represents estimated lost profits on future M3 Power sales, over a twelve-month period, if later found to have been wrongfully enjoined. Schick submits that a bond of $50,000 to $100,000 is appropriate.

[41] Gillette's calculations assume a precipitous drop in sales as a result of a mandate to correct two admitted falsities in its advertisement.[9] The court is skeptical that this calculation represents an appropriate bond amount.[10] Instead, the court imposes a bond of $200,000 on Schick. Absent a record created by Gillette, the court concludes this amount, generally in the range for false advertising cases, is sufficient to protect Gillette. Gillette may move to increase the bond amount upon a showing of likely injury.

CONCLUSION

[42] For the reasons stated above the Motion for Preliminary Injunction [Dkt. No. 7] is GRANTED in part and DENIED in part. The injunction is entered as stated in the accompanying order. Schick's Motion for Leave to Amend [Dkt. No. 103] is GRANTED.

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[9] While Gillette contends that the animated portion of its advertisement is not literally false as a matter of law, it has conceded that, as a factual matter, the animation represents an exaggerated hair-extension effect.

[10] Does it claim that it cannot sell one M3 Power razor without making false claims regarding angle change or the magnitude of hair extension? When it ceased television and print advertising with the "angle change," did its sales drop precipitously?

B. Endorsements, Testimonials, and Reviews

The mission of the Federal Trade Commission (FTC) is to prevent "unfair methods of competition in or affecting commerce and unfair or deceptive acts or practices in or affecting commerce." FTC Act § 5(a)(2), 15 U.S.C. § 45(a)(2). As its name suggests, the FTC's Bureau of Competition focuses on "unfair methods of competition" and shares with the Antitrust Division of the Department of Justice authority to enforce American antitrust laws. The FTC's Bureau of Consumer Protection focuses on the protection of consumers from "unfair or deceptive acts or practices," including abusive lending and telemarketing practices, violation of data privacy laws, and false advertising. Due to the increasing prominence of endorsements and reviews in social media and on online marketplaces such as Amazon, this subpart briefly surveys FTC policies prohibiting deceptive endorsements and reviews, particularly in the online context.

The FTC Act empowers the FTC to investigate matters either *sua sponte* or in response to complaints submitted to the agency. Pursuant to FTC Act § 20, 15 U.S.C. § 57b-1, the FTC may issue a Civil Investigative Demand ("CID"), which is akin to a subpoena but may also require the recipient to "file written reports or answers to questions." 15 U.S.C. § 57b-1(c)(1). If the FTC has "reason to believe" that a violation of law has occurred, it may issue a complaint stating its charges. FTC Act § 5(a)(2), 15 U.S.C. § 45(a)(2). The respondent may settle and sign a consent order (which is subject to public comment) or contest the charges before an administrative law judge. The FTC typically seeks a cease and desist order, though it may also pursue injunctive relief such as an order for corrective advertising or consumer refunds. FTC Act § 5(l), 15 U.S.C. Sec. 45(l). The FTC may also seek civil penalties. FTC Act § 5(m), 15 U.S.C. Sec. 45(m). A losing respondent may appeal the ALJ's decision to the full Commission typically consisting of five Commissioners. The full Commission's decision may be appealed to any Court of Appeals that has personal jurisdiction and venue over the defendant. The FTC Act provides for no private right of action.

The FTC also engages in formal and informal rulemaking. Its informal rulemaking often takes the form of *FTC Guides* or *FTC Policy Statements* addressing conduct that the FTC considers to be permissible and impermissible. The *FTC Guides Concerning Use of Endorsements and Testimonials in Advertising* offers a comprehensive review of FTC guidelines with respect to endorsements, testimonials, and reviews. *The FTC's Endorsement Guides: What People Are Asking* focuses on conduct in social media, blogs, and other internet fora.

FTC Guides Concerning Use of Endorsements and Testimonials in Advertising 16 C.F.R. § 255

§255.0 Purpose and definitions.

(a) The Guides in this part represent administrative interpretations of laws enforced by the Federal Trade Commission for the guidance of the public in conducting its affairs in conformity with legal requirements. Specifically, the Guides address the application of Section 5 of the FTC Act (15 U.S.C. 45) to the use of endorsements and testimonials in advertising. The Guides provide the basis for voluntary compliance with the law by advertisers and endorsers. Practices inconsistent with these Guides may result in corrective action by the Commission under Section 5 if, after investigation, the Commission has reason to believe that the practices fall within the scope of conduct declared unlawful by the statute. The Guides set forth the general principles that the Commission will use in evaluating endorsements and testimonials, together with examples illustrating the application of those principles. The Guides do not purport to cover every possible use of endorsements in advertising. Whether a particular endorsement or testimonial is deceptive will depend on the specific factual circumstances of the advertisement at issue.

(b) For purposes of this part, an endorsement means any advertising message (including verbal statements, demonstrations, or depictions of the name, signature, likeness or other identifying personal characteristics of an individual or the name or seal of an organization) that consumers are likely to believe reflects the opinions, beliefs, findings, or experiences of a party other than the sponsoring advertiser, even if the views expressed by that party are identical to those of the sponsoring advertiser. The party whose opinions, beliefs, findings, or experience the message appears to reflect will be called the endorser and may be an individual, group, or institution.

(c) The Commission intends to treat endorsements and testimonials identically in the context of its enforcement of the Federal Trade Commission Act and for purposes of this part. The term endorsements is therefore generally used hereinafter to cover both terms and situations.

(d) For purposes of this part, the term product includes any product, service, company or industry.

(e) For purposes of this part, an expert is an individual, group, or institution possessing, as a result of experience, study, or training, knowledge of a particular subject, which knowledge is superior to what ordinary individuals generally acquire.

Example 1: A film critic's review of a movie is excerpted in an advertisement. When so used, the review meets the definition of an endorsement because it is viewed by readers as a statement of the critic's own opinions and not those of the film producer, distributor, or exhibitor. Any alteration in or quotation from the text of the review that does not fairly reflect its substance would be a violation of the standards set by this part because it would distort the endorser's opinion. [*See* §255.1(b).]

Example 2: A TV commercial depicts two women in a supermarket buying a laundry detergent. The women are not identified outside the context of the advertisement. One comments to the other how clean her brand makes her family's clothes, and the other then comments that she will try it because she has not been fully satisfied with her own brand. This obvious fictional dramatization of a real life situation would not be an endorsement.

Example 3: In an advertisement for a pain remedy, an announcer who is not familiar to consumers except as a spokesman for the advertising drug company praises the drug's ability to deliver fast and lasting pain relief. He purports to speak, not on the basis of his own opinions, but rather in the place of and on behalf of the drug company. The announcer's statements would not be considered an endorsement.

Example 4: A manufacturer of automobile tires hires a well-known professional automobile racing driver to deliver its advertising message in television commercials. In these commercials, the driver speaks of the smooth ride, strength, and long life of the tires. Even though the message is not expressly declared to be the personal opinion of the driver, it may nevertheless constitute an endorsement of the tires. Many consumers will recognize this individual as being primarily a racing driver and not merely a spokesperson or announcer for the advertiser. Accordingly, they may well believe the driver would not speak for an automotive product unless he actually believed in what he was saying and had personal knowledge sufficient to form that belief. Hence, they would think that the advertising message reflects the driver's personal views. This attribution of the underlying views to the driver brings the advertisement within the definition of an endorsement for purposes of this part.

Example 5: A television advertisement for a particular brand of golf balls shows a prominent and well-recognized professional golfer practicing numerous drives off the tee. This would be an endorsement by the golfer even though she makes no verbal statement in the advertisement.

Example 6: An infomercial for a home fitness system is hosted by a well-known entertainer. During the infomercial, the entertainer demonstrates the machine and states that it is the most effective and easy-to-use home exercise machine that she has ever tried. Even if she is reading from a script, this statement would be an endorsement, because consumers are likely to believe it reflects the entertainer's views.

Example 7: A television advertisement for a housewares store features a well-known female comedian and a well-known male baseball player engaging in light-hearted banter about products each one intends to purchase for the other. The comedian says that she will buy him a Brand X, portable, high-definition television so he can finally see the strike zone. He says that he will get her a Brand Y juicer so she can make juice with all the fruit and vegetables thrown at her during her performances. The comedian and baseball player are not likely to be deemed endorsers because consumers will likely realize that the individuals are not expressing their own views.

Example 8: A consumer who regularly purchases a particular brand of dog food decides one day to purchase a new, more expensive brand made by the same manufacturer. She writes in her personal blog that the change in diet has made her dog's fur noticeably softer and shinier, and that in her opinion, the new food definitely is worth the extra money. This posting would not be deemed an endorsement under the Guides.

Assume that rather than purchase the dog food with her own money, the consumer gets it for free because the store routinely tracks her purchases and its computer has generated a coupon for a free trial bag of this new brand. Again, her posting would not be deemed an endorsement under the Guides.

Assume now that the consumer joins a network marketing program under which she periodically receives various products about which she can write reviews if she wants to do so. If she receives a free bag of the new dog food through this program, her positive review would be considered an endorsement under the Guides.

§255.1 General considerations.

(a) Endorsements must reflect the honest opinions, findings, beliefs, or experience of the endorser. Furthermore, an endorsement may not convey any express or implied representation that would be deceptive if made directly by the advertiser. [*See* §255.2(a) and (b) regarding substantiation of representations conveyed by consumer endorsements.]

(b) The endorsement message need not be phrased in the exact words of the endorser, unless the advertisement affirmatively so represents. However, the endorsement may not be presented out of context or reworded so as to distort in any way the endorser's opinion or experience with the product. An advertiser may use an endorsement of an expert or celebrity only so long as it has good reason to believe that the endorser continues to subscribe to the views presented. An advertiser may satisfy this obligation by securing the endorser's views at reasonable intervals where reasonableness will be determined by such factors as new information on the performance or effectiveness of the product, a material alteration in the product, changes in the performance of competitors' products, and the advertiser's contract commitments.

(c) When the advertisement represents that the endorser uses the endorsed product, the endorser must have been a bona fide user of it at the time the endorsement was given. Additionally, the advertiser may continue to run the advertisement only so long as it has good reason to believe that the endorser remains a bona fide user of the product. [*See* §255.1(b) regarding the "good reason to believe" requirement.]

(d) Advertisers are subject to liability for false or unsubstantiated statements made through endorsements, or for failing to disclose material connections between themselves and their endorsers [*see* §255.5]. Endorsers also may be liable for statements made in the course of their endorsements.

Example 1: A building contractor states in an advertisement that he uses the advertiser's exterior house paint because of its remarkable quick drying properties and durability. This endorsement must comply with the pertinent requirements of §255.3 (Expert Endorsements). Subsequently, the advertiser reformulates its paint to enable it to cover exterior surfaces with only one coat. Prior to continued use of the contractor's endorsement, the advertiser must contact the contractor in order to determine whether the contractor would continue to specify the paint and to subscribe to the views presented previously.

Example 2: A television advertisement portrays a woman seated at a desk on which rest five unmarked computer keyboards. An announcer says, "We asked X, an administrative assistant for over ten years, to try these five unmarked keyboards and tell us which one she liked best." The advertisement portrays X typing on each keyboard and then picking the advertiser's brand. The announcer asks her why, and X gives her reasons. This endorsement would probably not represent that X actually uses the advertiser's keyboard at work. In addition, the endorsement also may be required to meet the standards of §255.3 (expert endorsements).

Example 3: An ad for an acne treatment features a dermatologist who claims that the product is "clinically proven" to work. Before giving the endorsement, she received a write-up of the clinical study in question, which indicates flaws in the design and conduct of the study that are so serious that they preclude any conclusions about the efficacy of the product. The dermatologist is subject to liability for the false statements she made in the advertisement. The advertiser is also liable for misrepresentations made through the endorsement. [*See* §255.3 regarding the product evaluation that an expert endorser must conduct].

Example 4: A well-known celebrity appears in an infomercial for an oven roasting bag that purportedly cooks every chicken perfectly in thirty minutes. During the shooting of the infomercial, the celebrity watches five attempts to cook chickens using the bag. In each attempt, the chicken is undercooked after thirty minutes and requires sixty minutes of cooking time. In the commercial, the celebrity places an uncooked chicken in the oven roasting bag and places the bag in one oven. He then takes a chicken roasting bag from a second oven, removes from the bag what appears to be a perfectly cooked chicken, tastes the chicken, and says that if you want perfect chicken every time, in just thirty minutes, this is the product you need. A significant percentage of consumers are likely to believe the celebrity's statements represent his own views even though he is reading from a script. The celebrity is subject to liability for his statement about the product. The advertiser is also liable for misrepresentations made through the endorsement.

Example 5: A skin care products advertiser participates in a blog advertising service. The service matches up advertisers with bloggers who will promote the advertiser's products on their personal blogs. The advertiser requests that a blogger try a new body lotion and write a review of the product on her blog. Although the advertiser does not make any specific claims about the lotion's ability to cure skin conditions and the blogger does not ask the advertiser whether there is substantiation for the claim, in her review the blogger writes that the lotion cures eczema and recommends the product to her blog readers who suffer from this condition. The advertiser is subject to liability for misleading or unsubstantiated representations made through the blogger's endorsement. The blogger also is subject to liability for misleading or unsubstantiated representations made in the course of her endorsement. The blogger is also liable if she fails to disclose clearly and conspicuously that she is being paid for her services. [*See* §255.5.]

In order to limit its potential liability, the advertiser should ensure that the advertising service provides guidance and training to its bloggers concerning the need to ensure that statements they make are truthful and substantiated. The advertiser should also monitor bloggers who are being paid to promote its products and take steps necessary to halt the continued publication of deceptive representations when they are discovered.

§255.2 Consumer endorsements.

(a) An advertisement employing endorsements by one or more consumers about the performance of an advertised product or service will be interpreted as representing that the product or service is effective for the purpose depicted in the advertisement. Therefore, the advertiser must possess and rely upon adequate substantiation, including, when appropriate, competent and reliable scientific evidence, to support such claims made through endorsements in the same manner the advertiser would be required to do if it had made the representation directly, *i.e.*, without using endorsements. Consumer endorsements themselves are not competent and reliable scientific evidence.

(b) An advertisement containing an endorsement relating the experience of one or more consumers on a central or key attribute of the product or service also will likely be interpreted as representing that the endorser's experience is representative of what consumers will generally achieve with the advertised product or service in actual, albeit variable, conditions of use. Therefore, an advertiser should possess and rely upon adequate substantiation for this representation. If the advertiser does not have substantiation that the endorser's experience is representative of what consumers will generally achieve, the advertisement should clearly and conspicuously disclose the generally expected performance in the depicted circumstances, and the advertiser must possess and rely on adequate substantiation for that representation.[1]

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[1] The Commission tested the communication of advertisements containing testimonials that clearly and prominently disclosed either "Results not typical" or the stronger "These testimonials are based on the experiences of a few people and you are not likely to have similar results." Neither disclosure adequately reduced the

(c) Advertisements presenting endorsements by what are represented, directly or by implication, to be "actual consumers" should utilize actual consumers in both the audio and video, or clearly and conspicuously disclose that the persons in such advertisements are not actual consumers of the advertised product.

Example 1: A brochure for a baldness treatment consists entirely of testimonials from satisfied customers who say that after using the product, they had amazing hair growth and their hair is as thick and strong as it was when they were teenagers. The advertiser must have competent and reliable scientific evidence that its product is effective in producing new hair growth.

The ad will also likely communicate that the endorsers' experiences are representative of what new users of the product can generally expect. Therefore, even if the advertiser includes a disclaimer such as, "Notice: These testimonials do not prove our product works. You should not expect to have similar results," the ad is likely to be deceptive unless the advertiser has adequate substantiation that new users typically will experience results similar to those experienced by the testimonialists.

Example 2: An advertisement disseminated by a company that sells heat pumps presents endorsements from three individuals who state that after installing the company's heat pump in their homes, their monthly utility bills went down by $100, $125, and $150, respectively. The ad will likely be interpreted as conveying that such savings are representative of what consumers who buy the company's heat pump can generally expect. The advertiser does not have substantiation for that representation because, in fact, less than 20% of purchasers will save $100 or more. A disclosure such as, "Results not typical" or, "These testimonials are based on the experiences of a few people and you are not likely to have similar results" is insufficient to prevent this ad from being deceptive because consumers will still interpret the ad as conveying that the specified savings are representative of what consumers can generally expect. The ad is less likely to be deceptive if it clearly and conspicuously discloses the generally expected savings and the advertiser has adequate substantiation that homeowners can achieve those results. There are

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communication that the experiences depicted are generally representative. Based upon this research, the Commission believes that similar disclaimers regarding the limited applicability of an endorser's experience to what consumers may generally expect to achieve are unlikely to be effective.

Nonetheless, the Commission cannot rule out the possibility that a strong disclaimer of typicality could be effective in the context of a particular advertisement. Although the Commission would have the burden of proof in a law enforcement action, the Commission notes that an advertiser possessing reliable empirical testing demonstrating that the net impression of its advertisement with such a disclaimer is non-deceptive will avoid the risk of the initiation of such an action in the first instance.

multiple ways that such a disclosure could be phrased, *e.g.*, "the average homeowner saves $35 per month," "the typical family saves $50 per month during cold months and $20 per month in warm months," or "most families save 10% on their utility bills."

Example 3: An advertisement for a cholesterol-lowering product features an individual who claims that his serum cholesterol went down by 120 points and does not mention having made any lifestyle changes. A well-conducted clinical study shows that the product reduces the cholesterol levels of individuals with elevated cholesterol by an average of 15% and the advertisement clearly and conspicuously discloses this fact. Despite the presence of this disclosure, the advertisement would be deceptive if the advertiser does not have adequate substantiation that the product can produce the specific results claimed by the endorser (*i.e.*, a 120-point drop in serum cholesterol without any lifestyle changes).

Example 4: An advertisement for a weight-loss product features a formerly obese woman. She says in the ad, "Every day, I drank 2 WeightAway shakes, ate only raw vegetables, and exercised vigorously for six hours at the gym. By the end of six months, I had gone from 250 pounds to 140 pounds." The advertisement accurately describes the woman's experience, and such a result is within the range that would be generally experienced by an extremely overweight individual who consumed WeightAway shakes, only ate raw vegetables, and exercised as the endorser did. Because the endorser clearly describes the limited and truly exceptional circumstances under which she achieved her results, the ad is not likely to convey that consumers who weigh substantially less or use WeightAway under less extreme circumstances will lose 110 pounds in six months. (If the advertisement simply says that the endorser lost 110 pounds in six months using WeightAway together with diet and exercise, however, this description would not adequately alert consumers to the truly remarkable circumstances leading to her weight loss.)The advertiser must have substantiation, however, for any performance claims conveyed by the endorsement (e.g., that WeightAway is an effective weight loss product).

If, in the alternative, the advertisement simply features "before" and "after" pictures of a woman who says "I lost 50 pounds in 6 months with WeightAway," the ad is likely to convey that her experience is representative of what consumers will generally achieve. Therefore, if consumers cannot generally expect to achieve such results, the ad should clearly and conspicuously disclose what they can expect to lose in the depicted circumstances (*e.g.,* "most women who use WeightAway for six months lose at least 15 pounds").

If the ad features the same pictures but the testimonialist simply says, "I lost 50 pounds with WeightAway," and WeightAway users generally do not lose 50 pounds, the ad should disclose what results they do generally achieve (*e.g.,* "most women who use WeightAway lose 15 pounds").

Example 5: An advertisement presents the results of a poll of consumers who have used the advertiser's cake mixes as well as their own recipes. The results purport to show that the majority believed that their families could not tell the difference between the advertised mix and their own cakes baked from scratch. Many of the consumers are actually pictured in the advertisement along with relevant, quoted portions of their statements endorsing the product. This use of the results of a poll or survey of consumers represents that this is the typical result that ordinary consumers can expect from the advertiser's cake mix.

Example 6: An advertisement purports to portray a “hidden camera” situation in a crowded cafeteria at breakfast time. A spokesperson for the advertiser asks a series of actual patrons of the cafeteria for their spontaneous, honest opinions of the advertiser's recently introduced breakfast cereal. Even though the words “hidden camera” are not displayed on the screen, and even though none of the actual patrons is specifically identified during the advertisement, the net impression conveyed to consumers may well be that these are actual customers, and not actors. If actors have been employed, this fact should be clearly and conspicuously disclosed.

Example 7: An advertisement for a recently released motion picture shows three individuals coming out of a theater, each of whom gives a positive statement about the movie. These individuals are actual consumers expressing their personal views about the movie. The advertiser does not need to have substantiation that their views are representative of the opinions that most consumers will have about the movie. Because the consumers' statements would be understood to be the subjective opinions of only three people, this advertisement is not likely to convey a typicality message.

If the motion picture studio had approached these individuals outside the theater and offered them free tickets if they would talk about the movie on camera afterwards, that arrangement should be clearly and conspicuously disclosed. [*See* §255.5.]

§255.3 Expert endorsements.

(a) Whenever an advertisement represents, directly or by implication, that the endorser is an expert with respect to the endorsement message, then the endorser's qualifications must in fact give the endorser the expertise that he or she is represented as possessing with respect to the endorsement.

(b) Although the expert may, in endorsing a product, take into account factors not within his or her expertise (*e.g.*, matters of taste or price), the endorsement must be supported by an actual exercise of that expertise in evaluating product features or characteristics with respect to which he or she is expert and which are relevant to an ordinary consumer's use of or experience with the product and are available to the ordinary consumer. This evaluation must have included an examination or testing of the product at least as extensive as someone with the same degree of expertise would normally need to conduct in order to support the conclusions presented in the endorsement. To the extent that the advertisement implies that the endorsement was based upon a comparison, such comparison must have been included in the expert's evaluation; and as a result of such comparison, the expert must have concluded that, with respect to those features on which he or she is expert and which are relevant and available to an ordinary consumer, the endorsed product is at least equal overall to the competitors' products. Moreover, where the net impression created by the endorsement is that the advertised product is superior to other products with respect to any such feature or features, then the expert must in fact have found such superiority. [*See* §255.1(d) regarding the liability of endorsers.]

Example 1: An endorsement of a particular automobile by one described as an "engineer" implies that the endorser's professional training and experience are such that he is well acquainted with the design and performance of automobiles. If the endorser's field is, for example, chemical engineering, the endorsement would be deceptive.

Example 2: An endorser of a hearing aid is simply referred to as "Doctor" during the course of an advertisement. The ad likely implies that the endorser is a medical doctor with substantial experience in the area of hearing. If the endorser is not a medical doctor with substantial experience in audiology, the endorsement would likely be deceptive. A non-medical "doctor" (e.g., an individual with a Ph.D. in exercise physiology) or a physician without substantial experience in the area of hearing can endorse the product, but if the endorser is referred to as "doctor," the advertisement must make clear the nature and limits of the endorser's expertise.

Example 3: A manufacturer of automobile parts advertises that its products are approved by the "American Institute of Science." From its name, consumers would infer that the "American Institute of Science" is a bona fide independent testing organization with expertise in judging automobile parts and that, as such, it would not approve any automobile part without first testing its efficacy by means of valid scientific methods. If the American Institute of Science is not such a bona fide independent testing organization (*e.g.*, if it was established and operated by an automotive parts manufacturer), the endorsement would be deceptive. Even if the American Institute of Science is an independent bona fide expert testing organization, the endorsement may nevertheless be deceptive unless the Institute has conducted valid scientific tests of the advertised products and the test results support the endorsement message.

Example 4: A manufacturer of a non-prescription drug product represents that its product has been selected over competing products by a large metropolitan hospital. The hospital has selected the product because the manufacturer, unlike its competitors, has packaged each dose of the product separately. This package form is not generally available to the public. Under the circumstances, the endorsement would be deceptive because the basis for the hospital's choice—convenience of packaging—is neither relevant nor available to consumers, and the basis for the hospital's decision is not disclosed to consumers.

Example 5: A woman who is identified as the president of a commercial "home cleaning service" states in a television advertisement that the service uses a particular brand of cleanser, instead of leading competitors it has tried, because of this brand's performance. Because cleaning services extensively use cleansers in the course of their business, the ad likely conveys that the president has knowledge superior to that of ordinary consumers. Accordingly, the president's statement will be deemed to be an expert endorsement. The service must, of course, actually use the endorsed cleanser. In addition, because the advertisement implies that the cleaning service has experience with a reasonable number of leading competitors to the advertised cleanser, the service must, in fact, have such experience, and, on the basis of its expertise, it must have determined that the cleaning ability of the endorsed cleanser is at least equal (or superior, if such is the net impression conveyed by the advertisement) to that of leading competitors' products with which the service has had experience and which remain reasonably available to it. Because in this example the cleaning service's president makes no mention that the endorsed cleanser was "chosen," "selected," or otherwise evaluated in side-by-side comparisons against its competitors, it is sufficient if the service has relied solely upon its accumulated experience in evaluating cleansers without having performed side-by-side or scientific comparisons.

Example 6: A medical doctor states in an advertisement for a drug that the product will safely allow consumers to lower their cholesterol by 50 points. If the materials the doctor reviewed were merely letters from satisfied consumers or the results of a rodent study, the endorsement would likely be deceptive because those materials are not what others with the same degree of expertise would consider adequate to support this conclusion about the product's safety and efficacy.

§255.4 Endorsements by organizations.

Endorsements by organizations, especially expert ones, are viewed as representing the judgment of a group whose collective experience exceeds that of any individual member, and whose judgments are generally free of the sort of subjective factors that vary from individual to individual. Therefore, an organization's endorsement must be reached by a process sufficient to ensure that the endorsement fairly reflects the collective judgment of the organization. Moreover, if an organization is represented as being expert, then, in conjunction with a proper exercise of its expertise in evaluating the product under §255.3 (expert endorsements), it must utilize an expert or experts recognized as such by the organization or standards previously adopted by the organization and suitable for judging the relevant merits of such products. [*See* §255.1(d) regarding the liability of endorsers.]

Example: A mattress seller advertises that its product is endorsed by a chiropractic association. Because the association would be regarded as expert with respect to judging mattresses, its endorsement must be supported by an evaluation by an expert or experts recognized as such by the organization, or by compliance with standards previously adopted by the organization and aimed at measuring the performance of mattresses in general and not designed with the unique features of the advertised mattress in mind.

§255.5 Disclosure of material connections.

When there exists a connection between the endorser and the seller of the advertised product that might materially affect the weight or credibility of the endorsement (*i.e.*, the connection is not reasonably expected by the audience), such connection must be fully disclosed. For example, when an endorser who appears in a television commercial is neither represented in the advertisement as an expert nor is known to a significant portion of the viewing public, then the advertiser should clearly and conspicuously disclose either the payment or promise of compensation prior to and in exchange for the endorsement or the fact that the endorser knew or had reason to know or to believe that if the endorsement favored the advertised product some benefit, such as an appearance on television, would be extended to the endorser. Additional guidance, including guidance concerning endorsements made through other media, is provided by the examples below.

Example 1: A drug company commissions research on its product by an outside organization. The drug company determines the overall subject of the research (*e.g.*, to test the efficacy of a newly developed product) and pays a substantial share of the expenses of the research project, but the research organization determines the protocol for the study and is responsible for conducting it. A subsequent advertisement by the drug company mentions the research results as the "findings" of that research organization. Although the design and conduct of the research project are controlled by the outside research organization, the weight consumers place on the reported results could be materially affected by knowing that the advertiser had funded the project. Therefore, the advertiser's payment of expenses to the research organization should be disclosed in this advertisement.

Example 2: A film star endorses a particular food product. The endorsement regards only points of taste and individual preference. This endorsement must, of course, comply with §255.1; but regardless of whether the star's compensation for the commercial is a $1 million cash payment or a royalty for each product sold by the advertiser during the next year, no disclosure is required because such payments likely are ordinarily expected by viewers.

Example 3: During an appearance by a well-known professional tennis player on a television talk show, the host comments that the past few months have been the best of her career and during this time she has risen to her highest level ever in the rankings. She responds by attributing the improvement in her game to the fact that she is seeing the ball better than she used to, ever since having laser vision correction surgery at a clinic that she identifies by name. She continues talking about the ease of the procedure, the kindness of the clinic's doctors, her speedy recovery, and how she can now engage in a variety of activities without glasses, including driving at night. The athlete does not disclose that, even though she does not appear in commercials for the clinic, she has a contractual relationship with it, and her contract pays her for speaking publicly about her surgery when she can do so. Consumers might not realize that a celebrity discussing a medical procedure in a television interview has been paid for doing so, and knowledge of such payments would likely affect the weight or credibility consumers give to the celebrity's endorsement. Without a clear and conspicuous disclosure that the athlete has been engaged as a spokesperson for the clinic, this endorsement is likely to be deceptive. Furthermore, if consumers are likely to take away from her story that her experience was typical of those who undergo the same procedure at the clinic, the advertiser must have substantiation for that claim.

Assume that instead of speaking about the clinic in a television interview, the tennis player touts the results of her surgery—mentioning the clinic by name—on a social networking site that allows her fans to read in real time what is happening in her life. Given the nature of the medium in which her endorsement is disseminated, consumers might not realize that she is a paid endorser. Because that information might affect the weight consumers give to her endorsement, her relationship with the clinic should be disclosed.

Assume that during that same television interview, the tennis player is wearing clothes bearing the insignia of an athletic wear company with whom she also has an endorsement contract. Although this contract requires that she wear the company's clothes not only on the court but also in public appearances, when possible, she does not mention them or the company during her appearance on the show. No disclosure is required because no representation is being made about the clothes in this context.

Example 4: An ad for an anti-snoring product features a physician who says that he has seen dozens of products come on the market over the years and, in his opinion, this is the best ever. Consumers would expect the physician to be reasonably compensated for his appearance in the ad. Consumers are unlikely, however, to expect that the physician receives a percentage of gross product sales or that he owns part of the company, and either of these facts would likely materially affect the credibility that consumers attach to the endorsement. Accordingly, the advertisement should clearly and conspicuously disclose such a connection between the company and the physician.

Example 5: An actual patron of a restaurant, who is neither known to the public nor presented as an expert, is shown seated at the counter. He is asked for his "spontaneous" opinion of a new food product served in the restaurant. Assume, first, that the advertiser had posted a sign on the door of the restaurant informing all who entered that day that patrons would be interviewed by the advertiser as part of its TV promotion of its new soy protein "steak." This notification would materially affect the weight or credibility of the patron's endorsement, and, therefore, viewers of the advertisement should be clearly and conspicuously informed of the circumstances under which the endorsement was obtained.

Assume, in the alternative, that the advertiser had not posted a sign on the door of the restaurant, but had informed all interviewed customers of the "hidden camera" only after interviews were completed and the customers had no reason to know or believe that their response was being recorded for use in an advertisement. Even if patrons were also told that they would be paid for allowing the use of their opinions in advertising, these facts need not be disclosed.

Example 6: An infomercial producer wants to include consumer endorsements for an automotive additive product featured in her commercial, but because the product has not yet been sold, there are no consumer users. The producer's staff reviews the profiles of individuals interested in working as "extras" in commercials and identifies several who are interested in automobiles. The extras are asked to use the product for several weeks and then report back to the producer. They are told that if they are selected to endorse the product in the producer's infomercial, they will receive a small payment. Viewers would not expect that these "consumer endorsers" are actors who were asked to use the product so that they could appear in the commercial or that they were compensated. Because the advertisement fails to disclose these facts, it is deceptive.

Example 7: A college student who has earned a reputation as a video game expert maintains a personal weblog or "blog" where he posts entries about his gaming experiences. Readers of his blog frequently seek his opinions about video game hardware and software. As it has done in the past, the manufacturer of a newly released video game system sends the student a free copy of the system and asks him to write about it on his blog. He tests the new gaming system and writes a favorable review. Because his review is disseminated via a form of consumer-generated media in which his relationship to the advertiser is not inherently obvious, readers are unlikely to know that he has received the video game system free of charge in exchange for his review of the product, and given the value of the video game system, this fact likely would materially affect the credibility they attach to his endorsement. Accordingly, the blogger should clearly and conspicuously disclose that he received the gaming system free of charge. The manufacturer should advise him at the time it provides the gaming system that this connection should be disclosed, and it should have procedures in place to try to monitor his postings for compliance.

Example 8: An online message board designated for discussions of new music download technology is frequented by MP3 player enthusiasts. They exchange information about new products, utilities, and the functionality of numerous playback devices. Unbeknownst to the message board community, an employee of a leading playback device manufacturer has been posting messages on the discussion board promoting the manufacturer's product. Knowledge of this poster's employment likely would affect the weight or credibility of her endorsement. Therefore, the poster should clearly and conspicuously disclose her relationship to the manufacturer to members and readers of the message board.

Example 9: A young man signs up to be part of a "street team" program in which points are awarded each time a team member talks to his or her friends about a particular advertiser's products. Team members can then exchange their points for prizes, such as concert tickets or electronics. These incentives would materially affect the weight or credibility of the team member's endorsements. They should be clearly and conspicuously disclosed, and the advertiser should take steps to ensure that these disclosures are being provided.

The FTC's Endorsement Guides: What People Are Asking (May 2015)

Introduction

Suppose you meet someone who tells you about a great new product. She tells you it performs wonderfully and offers fantastic new features that nobody else has. Would that recommendation factor into your decision to buy the product? Probably.

Now suppose the person works for the company that sells the product – or has been paid by the company to tout the product. Would you want to know that when you're evaluating the endorser's glowing recommendation? You bet. That common-sense premise is at the heart of the Federal Trade Commission's (FTC) Endorsement Guides.

The Guides, at their core, reflect the basic truth-in-advertising principle that endorsements must be honest and not misleading. An endorsement must reflect the honest opinion of the endorser and can't be used to make a claim that the product's marketer couldn't legally make.

In addition, the Guides say if there's a connection between an endorser and the marketer that consumers would not expect and it would affect how consumers evaluate the endorsement, that connection should be disclosed. For example, if an ad features an endorser who's a relative or employee of the marketer, the ad is misleading unless the connection is made clear. The same is usually true if the endorser has been paid or given something of value to tout the product. The reason is obvious: Knowing about the connection is important information for anyone evaluating the endorsement.

Say you're planning a vacation. You do some research and find a glowing review on someone's blog that a particular resort is the most luxurious place he has ever stayed. If you knew the hotel had paid the blogger hundreds of dollars to say great things about it or that the blogger had stayed there for several days for free, it could affect how much weight you'd give the blogger's endorsement. The blogger should, therefore, let his readers know about that relationship.

Another principle in the Guides applies to ads that feature endorsements from people who achieved exceptional, or even above average, results. An example is an endorser who says she lost 20 pounds in two months using the advertised product. If the advertiser doesn't have proof that the endorser's experience represents what people will generally achieve using the product as described in the ad (for example, by just taking a pill daily for two months), then an ad featuring that endorser must make clear to the audience what the generally expected results are.

Here are answers to some of our most frequently asked questions from advertisers, ad agencies, bloggers, and others.

About the Endorsement Guides

Do the Endorsement Guides apply to social media?

Yes. Truth in advertising is important in all media, whether they have been around for decades (like, television and magazines) or are relatively new (like, blogs and social media).

Isn't it common knowledge that bloggers are paid to tout products or that if you click a link on a blogger's site to buy a product, the blogger will get a commission?

No. Some bloggers who mention products in their posts have no connection to the marketers of those products – they don't receive anything for their reviews or get a commission. They simply recommend those products to their readers because they believe in them. Moreover, the financial arrangements between some bloggers and advertisers may be apparent to industry insiders, but not to everyone else who reads a particular blog. Under the law, an act or practice is deceptive if it misleads "a significant minority" of consumers. Even if some readers are aware of these deals, many readers aren't. That's why disclosure is important.

Are you monitoring bloggers?

Generally not, but if concerns about possible violations of the FTC Act come to our attention, we'll evaluate them case by case. If law enforcement becomes necessary, our focus usually will be on advertisers or their ad agencies and public relations firms. Action against an individual endorser, however, might be appropriate in certain circumstances.

Does the FTC hold online reviewers to a higher standard than reviewers for paper-and-ink publications?

No. The FTC Act applies across the board. The issue is – and always has been – whether the audience understands the reviewer's relationship to the company whose products are being recommended. If the audience understands the relationship, a disclosure isn't needed.

If you're employed by a newspaper or TV station to give reviews – whether online or offline – your audience probably understands that your job is to provide your personal opinion on behalf of the newspaper or television station. In that situation, it's clear that you did not buy the product yourself – whether it's a book or a car or a movie ticket. On a personal blog, a social networking page, or in similar media, the reader might not realize that the reviewer has a relationship with the company whose products are being recommended.

Disclosure of that relationship helps readers decide how much weight to give the review.

What is the legal basis for the Guides?

If an endorser is acting on behalf of an advertiser, what she or he is saying is usually going to be commercial speech – and commercial speech violates the FTC Act if it's deceptive. The FTC conducts investigations and brings cases involving endorsements under Section 5 of the FTC Act, which generally prohibits deceptive advertising.

The Guides are intended to give insight into what the FTC thinks about various marketing activities involving endorsements and how Section 5 might apply to those activities. The Guides themselves don't have the force of law. However, practices inconsistent with the Guides may result in law enforcement actions for violations of the FTC Act. Although there are no fines for violations of the FTC Act, law enforcement actions can result in orders requiring the defendants in the case to give up money they received from their violations.

When Does the FTC Act Apply to Endorsements?

I'm a blogger. I heard that every time I mention a product on my blog, I have to say whether I got it for free or paid for it myself. Is that true?

No. If you mention a product you paid for yourself, there isn't an issue. Nor is it an issue if you get the product for free because a store is giving out free samples to its customers.

The FTC is only concerned about endorsements that are made on behalf of a sponsoring advertiser. For example, an endorsement would be covered by the FTC Act if an advertiser – or someone working for an advertiser – pays you or gives you something of value to mention a product. If you receive free products or other perks with the expectation that you'll promote or discuss the advertiser's products in your blog, you're covered. Bloggers who are part of network marketing programs where they sign up to receive free product samples in exchange for writing about them also are covered.

What if all I get from a company is a $1-off coupon, an entry in a sweepstakes or a contest, or a product that is only worth a few dollars? Does that still have to be disclosed?

The question you need to ask is whether knowing about that gift or incentive would affect the weight or credibility your readers give to your recommendation. If it could, then it should be disclosed. For example, being entered into a sweepstakes or a contest for a chance to win a thousand dollars in exchange for an endorsement could very well affect how people view that endorsement. Determining whether a small gift would affect the weight or credibility of an endorsement could be difficult. It's always safer to disclose that information.

Also, even if getting one free item that's not very valuable doesn't affect your credibility, continually getting free stuff from an advertiser or multiple advertisers could suggest you expect future benefits from positive reviews. If a blogger or other endorser has a relationship with a marketer or a network that sends freebies in the hope of positive reviews, it's best to let readers know about the free stuff.

Even an incentive with no financial value might affect the credibility of an endorsement and would need to be disclosed. The Guides give the example of a restaurant patron being offered the opportunity to appear in television advertising before giving his opinion about a product. Because the chance to appear in a TV ad could sway what someone says, that incentive should be disclosed.

What if I upload a video to YouTube that shows me reviewing several products? Should I disclose when I got them from an advertiser?

Yes. The guidance for videos is the same as for websites or blogs.

What if I return the product after I review it? Should I still make a disclosure?

That might depend on the product and how long you are allowed to use it. For example, if you get free use of a car for a month, we recommend a disclosure even though you have to return it. But even for less valuable products, it's best to be open and transparent with your readers.

I have a website that reviews local restaurants. It's clear when a restaurant pays for an ad on my website, but do I have to disclose which restaurants give me free meals?

If you get free meals, you should let your readers know so they can factor that in when they read your reviews. Some readers might conclude that if a restaurant gave you a free meal because it knew you were going to write a review, you might have gotten special food or service.

Several months ago a manufacturer sent me a free product and asked me to write about it in my blog. I tried the product, liked it, and wrote a favorable review. When I posted the review, I disclosed that I got the product for free from the manufacturer. I still use the product. Do I have to disclose that I got the product for free every time I mention it in my blog?

It might depend on what you say about it, but each new endorsement made without a disclosure could be deceptive because readers might not see the original blog post where you said you got the product free from the manufacturer.

A trade association hired me to be its "ambassador" and promote its upcoming conference in social media, primarily on Facebook, Twitter, and in my blog. The association is only hiring me for five hours a week. I disclose my relationship with the association in my blogs and in the tweets and posts I make about the event during the hours I'm working. But sometimes I get questions about the conference in my off time.

If I respond via Twitter when I'm not officially working, do I need to make a disclosure? Can that be solved by placing a badge for the conference in my Twitter profile?

> You have a financial connection to the company that hired you and that relationship exists whether or not you are being paid for a particular tweet. If you are endorsing the conference in your tweets, your audience has a right to know about your relationship. That said, some of your tweets responding to questions about the event might not be endorsements, because they aren't communicating your opinions about the conference (for example, if someone just asks you for a link to the conference agenda).
>
> Also, if you respond to someone's questions about the event via email or text, that person probably already knows your affiliation or they wouldn't be asking you. You probably wouldn't need a disclosure in that context. But when you respond via social media, all your followers see your posts and some of them might not have seen your earlier disclosures.
>
> With respect to posting the conference's badge on your Twitter profile page, a disclosure on a profile page isn't sufficient because many people in your audience probably won't see it. Also, depending upon what it says, the badge may not adequately inform consumers of your connection to the trade association. If it's simply a logo or hashtag for the event, it won't tell consumers of your relationship to the association.

I share in my social media posts about products I use. Do I actually have to say something positive about a product for my posts to be endorsements covered by the FTC Act?

> Simply posting a picture of a product in social media, such as on Pinterest, or a video of you using it could convey that you like and approve of the product. If it does, it's an endorsement.
>
> You don't necessarily have to use words to convey a positive message. If your audience thinks that what you say or otherwise communicate about a product reflects your opinions or beliefs about the product, and you have a relationship with the company marketing the product, it's an endorsement subject to the FTC Act.
>
> Of course, if you don't have any relationship with the advertiser, then your posts simply are not subject to the FTC Act, no matter what you show or say about the product. The FTC Act covers only endorsements made on behalf of a sponsoring advertiser.

My Facebook page identifies my employer. Should I include an additional disclosure when I post on Facebook about how useful one of our products is?

> It's a good idea. People reading your posts in their news feed – or on your profile page – might not know where you work or what products your employer makes. Many businesses are so diversified that readers might not realize that the products you're talking about are sold by your company.

A famous athlete has thousands of followers on Twitter and is well-known as a spokesperson for a particular product. Does he have to disclose that he's being paid every time he tweets about the product?

> It depends on whether his followers understand that he's being paid to endorse that product. If they know he's a paid endorser, no disclosure is needed. But if a significant portion of his followers don't know that, the relationship should be disclosed. Determining whether followers are aware of a relationship could be tricky in many cases, so we recommend disclosure.

A famous celebrity has millions of followers on Twitter. Many people know that she regularly charges advertisers to mention their products in her tweets. Does she have to disclose when she's being paid to tweet about products?

> It depends on whether her followers understand that her tweets about products are paid endorsements. If a significant portion of her followers don't know that, disclosures are needed. Again, determining that could be tricky, so we recommend disclosure.

Product Placements

What does the FTC have to say about product placements on television shows?

> Federal Communications Commission (FCC, not FTC) law requires TV stations to include disclosures of product placement in TV shows.
>
> FTC staff has expressed the opinion that under the FTC Act, product placement (that is, merely showing products or brands in third-party entertainment or news content – as distinguished from sponsored content or disguised commercials), doesn't require a disclosure that the placement was paid-for by the advertiser.

What if the host of a television talk show expresses her opinions about a product – let's say a videogame – and she was paid for the promotion? The segment is entertainment, it's humorous, and it's not like the host is an expert. Is that different from a product placement and does the payment have to be disclosed?

> If the host endorses the product – even if she is just playing the game and saying something like "wow, this is awesome" – it's more than a product placement. If the payment for the endorsement isn't expected by the audience and it would affect the weight the audience gives the endorsement, it should be disclosed. It doesn't matter that the host isn't an expert or the segment is humorous as long as the endorsement has credibility that would be affected by knowing about the payment. However, if what the host says is obviously an advertisement – think of an old-time television show where the host goes to a different set, holds up a cup of coffee, says "Wake up with ABC Coffee. It's how I start my day!" and takes a sip – a disclosure probably isn't necessary.

Endorsements by Individuals on Social Networking Sites

Many social networking sites allow you to share your interests with friends and followers by clicking a button or sharing a link to show that you're a fan of a particular business, product, website or service. Is that an "endorsement" that needs a disclosure?

> Many people enjoy sharing their fondness for a particular product or service with their social networks.
>
> If you write about how much you like something you bought on your own and you're not being rewarded, you don't have to worry. However, if you're doing it as part of a sponsored campaign or you're being compensated – for example, getting a discount on a future purchase or being entered into a sweepstakes for a significant prize – then a disclosure is appropriate.

I am an avid social media user who often gets rewards for participating in online campaigns on behalf of brands. Is it OK for me to click a "like" button, pin a picture, or share a link to show that I'm a fan of a particular business, product, website or service as part of a paid campaign?

> Using these features to endorse a company's products or services as part of a sponsored brand campaign probably requires a disclosure.
>
> We realize that some platforms – like Facebook's "like" buttons – don't allow you to make a disclosure. Advertisers shouldn't encourage endorsements using features that don't allow for clear and conspicuous disclosures. However, we don't know at this time how much stock social network users put into "likes" when deciding to patronize a business, so the failure to disclose that the people giving "likes" received an incentive might not be a problem.
>
> An advertiser buying fake "likes" is very different from an advertiser offering incentives for "likes" from actual consumers. If "likes" are from non-existent people or people who have no experience using the product or service, they are clearly deceptive, and both the purchaser and the seller of the fake "likes" could face enforcement action.

I posted a review of a service on a website. Now the marketer has taken my review and changed it in a way that I think is misleading. Am I liable for that? What can I do?

> No, you aren't liable for the changes the marketer made to your review. You could, and probably should, complain to the marketer and ask them to stop using your altered review. You also could file complaints with the FTC, your local consumer protection organization, and the Better Business Bureau.

How Should I Disclose That I Was Given Something for My Endorsement?

Is there special wording I have to use to make the disclosure?

> No. The point is to give readers the essential information. A simple disclosure like "Company X gave me this product to try . . . ." will usually be effective.

Do I have to hire a lawyer to help me write a disclosure?

No. What matters is effective communication, not legalese. A disclosure like "Company X sent me [name of product] to try, and I think it's great" gives your readers the information they need. Or, at the start of a short video, you might say, "Some of the products I'm going to use in this video were sent to me by their manufacturers." That gives the necessary heads-up to your viewers.

When should I say more than that I got a product for free?

It depends on what else (if anything) you received from the company.

For example, if an app developer gave you their 99-cent app for free in order for you to review it, that might not have much effect on the weight that readers give to your review. But if the app developer also gave you $100, that would have a much greater effect on the credibility of your review. So a disclosure that simply said you got the app for free wouldn't be good enough.

Similarly, if a company gave you a $50 gift card to give away to one of your readers and a second $50 gift card to keep for yourself, it wouldn't be good enough to only say that the company gave you a gift card to give away.

I'm doing a review of a videogame that hasn't been released yet. The manufacturer is paying me to try the game and review it. I was planning on disclosing that the manufacturer gave me a "sneak peak" of the game. Isn't that enough to put people on notice of my relationship to the manufacturer?

No, it's not. Getting early access doesn't mean that you got paid. Getting a "sneak peak" of the game doesn't even mean that you get to keep the game. If you get early access, you can say that, but if you are paid, you should say so.

Are you saying that I need to list the details of everything I get from a company for reviewing a product?

No. As long as your audience knows the nature of your relationship, it's good enough. So whether you got $50 or $1,000 you could simply say you were "paid." (That wouldn't be good enough, however, if you're an employee or co-owner.)

Would a single disclosure on my home page that "many of the products I discuss on this site are provided to me free by their manufacturers" be enough?

A single disclosure on your home page doesn't really do it because people visiting your site might read individual reviews or watch individual videos without seeing the disclosure on your home page.

If I upload a video to YouTube and that video requires a disclosure, can I just put the disclosure in the description that I upload together with the video?

No, because it's easy for consumers to miss disclosures in the video description. Many people might watch the video without even seeing the description page, and those who do might not read the disclosure. The disclosure has the most chance of being effective if it is made clearly and prominently in the video itself. That's not to say that you couldn't have disclosures in both the video and the description.

Would a button that says DISCLOSURE, LEGAL, or something like that which links to a full disclosure be sufficient?

No. A hyperlink like that isn't likely to be sufficient. It does not convey the importance, nature, and relevance of the information to which it leads and it is likely that many consumers will not click on it and therefore miss necessary disclosures. The disclosures we are talking about are brief and there is no reason to hide them behind a hyperlink.

What about a platform like Twitter? How can I make a disclosure when my message is limited to 140 characters?

The FTC isn't mandating the specific wording of disclosures. However, the same general principle – that people get the information they need to evaluate sponsored statements – applies across the board, regardless of the advertising medium. The words "Sponsored" and "Promotion" use only 9 characters. "Paid ad" only uses 7 characters. Starting a tweet with "Ad:" or "#ad" – which takes only 3 characters – would likely be effective.

The Guides say that disclosures have to be clear and conspicuous. What does that mean?

To make a disclosure "clear and conspicuous," advertisers should use clear and unambiguous language and make the disclosure stand out. Consumers should be able to notice the disclosure easily. They should not have to look for it. In general, disclosures should be:

- close to the claims to which they relate;
- in a font that is easy to read;
- in a shade that stands out against the background;
- for video ads, on the screen long enough to be noticed, read, and understood;
- for audio disclosures, read at a cadence that is easy for consumers to follow and in words consumers will understand.

A disclosure that is made in both audio and video is more likely to be noticed by consumers. Disclosures should **not** be hidden or buried in footnotes, in blocks of text people are not likely to read, or in hyperlinks. If disclosures are hard to find, tough to understand, fleeting, or buried in unrelated details, or if other elements in the ad or message obscure or distract from the disclosures, they don't meet the "clear and conspicuous" standard. With respect to online disclosures, FTC staff has issued a guidance document, .com Disclosures: How to Make Effective Disclosures in Digital Advertising, which is available on ftc.gov.

I've been paid to endorse a product in social media. My posts, videos, and tweets will be in Spanish. In what language should I disclose that I've been paid for the promotion?

The connection between an endorser and a marketer should be disclosed in whatever language or languages the endorsement is made, so your disclosures should be in Spanish.

I guess I need to make a disclosure that I've gotten paid for a video review that I'm uploading to YouTube. When in the review should I make the disclosure? Is it ok if it's at the end?

It's more likely that a disclosure at the end of the video will be missed, especially if someone doesn't watch the whole thing. Having it at the beginning of the review would be better. Having multiple disclosures during the video would be even better. Of course, no one should promote a link to your review that bypasses the beginning of the video and skips over the disclosure. If YouTube has been enabled to run ads during your video, a disclosure that is obscured by ads is not clear and conspicuous.

I'm getting paid to do a videogame playthrough and give commentary while I'm playing. The playthrough – which will last several hours – will be live streamed. Would a disclosure at the beginning of the stream be ok?

Since viewers can tune in any time, they could easily miss a disclosure at the beginning of the stream or at any other single point in the stream. People should see a disclosure no matter when they tune in. There could be multiple, periodic disclosures throughout the stream. To be cautious, you could have a continuous, clear and conspicuous disclosure throughout the entire stream.

Other Things for Endorsers to Know

Besides disclosing my relationship with the company whose product I'm endorsing, what are the essential things I need to know about endorsements?

The most important principle is that an endorsement has to represent the accurate experience and opinion of the endorser:

- You can't talk about your experience with a product if you haven't tried it.
- If you were paid to try a product and you thought it was terrible, you can't say it's terrific.

You can't make claims about a product that would require proof the advertiser doesn't have. The Guides give the example of a blogger commissioned by an advertiser to review a new body lotion. Although the advertiser does not make any claims about the lotion's ability to cure skin conditions and the blogger does not ask the advertiser whether there is substantiation for the claim, she writes that the lotion cures eczema. The blogger is subject to liability for her unsubstantiated claims.

Social Media Contests

My company runs contests and sweepstakes in social media. To enter, participants have to send a Tweet or make a pin with the hashtag, #XYZ_Rocks. ("XYZ" is the name of my product.) Isn't that enough to notify readers that the posts were incentivized?

> No. It's likely that many readers would not understand such a hashtag to mean that those posts were made as part of a contest or that the people doing the posting had received something of value (in this case, a chance to win the contest prize). Making the word "contest" or "sweepstakes" part of the hashtag should be enough. However, the word "sweeps" probably isn't, because it is likely that many people would not understand what that means.

Online Review Programs

My company runs a retail website that includes customer reviews of the products we sell. We believe honest reviews help our customers and we give out free products to a select group of our customers for them to review. We tell them to be honest, whether it's positive or negative. What we care about is how helpful the reviews are. Do we still need to disclose which reviews were of free products?

> Yes. Knowing that reviewers got the product they reviewed for free would probably affect the weight your customers give to the reviews, even if you didn't intend for that to happen. And even assuming the reviewers in your program are unbiased, your customers have the right to know which reviewers were given products for free. It's also possible that the reviewers may wonder whether your company would stop sending them products if they wrote several negative reviews – despite your assurances that you only want their honest opinions – and that could affect their reviews.

My company, XYZ, operates one of the most popular multi-channel networks on YouTube. We just entered into a contract with a videogame marketer to pay some of our network members to produce and upload video reviews of the marketer's games. We're going to have these reviewers announce at the beginning of each video (before the action starts) that it's "sponsored by XYZ" and also have a prominent simultaneous disclosure on the screen saying the same thing. Is that good enough?

> Many consumers could think that XYZ is a neutral third party and won't realize from your disclosures that the review was really sponsored (and paid for) by the videogame marketer, which has a strong interest in positive reviews. If the disclosure said, "Sponsored by [name of the game company]," that would be good enough.

Soliciting Endorsements

My company wants to contact customers and interview them about their experiences with our service. If we like what they say about our service, can we ask them to allow us to quote them in our ads? Can we pay them for letting us use their endorsements?

> Yes, you can ask your customers about their experiences with your product and feature their comments in your ads. If they have no reason to expect compensation or any other benefit before they give their comments, there's no need to disclose your payments to them.
>
> However, if you've given these customers a reason to expect a benefit from providing their thoughts about your product, you should disclose that fact in your ads. For example, if customers are told in advance that their comments might be used in advertising, they might expect to receive a payment for a positive review, and that could influence what they say, even if you tell them that you want their honest opinion. In fact, even if you tell your customers that you aren't going to pay them but that they might be featured in your advertising, that opportunity might be seen as having a value, so the fact that they knew this when they gave the review should be disclosed (e.g., "Customers were told in advance they might be featured in an ad.").

I'm starting a new Internet business. I don't have any money for advertising, so I need publicity. Can I tell people that if they say good things about my business in online reviews, I'll give them a discount on items they buy through my website?

> It's not a good idea. Endorsements must reflect the honest opinions or experiences of the endorser, and your plan could cause people to make up positive reviews even if they've never done business with you. However, it's okay to invite people to post reviews of your business after they've actually used your products or services. If you're offering them something of value in return for these reviews, tell them in advance that they should disclose what they received from you. You should also inform potential reviewers that the discount will be conditioned upon their making the disclosure. That way, other consumers can decide how much stock to put in those reviews.

What Are an Advertiser's Responsibilities for What Others Say in Social Media?

Our company uses a network of bloggers and other social media influencers to promote our products. We understand we're responsible for monitoring our network. What kind of monitoring program do we need? Will we be liable if someone in our network says something false about our product or fails to make a disclosure?

> Advertisers need to have reasonable programs in place to train and monitor members of their network. The scope of the program depends on the risk that deceptive practices by network participants could cause consumer harm – either physical injury or financial loss. For example, a network devoted to the sale of health products may require more supervision than a network promoting, say, a new fashion line. Here are some elements every program should include:
>
> 1. Given an advertiser's responsibility for substantiating objective product claims, explain to members of your network what they can (and can't)

say about the products – for example, a list of the health claims they can make for your products;

2. Instruct members of the network on their responsibilities for disclosing their connections to you;
3. Periodically search for what your people are saying; and
4. Follow up if you find questionable practices.

It's unrealistic to expect you to be aware of every single statement made by a member of your network. But it's up to you to make a reasonable effort to know what participants in your network are saying. That said, it's unlikely that the activity of a rogue blogger would be the basis of a law enforcement action if your company has a reasonable training and monitoring program in place.

Our company's social media program is run by our public relations firm. We tell them to make sure that what they and anyone they pay on our behalf do complies with the FTC's Guides. Is that good enough?

Your company is ultimately responsible for what others do on your behalf. You should make sure your public relations firm has an appropriate program in place to train and monitor members of its social media network. Ask for regular reports confirming that the program is operating properly and monitor the network periodically. Delegating part of your promotional program to an outside entity doesn't relieve you of responsibility under the FTC Act.

What About Intermediaries?

I have a small network marketing business. Advertisers pay me to distribute their products to members of my network who then try the product for free. How do the principles in the Guides affect me?

You should tell the participants in your network that if they endorse products they have received through your program, they should make it clear they got them for free. Advise your clients – the advertisers – that if they provide free samples directly to your members, they should remind them of the importance of disclosing the relationship when they talk about those products. Put a program in place to check periodically whether your members are making those disclosures, and to deal with anyone who isn't complying.

My company recruits "influencers" for marketers who want them to endorse their products. We pay and direct the influencers. What are our responsibilities?

Because of your role in recruiting and directing the influencers, your company is responsible for any failures by the influencers you pay to adequately disclose that they received payments for their endorsements. Teach your influencers to adequately disclose their compensation for endorsements and take reasonable steps to monitor their compliance with that obligation.

What About Affiliate or Network Marketing?

I'm an affiliate marketer with links to an online retailer on my website. When people read what I've written about a particular product and then click on those links and buy something from the retailer, I earn a commission from the retailer. What do I have to disclose? Where should the disclosure be?

> If you disclose your relationship to the retailer clearly and conspicuously on your site, readers can decide how much weight to give your endorsement.
>
> In some instances – like when the affiliate link is embedded in your product review – a single disclosure may be adequate. When the review has a clear and conspicuous disclosure of your relationship and the reader can see both the review containing that disclosure and the link at the same time, readers have the information they need. You could say something like, "I get commissions for purchases made through links in this post." But if the product review containing the disclosure and the link are separated, readers may lose the connection.
>
> As for where to place a disclosure, the guiding principle is that it has to be clear and conspicuous. The closer it is to your recommendation, the better. Putting disclosures in obscure places – for example, buried on an ABOUT US or GENERAL INFO page, behind a poorly labeled hyperlink or in a "terms of service" agreement – isn't good enough. Neither is placing it below your review or below the link to the online retailer so readers would have to keep scrolling after they finish reading. Consumers should be able to notice the disclosure easily. They shouldn't have to hunt for it.

Is "affiliate link" by itself an adequate disclosure? What about a "buy now" button?

> Consumers might not understand that "affiliate link" means that the person placing the link is getting paid for purchases through the link. Similarly, a "buy now" button would not be adequate.

What if I'm including links to product marketers or to retailers as a convenience to my readers, but I'm not getting paid for them?

> Then there isn't anything to disclose.

Does this guidance about affiliate links apply to links in my product reviews on someone else's website, to my user comments, and to my tweets?

> Yes, the same guidance applies anytime you endorse a product and get paid through affiliate links.

It's clear that what's on my website is a paid advertisement, not my own endorsement or review of the product. Do I still have to disclose that I get a commission if people click through my website to buy the product?

> If it's clear that what's on your site is a paid advertisement, you don't have to make additional disclosures. Just remember that what's clear to you may not be clear to everyone visiting your site, and the FTC evaluates ads from the perspective of reasonable consumers.

Expert Endorsers Making Claims Outside of Traditional Advertisements

One of our company's paid spokespersons is an expert who appears on news and talk shows promoting our product, sometimes along with other products she recommends based on her expertise. Your Guides give an example of a celebrity spokesperson appearing on a talk show and recommend that the celebrity disclose her connection to the company she is promoting. Does that principle also apply to expert endorsers?

> Yes, it does. Your spokesperson should disclose her connection when promoting your products outside of traditional advertising media (in other words, on programming that consumers won't recognize as paid advertising). The same guidance also would apply to comments by the expert in her blog or on her website.

Employee Endorsements

I work for a terrific company. Can I mention our products to people in my social networks? How about on a review site? My friends won't be misled since it's clear in my online profiles where I work.

> First, we recommend that you check with your employer to make sure you're complying with its policies before using any form of social media to talk about the company's products.
>
> If your company allows employees to use social media to talk about its products, you should make sure that your relationship is disclosed to people who read your online postings about your company or its products. Put yourself in the reader's shoes. Isn't the employment relationship something you would want to know before relying on someone else's endorsement? Listing your employer on your profile page isn't enough. After all, people who just read what you post on a review site won't get that information.
>
> People reading your posting on a review site probably won't know who you are. You definitely should disclose your employment relationship when making an endorsement.

Our company's policy says that employees should not post positive reviews online about our products without clearly disclosing their relationship to the company. All of our employees agree to abide by this policy when they are hired. But we have several thousand people working here and we can't monitor what they all do on their own computers and other devices when they aren't at work. Are we liable if an employee posts a review of one of our products, either on our company website or on a social media site and doesn't disclose that relationship?

> It wouldn't be reasonable to expect you to monitor every social media posting by all of your employees. However, you should establish a formal program to remind employees periodically of your policy, especially if the company encourages employees to share their opinions about your products. Also, if you

learn that an employee has posted a review on the company's website or a social media site without adequately disclosing his or her relationship to the company, you should remind them of your company policy and ask them to remove that review or adequately disclose that they're an employee.

What about employees of an ad agency or public relations firm? Can my agency ask our employees to spread the buzz about our clients' products?

First, an ad agency (or any company for that matter) shouldn't ask employees to say anything that isn't true. No one should endorse a product they haven't used or say things they don't believe, and an employer certainly shouldn't encourage employees to do that.

Moreover, employees of an ad agency or public relations firm have a connection to the advertiser, which should be disclosed in all social media posts. Agencies asking their employees to spread the word must instruct those employees about their responsibilities to disclose their relationship.

Using Testimonials That Don't Reflect the Typical Consumer Experience

We want to run ads featuring endorsements from consumers who achieved the best results with our company's product. Can we do that?

Testimonials claiming specific results usually will be interpreted to mean that the endorser's experience reflects what others can also expect. Statements like "Results not typical" or "Individual results may vary" won't change that interpretation. That leaves advertisers with two choices:

1. Have adequate proof to back up the claim that the results shown in the ad are typical, or
2. Clearly and conspicuously disclose the generally expected performance in the circumstances shown in the ad.

How would this principle about testimonialists who achieved exceptional results apply in a real ad?

The Guides include several examples with practical advice on this topic. One example is about an ad in which a woman says, "I lost 50 pounds in 6 months with WeightAway." If consumers can't generally expect to get those results, the ad should say how much weight consumers can expect to lose in similar circumstances – for example, "Most women who use WeightAway for six months lose at least 15 pounds."

Our company website includes testimonials from some of our more successful customers who used our product during the past few years and mentions the results they got. We can't figure out now what the "generally expected results" were back then. What should we do? Do we have to remove those testimonials?

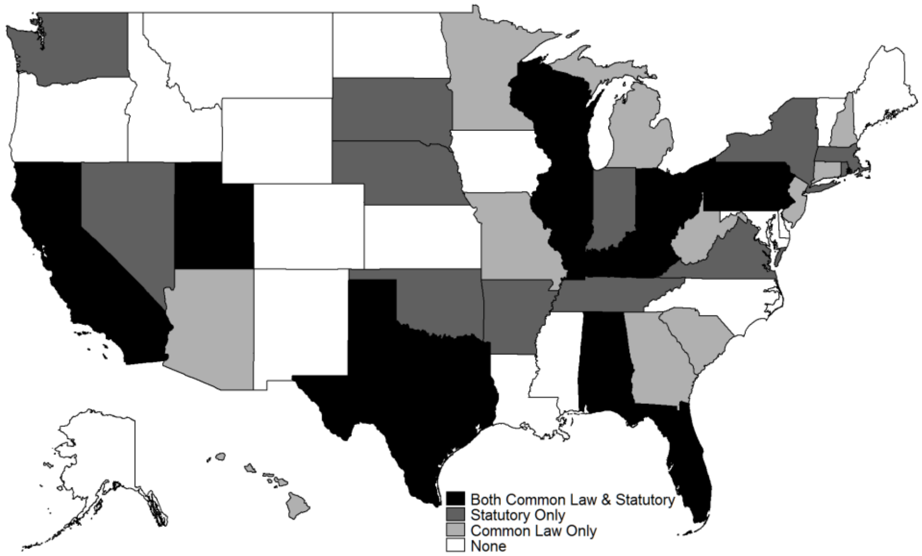
There are two issues here. First, according to the Guides, if your website says or implies that the endorser currently uses the product in question, you can use that endorsement only as long as you have good reason to believe the endorser does still use the product. If you're using endorsements that are a few years old, it's your obligation to make sure the claims still are accurate. If your product has changed, it's best to get new endorsements.

Second, if your product is the same as it was when the endorsements were given and the claims are still accurate, you probably can use the old endorsements if the disclosures are consistent with what the generally expected results are now.

V. Right of Publicity

The right of publicity protects a person's identity against unauthorized commercial exploitation. *See* J. THOMAS MCCARTHY, THE RIGHTS OF PUBLICITY AND PRIVACY §1:3 (2d ed. Apr. 2014) (defining the right of publicity as "the inherent right of every human being to control the commercial use of his or her identity"). There is no federal right of publicity, though as we will see below, Lanham Act § 43(a), 15 U.S.C. § 1125(a), may form the basis for a cause of action akin to one that protects publicity rights. Right of publicity claims are typically pursued under state common law or state statutory law. Thirty-three of the fifty states provide some form of right of publicity protection,[1] either through common law protection, state statutory protection, or both.

Right of Publicity Law by State (as of April 2017)



Because of their importance to the entertainment and media industries, and because their differences are typical of the differences among the laws of the many states, California and New York's schemes of publicity rights protection are detailed below.

But before delving into the specifics of the right of publicity, it may be worthwhile to ask: why should we protect a person's identity from unauthorized commercial exploitation? Borrowing from trademark law, should we do so simply to prevent false endorsements that may mislead consumers as to who is actually endorsing a product? *See generally* Stacey L. Dogan & Mark A. Lemley, *What the Right of Publicity Can Learn from Trademark Law*, 58 STAN. L. REV. 1161 (2006). Or are there further, independent justifications? Some commentators have proposed

[1] *See* J. THOMAS MCCARTHY, THE RIGHTS OF PUBLICITY AND PRIVACY § 6:2 (April 2017). *See also* Jennifer Rothman's http://www.rightofpublicityroadmap.com/.

moral or ethical rationales for the right of publicity, based on an individual's human right to privacy or on an individual's right to autonomous self-definition—so that a sportsman opposed to alcohol should not have to see his identity used to promote alcoholic beverages. *See e.g.*, Mark McKenna, *The Right of Publicity and Autonomous Self-Definition*, 67 U. PITT. L. REV. 225 (2005); *but see O'Brien v. Pabst Sales Co.*, 124 F.2d 167 (5th Cir. 1941) (denying football player Davy O'Brien's privacy-based right of publicity claim against a beer producer). Others have proposed a Lockean justification for the right of publicity, in that the unauthorized exploitation of someone's identity constitutes a misappropriation of the fruits of the labor of whoever created that identity. *See* Michael Madow, *Private Ownership of Public Image*, 81 CAL. L. REV. 127 (1993) (discussing but not endorsing this view). Commentators have also proposed economic justifications for the right of publicity, based on the proposition that the right of publicity provides an economic incentive to celebrities to do more and better of whatever it is that makes them celebrities, or that the right of publicity prevents "congestion externalities," i.e., the dilution of the distinctiveness of a celebrity's identity that might occur if that identity is associated with too many products or services. *See* WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 222-228 (2003). (In what sense is antidilution law essentially a right of publicity scheme of protection for brand names?).

Which of these rationales for the right of publicity strikes you as the most or least persuasive?

A. State Right of Publicity Statutory Provisions

New York's right of publicity statute, excerpted below, is generally understood to be based on the individual's right to privacy. Accordingly, New York law does not provide for the descendibilty of the right of publicity, which ceases in New York with the death of the individual. By contrast, California's statute, also excerpted below, is generally understood to conceive of the right of publicity as a property right, which is descendible for 70 years after the death of the individual. CAL. CIV. CODE. § 3344.1(g). Commentators routinely declare California's right of publicity to be freely assignable, while the New York case law has not clearly established the assignability of the right in New York, but recent scholarship has suggested that the alienability of the right of publicity is considerably more complicated across the states. *See* Jennifer E. Rothman, *The Inalienable Right of Publicity*, 101 GEORGETOWN L.J. 185 (2012).

N.Y. Civil Rights Law § 51. Action for injunction and for damages

Any person whose name, portrait, picture or voice is used within this state for advertising purposes or for the purposes of trade without the written consent first obtained as above provided may maintain an equitable action in the supreme court of this state against the person, firm or corporation so using his name, portrait, picture or voice, to prevent and restrain the use thereof; and may also sue and recover damages for any injuries sustained by reason of such use and if the defendant shall have knowingly used such person's name, portrait, picture or voice in such manner as is forbidden or declared to be unlawful by section fifty of this article, the jury, in its discretion, may award exemplary damages. But nothing contained in this article shall be so construed as to prevent any person, firm or corporation from selling or otherwise transferring any material containing such name, portrait, picture or voice in whatever medium to any user of such name, portrait, picture or voice, or to any third party for sale or transfer directly or indirectly to such a user, for use in a manner lawful under this article; nothing contained in this article shall be so construed as to prevent any person, firm or corporation, practicing the profession of photography, from exhibiting in or about his or its establishment specimens of the work of such establishment, unless the same is continued by such person, firm or corporation after written notice objecting thereto has been given by the person portrayed; and nothing contained in this article shall be so construed as to prevent any person, firm or corporation from using the name, portrait, picture or voice of any manufacturer or dealer in connection with the goods, wares and merchandise manufactured, produced or dealt in by him which he has sold or disposed of with such name, portrait, picture or voice used in connection therewith; or from using the name, portrait, picture or voice of any author, composer or artist in connection with his literary, musical or artistic productions which he has sold or disposed of with such name, portrait, picture or voice used in connection therewith. Nothing contained in this section shall be construed to prohibit the copyright owner of a sound recording from disposing of, dealing in, licensing or selling that sound recording to any party, if the right to dispose of, deal in, license or sell such sound recording has been conferred by contract or other written document by such living person or the holder of such right. Nothing contained in the foregoing sentence shall be deemed to abrogate or otherwise limit any rights or remedies otherwise conferred by federal law or state law.

California Civil Code §§ 3344 & 3344.1.

§ 3344. Use of another's name, voice, signature, photograph, or likeness for advertising or selling or soliciting purposes

(a) Any person who knowingly uses another's name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods or services, without such person's prior consent, or, in the case of a minor, the prior consent of his parent or legal guardian, shall be liable for any damages sustained by the person or persons injured as a result thereof. In addition, in any action brought under this section, the person who violated the section shall be liable to the injured party or parties in an amount equal to the greater of seven hundred fifty dollars ($750) or the actual damages suffered by him or her as a result of the unauthorized use, and any profits from the unauthorized use that are attributable to the use and are not taken into account in computing the actual damages. In establishing such profits, the injured party or parties are required to present proof only of the gross revenue attributable to such use, and the person who violated this section is required to prove his or her deductible expenses. Punitive damages may also be awarded to the injured party or parties. The prevailing party in any action under this section shall also be entitled to attorney's fees and costs.

(b) As used in this section, “photograph” means any photograph or photographic reproduction, still or moving, or any videotape or live television transmission, of any person, such that the person is readily identifiable.

(1) A person shall be deemed to be readily identifiable from a photograph when one who views the photograph with the naked eye can reasonably determine that the person depicted in the photograph is the same person who is complaining of its unauthorized use.

(2) If the photograph includes more than one person so identifiable, then the person or persons complaining of the use shall be represented as individuals rather than solely as members of a definable group represented in the photograph. A definable group includes, but is not limited to, the following examples: a crowd at any sporting event, a crowd in any street or public building, the audience at any theatrical or stage production, a glee club, or a baseball team.

(3) A person or persons shall be considered to be represented as members of a definable group if they are represented in the photograph solely as a result of being present at the time the photograph was taken and have not been singled out as individuals in any manner.

(c) Where a photograph or likeness of an employee of the person using the photograph or likeness appearing in the advertisement or other publication prepared by or in behalf of the user is only incidental, and not essential, to the purpose of the publication in which it appears, there shall arise a rebuttable presumption affecting the burden of producing evidence that the failure to obtain the consent of the employee was not a knowing use of the employee's photograph or likeness.

(d) For purposes of this section, a use of a name, voice, signature, photograph, or likeness in connection with any news, public affairs, or sports broadcast or account, or any political campaign, shall not constitute a use for which consent is required under subdivision (a).

(e) The use of a name, voice, signature, photograph, or likeness in a commercial medium shall not constitute a use for which consent is required under subdivision (a) solely because the material containing such use is commercially sponsored or contains paid advertising. Rather it shall be a question of fact whether or not the use of the person's name, voice, signature, photograph, or likeness was so directly connected with the commercial sponsorship or with the paid advertising as to constitute a use for which consent is required under subdivision (a).

(f) Nothing in this section shall apply to the owners or employees of any medium used for advertising, including, but not limited to, newspapers, magazines, radio and television networks and stations, cable television systems, billboards, and transit ads, by whom any advertisement or solicitation in violation of this section is published or disseminated, unless it is established that such owners or employees had knowledge of the unauthorized use of the person's name, voice, signature, photograph, or likeness as prohibited by this section.

(g) The remedies provided for in this section are cumulative and shall be in addition to any others provided for by law.

§ 3344.1. Deceased personality's name, voice, signature, photograph, or likeness; unauthorized use; damages and profits from use; protected uses; persons entitled to exercise rights; successors in interest or licensees; registration of claim

…

(a)(2) For purposes of this subdivision, a play, book, magazine, newspaper, musical composition, audiovisual work, radio or television program, single and original work of art, work of political or newsworthy value, or an advertisement or commercial announcement for any of these works, shall not be considered a product, article of merchandise, good, or service if it is fictional or nonfictional entertainment, or a dramatic, literary, or musical work.

…

(j) For purposes of this section, the use of a name, voice, signature, photograph, or likeness in connection with any news, public affairs, or sports broadcast or account, or any political campaign, shall not constitute a use for which consent is required under subdivision (a).

B. Right of Publicity Case Law

Provided below are opinions from two significant right of publicity cases. The first, older case is *White v. Samsung Electronics America, Inc*., 971 F.2d 1395 (9th Cir. 1992), which addressed television hostess Vanna White's claims that a series of Samsung advertisement's featuring a robot likeness of her violated her intellectual property rights. Excerpted below is the Ninth Circuit's majority opinion in the case and Judge Kozinski's dissent from a denial of *en banc* review of that majority opinion. The second case, *In re NCAA Student–Athlete Name & Likeness Licensing Litigation*, 724 F.3d 1268 (9th Cir. 2013), is of much more recent vintage and was issued on the same day as *Brown v. Electronic Arts*, 724 F.3d 1235 (9th Cir. 2013), which, you will recall from Part III.C.2 above, rejected retired football player Jim Brown's Lanham Act § 43(a) claim against a video game producer who used his likeness in a video game. By contrast, in *In re NCAA Student-Athlete Name & Likeness Licensing* (sometimes known as the "Keller case"), the court addressed a California Civil Code § 3344 claim against the video game producer brought by a one-time college football player. As you will see, the California right of publicity claim was more successful than Jim Brown's Lanham Act § 43(a) claim.

As you read through the *White v. Samsung* opinions, consider the following questions:

- If you are persuaded by the simple false endorsement justification for right of publicity protection, then does *White v. Samsung* support that justification? Does Samsung's homage to Vanna White constitute false endorsement? How might a court properly determine the answer to this latter question?

- In *Midler v. Ford Motor Co.,* 849 F.2d 460 (9th Cir.1988) and *Waits v. Frito-Lay, Inc.,* 978 F.2d 1093 (9th Cir.1992), the defendants employed impersonators to mimic the singing styles of Bette Midler and Tom Waits, respectively, both of whom adamantly refuse to allow their art to be used to sell goods and services. Defendants were found liable under Lanham Act § 43(a) in both cases. If you are persuaded by Judge Kozinski's dissent, then how would you rule in *Midler* and *Waits*?


Longest-running game show.
2012 A.D.
SAMSUNG
The VCR you'll tape it on.
2012 A.D.
Samsung. The future of electronics.

White v. Samsung Electronics America, Inc.
971 F.2d 1395 (9th Cir. 1992)

GOODWIN, Senior Circuit Judge:

[1] This case involves a promotional "fame and fortune" dispute. In running a particular advertisement without Vanna White's permission, defendants Samsung Electronics America, Inc. (Samsung) and David Deutsch Associates, Inc. (Deutsch) attempted to capitalize on White's fame to enhance their fortune. White sued, alleging infringement of various intellectual property rights, but the district court granted summary judgment in favor of the defendants. We affirm in part, reverse in part, and remand.

[2] Plaintiff Vanna White is the hostess of "Wheel of Fortune," one of the most popular game shows in television history. An estimated forty million people watch the program daily. Capitalizing on the fame which her participation in the show has bestowed on her, White markets her identity to various advertisers.

[3] The dispute in this case arose out of a series of advertisements prepared for Samsung by Deutsch. The series ran in at least half a dozen publications with widespread, and in some cases national, circulation. Each of the advertisements in the series followed the same theme. Each depicted a current item from popular culture and a Samsung electronic product. Each was set in the twenty-first century and conveyed the message that the Samsung product would still be in use by that time. By hypothesizing outrageous future outcomes for the cultural items, the ads created humorous effects. For example, one lampooned current popular notions of an unhealthy diet by depicting a raw steak with the caption: "Revealed to be health food. 2010 A.D." Another depicted irreverent "news"-show host Morton Downey Jr. in front of an American flag with the caption: "Presidential candidate. 2008 A.D."

[4] The advertisement which prompted the current dispute was for Samsung video-cassette recorders (VCRs). The ad depicted a robot, dressed in a wig, gown, and jewelry which Deutsch consciously selected to resemble White's hair and dress. The robot was posed next to a game board which is instantly recognizable as the Wheel of Fortune game show set, in a stance for which White is famous. The caption of the ad read: "Longest-running game show. 2012 A.D." Defendants referred to the ad as the "Vanna White" ad. Unlike the other celebrities used in the campaign, White neither consented to the ads nor was she paid.

[5] Following the circulation of the robot ad, White sued Samsung and Deutsch in federal district court under: (1) California Civil Code § 3344; (2) the California common law right of publicity; and (3) § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). The district court granted summary judgment against White on each of her claims. White now appeals.

I. Section 3344

[6] White first argues that the district court erred in rejecting her claim under section 3344. Section 3344(a) provides, in pertinent part, that "[a]ny person who knowingly uses another's name, voice, signature, photograph, or likeness, in any manner, ... for purposes of advertising or selling, ... without such person's prior consent ... shall be liable for any damages sustained by the person or persons injured as a result thereof."

[7] White argues that the Samsung advertisement used her "likeness" in contravention of section 3344. In *Midler v. Ford Motor Co.,* 849 F.2d 460 (9th Cir.1988), this court rejected Bette Midler's section 3344 claim concerning a Ford television commercial in which a Midler "sound-alike" sang a song which Midler had made famous. In rejecting Midler's claim, this court noted that "[t]he defendants did not use Midler's name or anything else whose use is prohibited by the statute. The voice they used was [another person's], not hers. The term 'likeness' refers to a visual image not a vocal imitation." *Id.* at 463.

[8] In this case, Samsung and Deutsch used a robot with mechanical features, and not, for example, a manikin molded to White's precise features. Without deciding for all purposes when a caricature or impressionistic resemblance might become a "likeness," we agree with the district court that the robot at issue here was not White's "likeness" within the meaning of section 3344. Accordingly, we affirm the court's dismissal of White's section 3344 claim.

II. Right of Publicity

[9] White next argues that the district court erred in granting summary judgment to defendants on White's common law right of publicity claim. In *Eastwood v. Superior Court,* 149 Cal.App.3d 409, 198 Cal.Rptr. 342 (1983), the California court of appeal stated that the common law right of publicity cause of action "may be pleaded by alleging (1) the defendant's use of the plaintiff's identity; (2) the appropriation of plaintiff's name or likeness to defendant's advantage, commercially or otherwise; (3) lack of consent; and (4) resulting injury." *Id.* at 417, 198 Cal.Rptr. 342 (citing Prosser, Law of Torts (4th ed. 1971) § 117, pp. 804–807). The district court dismissed White's claim for failure to satisfy *Eastwood's* second prong, reasoning that defendants had not appropriated White's "name or likeness" with their robot ad. We agree that the robot ad did not make use of White's name or likeness. However, the common law right of publicity is not so confined.

[10] The *Eastwood* court did not hold that the right of publicity cause of action could be pleaded only by alleging an appropriation of name or likeness. *Eastwood* involved an unauthorized use of photographs of Clint Eastwood and of his name. Accordingly, the *Eastwood* court had no occasion to consider the extent beyond the use of name or likeness to which the right of publicity reaches. That court held only that the right of publicity cause of action "may be" pleaded by alleging, *inter alia,* appropriation of name or likeness, not that the action may be pleaded *only* in those terms.

[11] The "name or likeness" formulation referred to in *Eastwood* originated not as an element of the right of publicity cause of action, but as a description of the types of cases in which the cause of action had been recognized. The source of this formulation is Prosser, *Privacy,* 48 Cal.L.Rev. 383, 401–07 (1960), one of the earliest and most enduring articulations of the common law right of publicity cause of action. In looking at the case law to that point, Prosser recognized that right of publicity cases involved one of two basic factual scenarios: name appropriation, and picture or other likeness appropriation. *Id.* at 401–02, nn. 156–57.

[12] Even though Prosser focused on appropriations of name or likeness in discussing the right of publicity, he noted that "[i]t is not impossible that there might be appropriation of the plaintiff's identity, as by impersonation, without the use of either his name or his likeness, and that this would be an invasion of his right of privacy." *Id.* at 401, n. 155.[1] At the time Prosser wrote, he noted however, that "[n]o such case appears to have arisen." *Id.*

[13] Since Prosser's early formulation, the case law has borne out his insight that the right of publicity is not limited to the appropriation of name or likeness. In *Motschenbacher v. R.J. Reynolds Tobacco Co.,* 498 F.2d 821 (9th Cir.1974), the defendant had used a photograph of the plaintiff's race car in a television commercial. Although the plaintiff appeared driving the car in the photograph, his features were not visible. Even though the defendant had not appropriated the plaintiff's name or likeness, this court held that plaintiff's California right of publicity claim should reach the jury.

[14] In *Midler,* this court held that, even though the defendants had not used Midler's name or likeness, Midler had stated a claim for violation of her California common law right of publicity because "the defendants ... for their own profit in selling their product did appropriate part of her identity" by using a Midler sound-alike. *Id.* at 463–64.

[15] In *Carson v. Here's Johnny Portable Toilets, Inc.,* 698 F.2d 831 (6th Cir.1983), the defendant had marketed portable toilets under the brand name "Here's Johnny"—Johnny Carson's signature "Tonight Show" introduction—without Carson's permission. The district court had dismissed Carson's Michigan common law right of publicity claim because the defendants had not used Carson's "name or likeness." *Id.* at 835. In reversing the district court, the sixth circuit found "the district court's conception of the right of publicity ... too narrow" and held that the right was implicated because the defendant had appropriated Carson's identity by using, *inter alia,* the phrase "Here's Johnny." *Id.* at 835–37.

[16] These cases teach not only that the common law right of publicity reaches means of appropriation other than name or likeness, but that the specific means of appropriation are relevant only for determining whether the defendant has in fact

[1] Under Professor Prosser's scheme, the right of publicity is the last of the four categories of the right to privacy. Prosser, 48 Cal.L.Rev. at 389.

appropriated the plaintiff's identity. The right of publicity does not require that appropriations of identity be accomplished through particular means to be actionable. It is noteworthy that the *Midler* and *Carson* defendants not only avoided using the plaintiff's name or likeness, but they also avoided appropriating the celebrity's voice, signature, and photograph. The photograph in *Motschenbacher* did include the plaintiff, but because the plaintiff was not visible the driver could have been an actor or dummy and the analysis in the case would have been the same.

[17] Although the defendants in these cases avoided the most obvious means of appropriating the plaintiffs' identities, each of their actions directly implicated the commercial interests which the right of publicity is designed to protect. As the *Carson* court explained:

> [t]he right of publicity has developed to protect the commercial interest of celebrities in their identities. The theory of the right is that a celebrity's identity can be valuable in the promotion of products, and the celebrity has an interest that may be protected from the unauthorized commercial exploitation of that identity.... If the celebrity's identity is commercially exploited, there has been an invasion of his right whether or not his "name or likeness" is used.

Carson, 698 F.2d at 835. It is not important *how* the defendant has appropriated the plaintiff's identity, but *whether* the defendant has done so. *Motschenbacher, Midler,* and *Carson* teach the impossibility of treating the right of publicity as guarding only against a laundry list of specific means of appropriating identity. A rule which says that the right of publicity can be infringed only through the use of nine different methods of appropriating identity merely challenges the clever advertising strategist to come up with the tenth.

[18] Indeed, if we treated the means of appropriation as dispositive in our analysis of the right of publicity, we would not only weaken the right but effectively eviscerate it. The right would fail to protect those plaintiffs most in need of its protection. Advertisers use celebrities to promote their products. The more popular the celebrity, the greater the number of people who recognize her, and the greater the visibility for the product. The identities of the most popular celebrities are not only the most attractive for advertisers, but also the easiest to evoke without resorting to obvious means such as name, likeness, or voice.

[19] Consider a hypothetical advertisement which depicts a mechanical robot with male features, an African–American complexion, and a bald head. The robot is wearing black hightop Air Jordan basketball sneakers, and a red basketball uniform with black trim, baggy shorts, and the number 23 (though not revealing "Bulls" or "Jordan" lettering). The ad depicts the robot dunking a basketball one-handed, stiff-armed, legs extended like open scissors, and tongue hanging out. Now envision that this ad is run on television during professional basketball games. Considered individually, the robot's physical attributes, its dress, and its stance tell us little. Taken together, they lead to the only conclusion that any sports viewer who has

registered a discernible pulse in the past five years would reach: the ad is about Michael Jordan.

[20] Viewed separately, the individual aspects of the advertisement in the present case say little. Viewed together, they leave little doubt about the celebrity the ad is meant to depict. The female-shaped robot is wearing a long gown, blond wig, and large jewelry. Vanna White dresses exactly like this at times, but so do many other women. The robot is in the process of turning a block letter on a game-board. Vanna White dresses like this while turning letters on a game-board but perhaps similarly attired Scrabble-playing women do this as well. The robot is standing on what looks to be the Wheel of Fortune game show set. Vanna White dresses like this, turns letters, and does this on the Wheel of Fortune game show. She is the only one. Indeed, defendants themselves referred to their ad as the “Vanna White” ad. We are not surprised.

[21] Television and other media create marketable celebrity identity value. Considerable energy and ingenuity are expended by those who have achieved celebrity value to exploit it for profit. The law protects the celebrity's sole right to exploit this value whether the celebrity has achieved her fame out of rare ability, dumb luck, or a combination thereof. We decline Samsung and Deutch's invitation to permit the evisceration of the common law right of publicity through means as facile as those in this case. Because White has alleged facts showing that Samsung and Deutsch had appropriated her identity, the district court erred by rejecting, on summary judgment, White's common law right of publicity claim.

III. The Lanham Act

[22] White's final argument is that the district court erred in denying her claim under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). The version of section 43(a) applicable to this case[2] provides, in pertinent part, that “[a]ny person who shall ... use, in connection with any goods or services ... any false description or representation ... shall be liable to a civil action ... by any person who believes that he is or is likely to be damaged by the use of any such false description or designation.” 15 U.S.C. § 1125(a).

[23] To prevail on her Lanham Act claim, White is required to show that in running the robot ad, Samsung and Deutsch created a likelihood of confusion, *Academy of Motion Picture Arts v. Creative House,* 944 F.2d 1446, 1454 (9th Cir.1991); *Toho Co. Ltd. v. Sears Roebuck & Co.,* 645 F.2d 788, 790 (9th Cir.1981) *New West Corp. v. NYM Co. of California,* 595 F.2d 1194, 1201 (9th Cir.1979), over whether White was endorsing Samsung's VCRs. *HMH Publishing Co. v. Brincat,* 504 F.2d 713 (9th Cir.1974); *Allen v. National Video, Inc.,* 610 F.Supp. 612 (D.C.N.Y.1985).

[2] The statute was amended after White filed her complaint. The amendments would not have altered the analysis in this case however.

[24] This circuit recognizes several different multi-factor tests for determining whether a likelihood of confusion exists. *See Academy,* 944 F.2d at 1454, n. 3. None of these tests is correct to the exclusion of the others. *Eclipse Associates Ltd. v. Data General Corp.,* 894 F.2d 1114, 1118 (9th Cir.1990). Normally, in reviewing the district court's decision, this court will look to the particular test that the district court used. *Academy,* 944 F.2d at 1454, n. 3; *Eclipse,* 894 F.2d at 1117–1118. However, because the district court in this case apparently did not use any of the multi-factor tests in making its likelihood of confusion determination, and because this case involves an appeal from summary judgment and we review de novo the district court's determination, we will look for guidance to the 8–factor test enunciated in *AMF, Inc. v. Sleekcraft Boats,* 599 F.2d 341 (9th Cir.1979). According to *AMF,* factors relevant to a likelihood of confusion include:

(1) strength of the plaintiff's mark;

(2) relatedness of the goods;

(3) similarity of the marks;

(4) evidence of actual confusion;

(5) marketing channels used;

(6) likely degree of purchaser care;

(7) defendant's intent in selecting the mark;

(8) likelihood of expansion of the product lines.

599 F.2d at 348–49. We turn now to consider White's claim in light of each factor.

[25] In cases involving confusion over endorsement by a celebrity plaintiff, “mark” means the celebrity's persona. *See Allen,* 610 F.Supp. at 627. The “strength” of the mark refers to the level of recognition the celebrity enjoys among members of society. *See Academy,* 944 F.2d at 1455. If Vanna White is unknown to the segment of the public at whom Samsung's robot ad was directed, then that segment could not be confused as to whether she was endorsing Samsung VCRs. Conversely, if White is well-known, this would allow the possibility of a likelihood of confusion. For the purposes of the *Sleekcraft* test, White's “mark,” or celebrity identity, is strong.

[26] In cases concerning confusion over celebrity endorsement, the plaintiff's “goods” concern the reasons for or source of the plaintiff's fame. Because White's fame is based on her televised performances, her “goods” are closely related to Samsung's VCRs. Indeed, the ad itself reinforced the relationship by informing its readers that they would be taping the “longest-running game show” on Samsung's VCRs well into the future.

[27] The third factor, “similarity of the marks,” both supports and contradicts a finding of likelihood of confusion. On the one hand, all of the aspects of the robot ad identify White; on the other, the figure is quite clearly a robot, not a human. This ambiguity means that we must look to the other factors for resolution.

[28] The fourth factor does not favor White's claim because she has presented no evidence of actual confusion.

[29] Fifth, however, White has appeared in the same stance as the robot from the ad in numerous magazines, including the covers of some. Magazines were used as the marketing channels for the robot ad. This factor cuts toward a likelihood of confusion.

[30] Sixth, consumers are not likely to be particularly careful in determining who endorses VCRs, making confusion as to their endorsement more likely.

[31] Concerning the seventh factor, "defendant's intent," the district court found that, in running the robot ad, the defendants had intended a spoof of the "Wheel of Fortune." The relevant question is whether the defendants "intended to profit by confusing consumers" concerning the endorsement of Samsung VCRs. *Toho,* 645 F.2d 788. We do not disagree that defendants intended to spoof Vanna White and "Wheel of Fortune." That does not preclude, however, the possibility that defendants also intended to confuse consumers regarding endorsement. The robot ad was one of a series of ads run by defendants which followed the same theme. Another ad in the series depicted Morton Downey Jr. as a presidential candidate in the year 2008. Doubtless, defendants intended to spoof presidential elections and Mr. Downey through this ad. Consumers, however, would likely believe, and would be correct in so believing, that Mr. Downey was paid for his permission and was endorsing Samsung products. Looking at the series of advertisements as a whole, a jury could reasonably conclude that beneath the surface humor of the series lay an intent to persuade consumers that celebrity Vanna White, like celebrity Downey, was endorsing Samsung products.

[32] Finally, the eighth factor, "likelihood of expansion of the product lines," does not appear apposite to a celebrity endorsement case such as this.

[33] Application of the *Sleekcraft* factors to this case indicates that the district court erred in rejecting White's Lanham Act claim at the summary judgment stage. In so concluding, we emphasize two facts, however. First, construing the motion papers in White's favor, as we must, we hold only that White has raised a genuine issue of material fact concerning a likelihood of confusion as to her endorsement. *Cohen v. Paramount Pictures Corp.,* 845 F.2d 851, 852–53 (9th Cir.1988). Whether White's Lanham Act claim should succeed is a matter for the jury. Second, we stress that we reach this conclusion in light of the peculiar facts of this case. In particular, we note that the robot ad identifies White and was part of a series of ads in which other celebrities participated and were paid for their endorsement of Samsung's products.

IV. The Parody Defense

[34] In defense, defendants cite a number of cases for the proposition that their robot ad constituted protected speech. The only cases they cite which are even remotely relevant to this case are *Hustler Magazine v. Falwell,* 485 U.S. 46, 108 S.Ct.

876, 99 L.Ed.2d 41 (1988) and *L.L. Bean, Inc. v. Drake Publishers, Inc.,* 811 F.2d 26 (1st Cir.1987). Those cases involved parodies of advertisements run for the purpose of poking fun at Jerry Falwell and L.L. Bean, respectively. This case involves a true advertisement run for the purpose of selling Samsung VCRs. The ad's spoof of Vanna White and Wheel of Fortune is subservient and only tangentially related to the ad's primary message: "buy Samsung VCRs." Defendants' parody arguments are better addressed to non-commercial parodies.[3] The difference between a "parody" and a "knock-off" is the difference between fun and profit.

V. Conclusion

[35] In remanding this case, we hold only that White has pleaded claims which can go to the jury for its decision.

AFFIRMED IN PART, REVERSED IN PART, and REMANDED.

[Judge Alarcon's dissent is not included.]

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[3] In warning of a first amendment chill to expressive conduct, the dissent reads this decision too broadly. *See Dissent* at 1407. This case concerns only the market which exists in our society for the exploitation of celebrity to sell products, and an attempt to take a free ride on a celebrity's celebrity value. Commercial advertising which relies on celebrity fame is different from other forms of expressive activity in two crucial ways.

First, for celebrity exploitation advertising to be effective, the advertisement must evoke the celebrity's identity. The more effective the evocation, the better the advertisement. If, as Samsung claims, its ad was based on a "generic" game-show hostess and not on Vanna White, the ad would not have violated anyone's right of publicity, but it would also not have been as humorous or as effective.

Second, even if some forms of expressive activity, such as parody, do rely on identity evocation, the first amendment hurdle will bar most right of publicity actions against those activities. *Cf. Falwell,* 485 U.S. at 46. In the case of commercial advertising, however, the first amendment hurdle is not so high. *Central Hudson Gas & Electric Corp. v. Public Service Comm'n of New York,* 447 U.S. 557, 566 (1980). Realizing this, Samsung attempts to elevate its ad above the status of garden-variety commercial speech by pointing to the ad's parody of Vanna White. Samsung's argument is unavailing. *See Board of Trustees, State Univ. of N.Y. v. Fox,* 492 U.S. 469, 474–75 (1988); *Bolger v. Youngs Drug Products Corp.,* 463 U.S. 60, 67–68, (1983). Unless the first amendment bars all right of publicity actions—and it does not, *see Zachini v. Scripps–Howard Broadcasting Co.,* 433 U.S. 562 (1977)—then it does not bar this case.

Vanna White

Ms. C3PO?

White v. Samsung Electronics America, Inc.
989 F.2d 1512 (9th Cir. 1993)

Before GOODWIN, PREGERSON and ALARCON, Circuit Judges.

[1] The panel has voted unanimously to deny the petition for rehearing. Circuit Judge Pregerson has voted to reject the suggestion for rehearing en banc, and Circuit Judge Goodwin so recommends. Circuit Judge Alarcon has voted to accept the suggestion for rehearing en banc.

[2] The full court has been advised of the suggestion for rehearing en banc. An active judge requested a vote on whether to rehear the matter en banc. The matter failed to receive a majority of the votes of the nonrecused active judges in favor of en banc consideration. Fed.R.App.P. 35.

[3] The petition for rehearing is DENIED and the suggestion for rehearing en banc is REJECTED.

KOZINSKI, Circuit Judge, with whom Circuit Judges O'SCANNLAIN and KLEINFELD join, dissenting from the order rejecting the suggestion for rehearing en banc.

I

Saddam Hussein wants to keep advertisers from using his picture in unflattering contexts.[4] Clint Eastwood doesn't want tabloids to write about him.[5] Rudolf Valentino's heirs want to control his film biography.[6] The Girl Scouts don't want their image soiled by association with certain activities.[7] George Lucas wants to keep Strategic Defense Initiative fans from calling it “Star Wars.”[8] Pepsico doesn't want singers to use the word “Pepsi” in their songs.[9] Guy Lombardo wants an

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[4] *See* Eben Shapiro, *Rising Caution on Using Celebrity Images,* N.Y. Times, Nov. 4, 1992, at D20 (Iraqi diplomat objects on right of publicity grounds to ad containing Hussein's picture and caption “History has shown what happens when one source controls all the information”).

[5] *Eastwood v. Superior Court,* 149 Cal.App.3d 409, 198 Cal.Rptr. 342 (1983).

[6] *Guglielmi v. Spelling-Goldberg Prods.,* 25 Cal.3d 860, 160 Cal.Rptr. 352, 603 P.2d 454 (1979) (Rudolph Valentino); *see also Maheu v. CBS, Inc.,* 201 Cal.App.3d 662, 668, 247 Cal.Rptr. 304 (1988) (aide to Howard Hughes). *Cf.* Frank Gannon, *Vanna Karenina,* in *Vanna Karenina and Other Reflections* (1988) (A humorous short story with a tragic ending. “She thought of the first day she had met VR__SKY. How foolish she had been. How could she love a man who wouldn't even tell her all the letters in his name?”).

[7] *Girl Scouts v. Personality Posters Mfg.,* 304 F.Supp. 1228 (S.D.N.Y.1969) (poster of a pregnant girl in a Girl Scout uniform with the caption “Be Prepared”).

[8] *Lucasfilm Ltd. v. High Frontier,* 622 F.Supp. 931 (D.D.C.1985).

[9] Pepsico Inc. claimed the lyrics and packaging of grunge rocker Tad Doyle's “Jack Pepsi” song were “offensive to [it] and [...] likely to offend [its] customers,” in part because they “associate [Pepsico] and its Pepsi marks with intoxication and drunk driving.” Deborah Russell, *Doyle Leaves Pepsi Thirsty for Compensation,* Billboard, June 15, 1991, at 43. Conversely, the Hell's Angels recently sued Marvel Comics to keep it from publishing a comic book called “Hell's Angel,” starring a character of the same name. Marvel settled by paying $35,000 to charity and promising never to use the name “Hell's Angel” again in connection with any of its publications. *Marvel, Hell's Angels Settle Trademark Suit,* L.A. Daily J., Feb. 2, 1993, § II, at 1.

Trademarks are often reflected in the mirror of our popular culture. *See* Truman Capote, *Breakfast at Tiffany's* (1958); Kurt Vonnegut, Jr., *Breakfast of Champions* (1973); Tom Wolfe, *The Electric Kool-Aid Acid Test* (1968) (which, incidentally, includes a chapter on the Hell's Angels); Larry Niven, *Man of Steel, Woman of Kleenex,* in *All the Myriad Ways* (1971); *Looking for Mr. Goodbar* (1977); *The Coca-Cola Kid* (1985) (using Coca-Cola as a metaphor for American commercialism); *The Kentucky Fried Movie* (1977); *Harley Davidson and the Marlboro Man* (1991); *The Wonder Years* (ABC 1988-present) (“Wonder Years” was exclusive property right to ads that show big bands playing on New Year's Eve.[10] Uri Geller thinks he should be paid for ads showing psychics bending metal through telekinesis.[11] Paul Prudhomme, that household name, thinks the same about ads featuring corpulent bearded chefs.[12] And scads of copyright holders see purple when their creations are made fun of.[13]

[4] Something very dangerous is going on here. Private property, including intellectual property, is essential to our way of life. It provides an incentive for investment and innovation; it stimulates the flourishing of our culture; it protects

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a slogan of Wonder Bread); Tim Rice & Andrew Lloyd Webber, *Joseph and the Amazing Technicolor Dream Coat* (musical).

Hear Janis Joplin, *Mercedes Benz,* on *Pearl* (CBS 1971); Paul Simon, *Kodachrome,* on *There Goes Rhymin' Simon* (Warner 1973); Leonard Cohen, *Chelsea Hotel,* on *The Best of Leonard Cohen* (CBS 1975); Bruce Springsteen, *Cadillac Ranch,* on *The River* (CBS 1980); Prince, *Little Red Corvette, on 1999* (Warner 1982); dada, *Dizz Knee Land,* on *Puzzle* (IRS 1992) ("I just robbed a grocery store—I'm going to Disneyland / I just flipped off President George—I'm going to Disneyland"); Monty Python, *Spam,* on *The Final Rip Off* (Virgin 1988); Roy Clark, *Thank God and Greyhound [You're Gone],* on *Roy Clark's Greatest Hits Volume I* (MCA 1979); Mel Tillis, *Coca-Cola Cowboy,* on *The Very Best of* (MCA 1981) ("You're just a Coca-Cola cowboy / You've got an Eastwood smile and Robert Redford hair ...").

Dance to Talking Heads, *Popular Favorites 1976-92: Sand in the Vaseline* (Sire 1992); Talking Heads, *Popsicle,* on *id. Admire* Andy Warhol, *Campbell's Soup Can. Cf.* REO Speedwagon, 38 Special, and Jello Biafra of the Dead Kennedys.

The creators of some of these works might have gotten permission from the trademark owners, though it's unlikely Kool-Aid relished being connected with LSD, Hershey with homicidal maniacs, Disney with armed robbers, or Coca-Cola with cultural imperialism. Certainly no free society can *demand* that artists get such permission.

[10] *Lombardo v. Doyle, Dane & Bernbach, Inc.,* 58 A.D.2d 620, 396 N.Y.S.2d 661 (1977).

[11] *Geller v. Fallon McElligott,* No. 90-Civ-2839 (S.D.N.Y. July 22, 1991) (involving a Timex ad).

[12] Prudhomme v. Procter & Gamble Co., 800 F.Supp. 390 (E.D.La.1992).

[13] E.g., Acuff-Rose Music, Inc. v. Campbell, 972 F.2d 1429 (6th Cir.1992); Cliffs Notes v. Bantam Doubleday Dell Publishing Group, Inc., 886 F.2d 490 (2d Cir.1989); Fisher v. Dees, 794 F.2d 432 (9th Cir.1986); MCA, Inc. v. Wilson, 677 F.2d 180 (2d Cir.1981); Elsmere Music, Inc. v. NBC, 623 F.2d 252 (2d Cir.1980); Walt Disney Prods. v. The Air Pirates, 581 F.2d 751 (9th Cir.1978); Berlin v. E.C. Publications, Inc., 329 F.2d 541 (2d Cir.1964); Lowenfels v. Nathan, 2 F.Supp. 73 (S.D.N.Y.1932).

the moral entitlements of people to the fruits of their labors. But reducing too much to private property can be bad medicine. Private land, for instance, is far more useful if separated from other private land by public streets, roads and highways. Public parks, utility rights-of-way and sewers reduce the amount of land in private hands, but vastly enhance the value of the property that remains.

[5] So too it is with intellectual property. Overprotecting intellectual property is as harmful as underprotecting it. Creativity is impossible without a rich public domain. Nothing today, likely nothing since we tamed fire, is genuinely new: Culture, like science and technology, grows by accretion, each new creator building on the works of those who came before. Overprotection stifles the very creative forces it's supposed to nurture.[14]

[6] The panel's opinion is a classic case of overprotection. Concerned about what it sees as a wrong done to Vanna White, the panel majority erects a property right of remarkable and dangerous breadth: Under the majority's opinion, it's now a tort for advertisers to *remind* the public of a celebrity. Not to use a celebrity's name, voice, signature or likeness; not to imply the celebrity endorses a product; but simply to evoke the celebrity's image in the public's mind. This Orwellian notion withdraws far more from the public domain than prudence and common sense allow. It conflicts with the Copyright Act and the Copyright Clause. It raises serious First Amendment problems. It's bad law, and it deserves a long, hard second look.

II

[7] Samsung ran an ad campaign promoting its consumer electronics. Each ad depicted a Samsung product and a humorous prediction: One showed a raw steak with the caption "Revealed to be health food. 2010 A.D." Another showed Morton Downey, Jr. in front of an American flag with the caption "Presidential candidate. 2008 A.D."[15] The ads were meant to convey—humorously—that Samsung products would still be in use twenty years from now.

[8] The ad that spawned this litigation starred a robot dressed in a wig, gown and jewelry reminiscent of Vanna White's hair and dress; the robot was posed next to a Wheel-of-Fortune-like game board. *See* Appendix. The caption read "Longest-running game show. 2012 A.D." The gag here, I take it, was that Samsung would still be around when White had been replaced by a robot.

[9] Perhaps failing to see the humor, White sued, alleging Samsung infringed her right of publicity by "appropriating" her "identity." Under California law, White

[14] See Wendy J. Gordon, A Property Right in Self Expression: Equality and Individualism in the Natural Law of Intellectual Property, 102 Yale L.J. 1533, 1556-57 (1993).

[15] I had never heard of Morton Downey, Jr., but I'm told he's sort of like Rush Limbaugh, but not as shy.

has the exclusive right to use her name, likeness, signature and voice for commercial purposes. Cal.Civ.Code § 3344(a); *Eastwood v. Superior Court,* 149 Cal.App.3d 409, 417, 198 Cal.Rptr. 342, 347 (1983). But Samsung didn't use her name, voice or signature, and it certainly didn't use her likeness. The ad just wouldn't have been funny had it depicted White or someone who resembled her—the whole joke was that the game show host(ess) was a robot, not a real person. No one seeing the ad could have thought this was supposed to be White in 2012.

[10] The district judge quite reasonably held that, because Samsung didn't use White's name, likeness, voice or signature, it didn't violate her right of publicity. 971 F.2d at 1396-97. Not so, says the panel majority: The California right of publicity can't possibly be limited to name and likeness. If it were, the majority reasons, a "clever advertising strategist" could avoid using White's name or likeness but nevertheless remind people of her with impunity, "effectively eviscerat[ing]" her rights. To prevent this "evisceration," the panel majority holds that the right of publicity must extend beyond name and likeness, to any "appropriation" of White's "identity"—anything that "evoke[s]" her personality. *Id.* at 1398-99.

III

[11] But what does "evisceration" mean in intellectual property law? Intellectual property rights aren't like some constitutional rights, absolute guarantees protected against all kinds of interference, subtle as well as blatant.[16] They cast no penumbras, emit no emanations: The very point of intellectual property laws is that they protect only against certain specific kinds of appropriation. I can't publish unauthorized copies of, say, *Presumed Innocent;* I can't make a movie out of it. But I'm perfectly free to write a book about an idealistic young prosecutor on trial for a crime he didn't commit.[17] So what if I got the idea from *Presumed Innocent?* So what if it reminds readers of the original? Have I "eviscerated" Scott Turow's intellectual property rights? Certainly not. All creators draw in part on the work of those who came before, referring to it, building on it, poking fun at it; we call this creativity, not piracy.[18]

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[16] *Cf., e.g., Guinn v. United States,* 238 U.S. 347, 364-65, 35 S.Ct. 926, 931, 59 L.Ed. 1340 (1915) (striking down grandfather clause that was a clear attempt to evade the Fifteenth Amendment).

[17] It would be called "Burden of Going Forward with the Evidence," and the hero would ultimately be saved by his lawyer's adept use of Fed.R.Evid. 301.

[18] In the words of Sir Isaac Newton, "[i]f I have seen further it is by standing on [the shoulders] of Giants." Letter to Robert Hooke, Feb. 5, 1675/1676.

Newton himself may have borrowed this phrase from Bernard of Chartres, who said something similar in the early twelfth century. Bernard in turn may have

[12] The majority isn't, in fact, preventing the "evisceration" of Vanna White's existing rights; it's creating a new and much broader property right, a right unknown in California law.[19] It's replacing the existing balance between the interests of the celebrity and those of the public by a different balance, one substantially more favorable to the celebrity. Instead of having an exclusive right in her name, likeness, signature or voice, every famous person now has an exclusive right to *anything that reminds the viewer of her.* After all, that's all Samsung did: It used an inanimate object to remind people of White, to "evoke [her identity]." 971 F.2d at 1399.[20]

[13] Consider how sweeping this new right is. What is it about the ad that makes people think of White? It's not the robot's wig, clothes or jewelry; there must be ten million blond women (many of them quasi-famous) who wear dresses and jewelry like White's. It's that the robot is posed near the "Wheel of Fortune" game

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snatched it from Priscian, a sixth century grammarian. *See Lotus Dev. Corp. v. Paperback Software Int'l,* 740 F.Supp. 37, 77 n. 3 (D.Mass.1990).

[19] In fact, in the one California case raising the issue, the three state Supreme Court Justices who discussed this theory expressed serious doubts about it. *Guglielmi v. Spelling-Goldberg Prods.,* 25 Cal.3d 860, 864 n. 5, 160 Cal.Rptr. 352, 355 n. 5, 603 P.2d 454, 457 n. 5 (1979) (Bird, C.J., concurring) (expressing skepticism about finding a property right to a celebrity's "personality" because it is "difficult to discern any easily applied definition for this amorphous term").

Neither have we previously interpreted California law to cover pure "identity." *Midler v. Ford Motor Co.,* 849 F.2d 460 (9th Cir.1988), and *Waits v. Frito-Lay, Inc.,* 978 F.2d 1093 (9th Cir.1992), dealt with appropriation of a celebrity's voice. *See id.* at 1100-01 (imitation of singing style, rather than voice, doesn't violate the right of publicity).

Motschenbacher v. R.J. Reynolds Tobacco Co., 498 F.2d 821 (9th Cir.1974), stressed that, though the plaintiff's likeness wasn't directly recognizable by itself, the surrounding circumstances would have made viewers think the likeness was the plaintiff's. *Id.* at 827; *see also Moore v. Regents of the Univ. of Cal.,* 51 Cal.3d 120, 138, 271 Cal.Rptr. 146, 157, 793 P.2d 479, 490 (1990) (construing *Motschenbacher* as "hold [ing] that every person has a proprietary interest in his own likeness").

[20] Some viewers might have inferred White was endorsing the product, but that's a different story. The right of publicity isn't aimed at or limited to false endorsements, *Eastwood v. Superior Court,* 149 Cal.App.3d 409, 419-20, 198 Cal.Rptr. 342, 348 (1983); that's what the Lanham Act is for.

Note also that the majority's rule applies even to advertisements that unintentionally remind people of someone. California law is crystal clear that the common-law right of publicity may be violated even by unintentional appropriations. *Id.* at 417 n. 6, 198 Cal.Rptr. at 346 n. 6; *Fairfield v. American Photocopy Equipment Co.,* 138 Cal.App.2d 82, 87, 291 P.2d 194 (1955).

board. Remove the game board from the ad, and no one would think of Vanna White. *See* Appendix. But once you include the game board, anybody standing beside it-a brunette woman, a man wearing women's clothes, a monkey in a wig and gown-would evoke White's image, precisely the way the robot did. It's the "Wheel of Fortune" set, not the robot's face or dress or jewelry that evokes White's image. The panel is giving White an exclusive right not in what she looks like or who she is, but in what she does for a living.[21]

[14] This is entirely the wrong place to strike the balance. Intellectual property rights aren't free: They're imposed at the expense of future creators and of the public at large. Where would we be if Charles Lindbergh had an exclusive right in the concept of a heroic solo aviator? If Arthur Conan Doyle had gotten a copyright in the idea of the detective story, or Albert Einstein had patented the theory of relativity? If every author and celebrity had been given the right to keep people from mocking them or their work? Surely this would have made the world poorer, not richer, culturally as well as economically.[22]

[15] This is why intellectual property law is full of careful balances between what's set aside for the owner and what's left in the public domain for the rest of us: The relatively short life of patents; the longer, but finite, life of copyrights; copyright's idea-expression dichotomy; the fair use doctrine; the prohibition on copyrighting facts; the compulsory license of television broadcasts and musical

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[21] Once the right of publicity is extended beyond specific physical characteristics, this will become a recurring problem: Outside name, likeness and voice, the things that most reliably remind the public of celebrities are the actions or roles they're famous for. A commercial with an astronaut setting foot on the moon would evoke the image of Neil Armstrong. Any masked man on horseback would remind people (over a certain age) of Clayton Moore. And any number of songs—"My Way," "Yellow Submarine," "Like a Virgin," "Beat It," "Michael, Row the Boat Ashore," to name only a few—instantly evoke an image of the person or group who made them famous, regardless of who is singing.

See also Carlos V. Lozano, *West Loses Lawsuit over Batman TV Commercial,* L.A. Times, Jan. 18, 1990, at B3 (Adam West sues over Batman-like character in commercial); *Nurmi v. Peterson,* 10 U.S.P.Q.2d 1775, 1989 WL 407484 (C.D.Cal.1989) (1950s TV movie hostess "Vampira" sues 1980s TV hostess "Elvira"); text accompanying notes 7-8 (lawsuits brought by Guy Lombardo, claiming big bands playing at New Year's Eve parties remind people of him, and by Uri Geller, claiming psychics who can bend metal remind people of him). *Cf. Motschenbacher,* where the claim was that viewers would think plaintiff was actually in the commercial, and not merely that the commercial reminded people of him.

[22] See generally Gordon, supra note 11; see also Michael Madow, Private Ownership of Public Image: Popular Culture and Publicity Rights, 81 Cal.L.Rev. 125, 201-03 (1993) (an excellent discussion).

compositions; federal preemption of overbroad state intellectual property laws; the nominative use doctrine in trademark law; the right to make soundalike recordings.[23] All of these diminish an intellectual property owner's rights. All let the public use something created by someone else. But all are necessary to maintain a free environment in which creative genius can flourish.

[16] The intellectual property right created by the panel here has none of these essential limitations: No fair use exception; no right to parody; no idea-expression dichotomy. It impoverishes the public domain, to the detriment of future creators and the public at large. Instead of well-defined, limited characteristics such as name, likeness or voice, advertisers will now have to cope with vague claims of "appropriation of identity," claims often made by people with a wholly exaggerated sense of their own fame and significance. *See* pp. 1512-13 & notes 1-10 *supra.* Future Vanna Whites might not get the chance to create their personae, because their employers may fear some celebrity will claim the persona is too similar to her own.[24] The public will be robbed of parodies of celebrities, and our culture will be deprived of the valuable safety valve that parody and mockery create.

[17] Moreover, consider the moral dimension, about which the panel majority seems to have gotten so exercised. Saying Samsung "appropriated" something of White's begs the question: *Should* White have the exclusive right to something as broad and amorphous as her "identity"? Samsung's ad didn't simply copy White's

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[23] *See* 35 U.S.C. § 154 (duration of patent); 17 U.S.C. §§ 302-305 (duration of copyright); 17 U.S.C. § 102(b) (idea-expression dichotomy); 17 U.S.C. § 107 (fair use); *Feist Pubs., Inc. v. Rural Tel. Serv. Co.,* 499 U.S. 340, ----, 111 S.Ct. 1282, 1288, 113 L.Ed.2d 358 (1991) (no copyrighting facts); 17 U.S.C. §§ 115, 119(b) (compulsory licenses); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.,* 489 U.S. 141, 109 S.Ct. 971, 103 L.Ed.2d 118 (1989) (federal preemption); *New Kids on the Block v. News America Publishing, Inc.,* 971 F.2d 302, 306-308 (9th Cir.1992) (nominative use); 17 U.S.C. § 114(b) (soundalikes); *accord G.S. Rasmussen & Assocs. v. Kalitta Flying Serv., Inc.,* 958 F.2d 896, 900 n. 7 (9th Cir.1992); Daniel A. Saunders, Comment, *Copyright Law's Broken* Rear Window, 80 Cal.L.Rev. 179, 204-05 (1992). *But see Midler v. Ford Motor Co.,* 849 F.2d 460 (9th Cir.1988).

[24] If Christian Slater, star of "Heathers," "Pump up the Volume," "Kuffs," and "Untamed Heart"—and alleged Jack Nicholson clone—appears in a commercial, can Nicholson sue? Of 54 stories on LEXIS that talk about Christian Slater, 26 talk about Slater's alleged similarities to Nicholson. Apparently it's his nasal wisecracks and killer smiles, St. Petersburg Times, Jan. 10, 1992, at 13, his eyebrows, Ottawa Citizen, Jan. 10, 1992, at E2, his sneers, Boston Globe, July 26, 1991, at 37, his menacing presence, USA Today, June 26, 1991, at 1D, and his sing-song voice, Gannett News Service, Aug. 27, 1990 (or, some say, his insinuating drawl, L.A. Times, Aug. 22, 1990, at F5). That's a whole lot more than White and the robot had in common.

schtick-like all parody, it created something new.[25] True, Samsung did it to make money, but White does whatever she does to make money, too; the majority talks of "the difference between fun and profit," 971 F.2d at 1401, but in the entertainment industry fun *is* profit. Why is Vanna White's right to exclusive for-profit use of her persona—a persona that might not even be her own creation, but that of a writer, director or producer—superior to Samsung's right to profit by creating its own inventions? Why should she have such absolute rights to control the conduct of others, unlimited by the idea-expression dichotomy or by the fair use doctrine?

[18] To paraphrase only slightly *Feist Publications, Inc. v. Rural Telephone Service Co.,* 499 U.S. 340 (1991), it may seem unfair that much of the fruit of a creator's labor may be used by others without compensation. But this is not some unforeseen byproduct of our intellectual property system; it is the system's very essence. Intellectual property law assures authors the right to their original expression, but encourages others to build freely on the ideas that underlie it. This result is neither unfair nor unfortunate: It is the means by which intellectual property law advances the progress of science and art. We give authors certain exclusive rights, but in exchange we get a richer public domain. The majority ignores this wise teaching, and all of us are the poorer for it.[26]

IV

[19] The panel, however, does more than misinterpret California law: By refusing to recognize a parody exception to the right of publicity, the panel directly contradicts the federal Copyright Act. Samsung didn't merely parody Vanna White. It parodied Vanna White appearing in "Wheel of Fortune," a copyrighted television show, and parodies of copyrighted works are governed by federal copyright law.

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[25] *Cf. New Kids on the Block v. News America Publishing, Inc.,* 971 F.2d 302, 307 n. 6 (9th Cir.1992) ("Where the infringement is small in relation to the new work created, the fair user is profiting largely from his own creative efforts rather than free-riding on another's work.").

[26] The majority opinion has already earned some well-deserved criticisms on this score. Stephen R. Barnett, *In Hollywood's Wheel of Fortune, Free Speech Loses a Turn,* Wall St. J., Sept. 28, 1992, at A14; Stephen R. Barnett, *Wheel of Misfortune for Advertisers: Ninth Circuit Misreads the Law to Protect Vanna White's Image,* L.A. Daily J., Oct. 5, 1992, at 6; Felix H. Kent, *California Court Expands Celebrities' Rights,* N.Y.L.J., Oct. 30, 1992, at 3 ("To speak of the 'evisceration' of such a questionable common law right in a case that has probably gone the farthest of any case in any court in the United States of America is more than difficult to comprehend"); Shapiro, *supra* note 1 ("A fat chef? A blond robot in an evening gown? How far will this go?" (citing Douglas J. Wood, an advertising lawyer)). *See also* Mark Alan Stamaty, *Washingtoon,* Wash. Post, Apr. 5, 1993, at A21.

[20] Copyright law specifically gives the world at large the right to make "fair use" parodies, parodies that don't borrow too much of the original. *Fisher v. Dees,* 794 F.2d 432, 435 (9th Cir.1986)….

VI

[21] Finally, I can't see how giving White the power to keep others from evoking her image in the public's mind can be squared with the First Amendment. Where does White get this right to control our thoughts? The majority's creation goes way beyond the protection given a trademark or a copyrighted work, or a person's name or likeness. All those things control one particular way of expressing an idea, one way of referring to an object or a person. But not allowing *any* means of reminding people of someone? That's a speech restriction unparalleled in First Amendment law.[27]

[22] What's more, I doubt even a name-and-likeness-only right of publicity can stand without a parody exception. The First Amendment isn't just about religion or politics—it's also about protecting the free development of our national culture. Parody, humor, irreverence are all vital components of the marketplace of ideas. The last thing we need, the last thing the First Amendment will tolerate, is a law that lets public figures keep people from mocking them, or from "evok[ing]" their images in the mind of the public. 971 F.2d at 1399.[28]

[27] Just compare the majority's holding to the intellectual property laws upheld by the Supreme Court. The Copyright Act is constitutional precisely because of the fair use doctrine and the idea-expression dichotomy, *Harper & Row v. Nation Enterprises,* 471 U.S. 539, 560, 105 S.Ct. 2218, 2230, 85 L.Ed.2d 588 (1985), two features conspicuously absent from the majority's doctrine. The right of publicity at issue in *Zacchini v. Scripps-Howard Broadcasting Co.,* 433 U.S. 562, 576, 97 S.Ct. 2849, 2857-58, 53 L.Ed.2d 965 (1977), was only the right to "broadcast of petitioner's entire performance," not "the unauthorized use of another's name for purposes of trade." *Id.* Even the statute upheld in *San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.,* 483 U.S. 522, 530, 107 S.Ct. 2971, 2977, 97 L.Ed.2d 427 (1987), which gave the USOC sweeping rights to the word "Olympic," didn't purport to protect all expression that reminded people of the Olympics.

[28] The majority's failure to recognize a parody exception to the right of publicity would apply equally to parodies of politicians as of actresses. Consider the case of Wok Fast, a Los Angeles Chinese food delivery service, which put up a billboard with a picture of then-L.A. Police Chief Daryl Gates and the text "When you can't leave the office. Or won't." (This was an allusion to Chief Gates's refusal to retire despite pressure from Mayor Tom Bradley.) Gates forced the restaurant to take the billboard down by threatening a right of publicity lawsuit. Leslie Berger, *He Did Leave the Office-And Now Sign Will Go, Too,* L.A. Times, July 31, 1992, at B2.

[23] The majority dismisses the First Amendment issue out of hand because Samsung's ad was commercial speech. *Id.* at 1401 & n. 3. So what? Commercial speech may be less protected by the First Amendment than noncommercial speech, but less protected means protected nonetheless. *CentralHudson Gas & Elec. Corp. v. Public Serv. Comm'n,* 447 U.S. 557, 100 S.Ct. 2343, 65 L.Ed.2d 341 (1980). And there are very good reasons for this. Commercial speech has a profound effect on our culture and our attitudes. Neutral-seeming ads influence people's social and political attitudes, and themselves arouse political controversy.[29] "Where's the Beef?" turned from an advertising catchphrase into the only really memorable thing about the 1984 presidential campaign.[30] Four years later, Michael Dukakis called George Bush "the Joe Isuzu of American politics."[31]

[24] In our pop culture, where salesmanship must be entertaining and entertainment must sell, the line between the commercial and noncommercial has not merely blurred; it has disappeared. Is the Samsung parody any different from a parody on Saturday Night Live or in Spy Magazine? Both are equally profit-motivated. Both use a celebrity's identity to sell things—one to sell VCRs, the other to sell advertising. Both mock their subjects. Both try to make people laugh. Both add something, perhaps something worthwhile and memorable, perhaps not, to our culture. Both are things that the people being portrayed might dearly want to suppress. *See* notes 1 & 29 *supra.*

[25] Commercial speech is a significant, valuable part of our national discourse. The Supreme Court has recognized as much, and has insisted that lower courts

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See also Samsung Has Seen the Future: Brace Youself, Adweek, Oct. 3, 1988, at 26 (ER 72) (Samsung planned another ad that would show a dollar bill with Richard Nixon's face on it and the caption 'Dollar bill, 2025 A.D..,' but Nixon refused permission to use his likeness); Madow *supra* note 19, at 142-46 (discussing other politically and culturally charged parodies).

[29] *See, e.g.,* Bruce Horovitz, *Nike Does It Again; Firm Targets Blacks with a Spin on "Family Values",* L.A. Times, Aug. 25, 1992, at D1 ("The ad reinforces a stereotype about black fathers" (quoting Lawrence A. Johnson of Howard University)); Gaylord Fields, *Advertising Awards-Show Mania: CEBA Awards Honors Black-Oriented Advertising,* Back Stage, Nov. 17, 1989, at 1 (quoting the Rev. Jesse Jackson as emphasizing the importance of positive black images in advertising); Debra Kaufman, *Quality of Hispanic Production Rising to Meet Clients' Demands,* Back Stage, July 14, 1989, at 1 (Hispanic advertising professional stresses importance of positive Hispanic images in advertising); Marilyn Elias, *Medical Ads Often Are Sexist,* USA Today, May 18, 1989, at 1D ("There's lots of evidence that this kind of ad reinforces stereotypes" (quoting Julie Edell of Duke University)).

[30] See Wendy's Kind of Commercial; "Where's the Beef" Becomes National Craze, Broadcasting, Mar. 26, 1984, at 57.

[31] *See* Gregory Gordon, *Candidates Look for Feedback Today,* UPI, Sept. 26, 1988.

carefully scrutinize commercial speech restrictions, but the panel totally fails to do this. The panel majority doesn't even purport to apply the *Central Hudson* test, which the Supreme Court devised specifically for determining whether a commercial speech restriction is valid.[32] The majority doesn't ask, as *Central Hudson* requires, whether the speech restriction is justified by a substantial state interest. It doesn't ask whether the restriction directly advances the interest. It doesn't ask whether the restriction is narrowly tailored to the interest. *See id.* at 566.[33] These are all things the Supreme Court told us—in no uncertain terms—we must consider; the majority opinion doesn't even mention them.[34]

[26] Process matters. The Supreme Court didn't set out the *Central Hudson* test for its health. It devised the test because it saw lower courts were giving the First Amendment short shrift when confronted with commercial speech. *See Central Hudson,* 447 U.S. at 561-62, 567-68, 100 S.Ct. at 2348-49, 2352. The *Central Hudson* test was an attempt to constrain lower courts' discretion, to focus judges' thinking on the important issues—how strong the state interest is, how broad the regulation is, whether a narrower regulation would work just as well. If the Court wanted to leave these matters to judges' gut feelings, to nifty lines about "the difference between fun and profit," 971 F.2d at 1401, it could have done so with much less effort.

[27] Maybe applying the test would have convinced the majority to change its mind; maybe going through the factors would have shown that its rule was too broad, or the reasons for protecting White's "identity" too tenuous. Maybe not. But we shouldn't thumb our nose at the Supreme Court by just refusing to apply its test.

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[32] Its only citation to *Central Hudson* is a seeming afterthought, buried in a footnote, and standing only for the proposition that commercial speech is less protected under the First Amendment. *See* 971 F.2d at 1401 n. 3.

[33] *See also Board of Trustees v. Fox,* 492 U.S. 469, 476-81, 109 S.Ct. 3028, 3032-35, 106 L.Ed.2d 388 (1989) (reaffirming "narrowly tailored" requirement, but making clear it's not a "least restrictive means" test).

The government has a freer hand in regulating false or misleading commercial speech, but this isn't such a regulation. Some "appropriations" of a person's "identity" might misleadingly suggest an endorsement, but the mere possibility that speech might mislead isn't enough to strip it of First Amendment protection. *See Zauderer v. Office of Disciplinary Counsel,* 471 U.S. 626, 644 (1985).

[34] Neither does it discuss whether the speech restriction is unconstitutionally vague. *Posadas de P.R. Assocs. v. Tourism Co.,* 478 U.S. 328, 347, 106 S.Ct. 2968, 2980, 92 L.Ed.2d 266 (1986).

VII

[28] For better or worse, we *are* the Court of Appeals for the Hollywood Circuit. Millions of people toil in the shadow of the law we make, and much of their livelihood is made possible by the existence of intellectual property rights. But much of their livelihood—and much of the vibrancy of our culture—also depends on the existence of other intangible rights: The right to draw ideas from a rich and varied public domain, and the right to mock, for profit as well as fun, the cultural icons of our time.

[29] In the name of avoiding the "evisceration" of a celebrity's rights in her image, the majority diminishes the rights of copyright holders and the public at large. In the name of fostering creativity, the majority suppresses it. Vanna White and those like her have been given something they never had before, and they've been given it at our expense. I cannot agree.

In *In re NCAA Student–Athlete Name & Likeness Licensing Litigation*, the Ninth Circuit relies heavily on the transformative use test formulated by the Supreme Court of California in *Comedy III Productions, Inc. v. Gary Saderup, Inc.*, 25 Cal. 4th 387 (2001). Shown below on the right is the drawing of the Three Stooges at issue in that case. The Supreme Court of California found the drawing, as applied to various merchandise, not to be sufficiently transformative to avoid liability under Cal. Civ. Code. § 990 (now Cal. Civ. Code §3344.1). (As indicated in brackets through the course of the opinion, images from certain of the other cases referenced in *In re NCAA Student–Athlete Name & Likeness Licensing Litigation* are shown for reference purposes after the opinion.)[35]

[35] All such images are taken from Wikipedia or Georgetown Law Intellectual Property Teaching Resources.

In *In re NCAA Student–Athlete Name & Likeness Licensing Litigation*, Judge Thomas issued a strong dissent from Judge Bybee's majority opinion. Which opinion do you find to be more persuasive, the majority or the dissent?

In re NCAA Student–Athlete Name & Likeness Licensing Litigation
724 F.3d 1268 (9th Cir. 2013)

BYBEE, Circuit Judge:

[1] Video games are entitled to the full protections of the First Amendment, because "[l]ike the protected books, plays, and movies that preceded them, video games communicate ideas—and even social messages—through many familiar literary devices (such as characters, dialogue, plot, and music) and through features distinctive to the medium (such as the player's interaction with the virtual world)." *Brown v. Entm't Merchs. Ass'n,* ––– U.S. ––––, 131 S.Ct. 2729 (2011).[1] Such rights are not absolute, and states may recognize the right of publicity to a degree consistent with the First Amendment. *Zacchini v. Scripps–Howard Broad. Co.,* 433 U.S. 562, 574–75, 97 S.Ct. 2849, 53 L.Ed.2d 965 (1977). In this case, we must balance the right of publicity of a former college football player against the asserted First Amendment right of a video game developer to use his likeness in its expressive works.

[2] The district court concluded that the game developer, Electronic Arts ("EA"), had no First Amendment defense against the right-of-publicity claims of the football player, Samuel Keller. We affirm. Under the "transformative use" test developed by the California Supreme Court, EA's use does not qualify for First Amendment protection as a matter of law because it literally recreates Keller in the very setting in which he has achieved renown. The other First Amendment defenses asserted by EA do not defeat Keller's claims either.

I

[3] Samuel Keller was the starting quarterback for Arizona State University in 2005 before he transferred to the University of Nebraska, where he played during the 2007 season. EA is the producer of the *NCAA Football* series of video games,

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[1] . In *Brown v. Electronic Arts, Inc.,* No. 09–56675, 724 F.3d 1235, 1241–42, 2013 WL 3927736, at *3 (9th Cir. July 31, 2013), we noted that "there may be some work referred to as a 'video game' (or referred to as a 'book,' 'play,' or 'movie' for that matter) that does not contain enough of the elements contemplated by the Supreme Court [in *Brown v. Entertainment Merchants Association*] to warrant First Amendment protection as an expressive work," but asserted that "[e]ven if there is a line to be drawn between expressive video games and non-expressive video games, and even if courts should at some point be drawing that line, we have no need to draw that line here." The same holds true in this case.

which allow users to control avatars representing college football players as those avatars participate in simulated games. In *NCAA Football,* EA seeks to replicate each school's entire team as accurately as possible. Every real football player on each team included in the game has a corresponding avatar in the game with the player's actual jersey number and virtually identical height, weight, build, skin tone, hair color, and home state. EA attempts to match any unique, highly identifiable playing behaviors by sending detailed questionnaires to team equipment managers. Additionally, EA creates realistic virtual versions of actual stadiums; populates them with the virtual athletes, coaches, cheerleaders, and fans realistically rendered by EA's graphic artists; and incorporates realistic sounds such as the crunch of the players' pads and the roar of the crowd.

[4] EA's game differs from reality in that EA omits the players' names on their jerseys and assigns each player a home town that is different from the actual player's home town. However, users of the video game may upload rosters of names obtained from third parties so that the names do appear on the jerseys. In such cases, EA allows images from the game containing athletes' real names to be posted on its website by users. Users can further alter reality by entering "Dynasty" mode, where the user assumes a head coach's responsibilities for a college program for up to thirty seasons, including recruiting players from a randomly generated pool of high school athletes, or "Campus Legend" mode, where the user controls a virtual player from high school through college, making choices relating to practices, academics, and social life.

[5] In the 2005 edition of the game, the virtual starting quarterback for Arizona State wears number 9, as did Keller, and has the same height, weight, skin tone, hair color, hair style, handedness, home state, play style (pocket passer), visor preference, facial features, and school year as Keller. In the 2008 edition, the virtual quarterback for Nebraska has these same characteristics, though the jersey number does not match, presumably because Keller changed his number right before the season started.

[6] Objecting to this use of his likeness, Keller filed a putative class-action complaint in the Northern District of California asserting, as relevant on appeal, that EA violated his right of publicity under California Civil Code § 3344 and California common law.[2] EA moved to strike the complaint as a strategic lawsuit against public

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[2] There are actually nine named plaintiffs, all former National Collegiate Athletic Association ("NCAA") football or basketball players: Keller, Edward O'Bannon, Jr. (UCLA), Byron Bishop (University of North Carolina), Michael Anderson (University of Memphis), Danny Wimprine (University of Memphis), Ishmael Thrower (Arizona State University), Craig Newsome (Arizona State University), Damien Rhodes (Syracuse University), and Samuel Jacobson (University of Minnesota). EA's NCAA basketball games are also implicated in this appeal.

participation ("SLAPP") under California's anti-SLAPP statute, Cal.Civ.Proc.Code § 425.16, and the district court denied the motion. We have jurisdiction over EA's appeal pursuant to 28 U.S.C. § 1291. *See Batzel v. Smith,* 333 F.3d 1018, 1024–26 (9th Cir.2003).[3]

II

[7] California's anti-SLAPP statute is designed to discourage suits that "masquerade as ordinary lawsuits but are brought to deter common citizens from exercising their political or legal rights or to punish them for doing so." *Batzel,* 333 F.3d at 1024 (internal quotation marks omitted). The statute provides:

> A cause of action against a person arising from any act of that person in furtherance of the person's right of petition or free speech under the United States Constitution or the California Constitution in connection with a public issue shall be subject to a special motion to strike, unless the court determines that the plaintiff has established that there is a probability that the plaintiff will prevail on the claim.

Cal.Civ.Proc.Code § 425.16(b)(1). We have determined that the anti-SLAPP statute is available in federal court. *Thomas v. Fry's Elecs., Inc.,* 400 F.3d 1206 (9th Cir.2005) (per curiam).

[8] We evaluate an anti-SLAPP motion in two steps. First, the defendant must "make a prima facie showing that the plaintiff's suit arises from an act by the defendant made in connection with a public issue in furtherance of the defendant's right to free speech under the United States or California Constitution." *Batzel,* 333 F.3d at 1024. Keller does not contest that EA has made this threshold showing. Indeed, there is no question that "video games qualify for First Amendment protection," *Entm't Merchs. Ass'n,* 131 S.Ct. at 2733, or that Keller's suit arises from EA's production and distribution of *NCAA Football* in furtherance of EA's protected right to express itself through video games.

[9] Second, we must evaluate whether the plaintiff has "establish[ed] a reasonable probability that the plaintiff will prevail on his or her ... claim." *Batzel,* 333 F.3d at 1024. "The plaintiff must demonstrate that the complaint is legally sufficient and supported by a prima facie showing of facts to sustain a favorable judgment if the evidence submitted by plaintiff is credited." *Metabolife Int'l, Inc. v. Wornick,* 264 F.3d 832, 840 (9th Cir.2001) (internal quotation marks omitted). The statute "subjects to potential dismissal only those actions in which the plaintiff cannot state and substantiate a legally sufficient claim." *Navellier v. Sletten,* 29

Because the issues are the same for each plaintiff, all of the claims are addressed through our discussion of Keller and *NCAA Football.*

[3] We review *de novo* the district court's denial of a motion to strike under California's anti-SLAPP statute. *Mindys Cosmetics, Inc. v. Dakar,* 611 F.3d 590, 595 (9th Cir.2010).

Cal.4th 82, 124 Cal.Rptr.2d 530, 52 P.3d 703, 711 (2002) (internal quotation marks omitted). EA did not contest before the district court and does not contest here that Keller has stated a right-of-publicity claim under California common and statutory law.[4] Instead, EA raises four affirmative defenses derived from the First Amendment: the "transformative use" test, the *Rogers* test, the "public interest" test, and the "public affairs" exemption. EA argues that, in light of these defenses, it is not reasonably probable that Keller will prevail on his right-of-publicity claim. This appeal therefore centers on the applicability of these defenses. We take each one in turn.[5]

A

[10] The California Supreme Court formulated the transformative use defense in *Comedy III Productions, Inc. v. Gary Saderup, Inc.,* 25 Cal.4th 387, 106 Cal.Rptr.2d 126, 21 P.3d 797 (2001). The defense is "a balancing test between the First Amendment and the right of publicity based on whether the work in question adds significant creative elements so as to be transformed into something more than a mere celebrity likeness or imitation." *Id.* 106 Cal.Rptr.2d 126, 21 P.3d at 799. The California Supreme Court explained that "when a work contains significant transformative elements, it is not only especially worthy of First Amendment protection, but it is also less likely to interfere with the economic interest protected by the right of publicity." *Id.* 106 Cal.Rptr.2d 126, 21 P.3d at 808. The court rejected the wholesale importation of the copyright "fair use" defense into right-of-publicity claims, but recognized that some aspects of that defense are "particularly pertinent." *Id.; see* 17 U.S.C. § 107; *see also SOFA Entm't, Inc. v. Dodger Prods., Inc.,* 709 F.3d 1273, 1277–78 (9th Cir.2013) (discussing the "fair use" defense codified in 17 U.S.C. § 107).

[11] *Comedy III* gives us at least five factors to consider in determining whether a work is sufficiently transformative to obtain First Amendment protection. *See* J. Thomas McCarthy, *The Rights of Publicity and Privacy* § 8:72 (2d ed.2012). First, if "the celebrity likeness is one of the 'raw materials' from which an original work is synthesized," it is more likely to be transformative than if "the depiction or imitation

[4] The elements of a right-of-publicity claim under California common law are: "(1) the defendant's use of the plaintiff's identity; (2) the appropriation of plaintiff's name or likeness to defendant's advantage, commercially or otherwise; (3) lack of consent; and (4) resulting injury." *Stewart v. Rolling Stone LLC,* 181 Cal.App.4th 664, 105 Cal.Rptr.3d 98, 111 (internal quotation marks omitted). The same claim under California Civil Code § 3344 requires a plaintiff to prove "all the elements of the common law cause of action" plus "a knowing use by the defendant as well as a direct connection between the alleged use and the commercial purpose." *Id.*

[5] Just as we did in *Hilton v. Hallmark Cards,* we reserve the question of whether the First Amendment furnishes a defense other than those the parties raise. 599 F.3d 894, 909 n. 11 (9th Cir.2010).

of the celebrity is the very sum and substance of the work in question." *Comedy III,* 106 Cal.Rptr.2d 126, 21 P.3d at 809. Second, the work is protected if it is "primarily the defendant's own expression"—as long as that expression is "something other than the likeness of the celebrity." *Id.* This factor requires an examination of whether a likely purchaser's primary motivation is to buy a reproduction of the celebrity, or to buy the expressive work of that artist. McCarthy, *supra,* § 8:72. Third, to avoid making judgments concerning "the quality of the artistic contribution," a court should conduct an inquiry "more quantitative than qualitative" and ask "whether the literal and imitative or the creative elements predominate in the work." *Comedy III,* 106 Cal.Rptr.2d 126, 21 P.3d at 809. Fourth, the California Supreme Court indicated that "a subsidiary inquiry" would be useful in close cases: whether "the marketability and economic value of the challenged work derive primarily from the fame of the celebrity depicted." *Id.* 106 Cal.Rptr.2d 126, 21 P.3d at 810. Lastly, the court indicated that "when an artist's skill and talent is manifestly subordinated to the overall goal of creating a conventional portrait of a celebrity so as to commercially exploit his or her fame," the work is not transformative. *Id.*

[12] We have explained that "[o]nly if [a defendant] is entitled to the [transformative] defense *as a matter of law* can it prevail on its motion to strike," because the California Supreme Court "envisioned the application of the defense as a question of fact." *Hilton,* 599 F.3d at 910. As a result, EA "is only entitled to the defense as a matter of law if no trier of fact could reasonably conclude that the [game] [i]s not transformative." *Id.*

[13] California courts have applied the transformative use test in relevant situations in four cases. First, in *Comedy III* itself, the California Supreme Court applied the test to T-shirts and lithographs bearing a likeness of The Three Stooges and concluded that it could "discern no significant transformative or creative contribution." *Id.* 106 Cal.Rptr.2d 126, 21 P.3d at 811. The court reasoned that the artist's "undeniable skill is manifestly subordinated to the overall goal of creating literal, conventional depictions of The Three Stooges so as to exploit their fame." *Id.* "[W]ere we to decide that [the artist's] depictions were protected by the First Amendment," the court continued, "we cannot perceive how the right of publicity would remain a viable right other than in cases of falsified celebrity endorsements." *Id.*

[14] Second, in *Winter v. DC Comics,* the California Supreme Court applied the test to comic books containing characters Johnny and Edgar Autumn, "depicted as villainous half-worm, half-human offspring" but evoking two famous brothers, rockers Johnny and Edgar Winter. 30 Cal.4th 881, 134 Cal.Rptr.2d 634, 69 P.3d 473, 476 (2003). [*See relevant images below*]. The court held that "the comic books are transformative and entitled to First Amendment protection." *Id.* 134 Cal.Rptr.2d 634, 69 P.3d at 480. It reasoned that the comic books "are not just conventional depictions of plaintiffs but contain significant expressive content other than plaintiffs' mere likenesses." *Id.* 134 Cal.Rptr.2d 634, 69 P.3d at 479. "To the extent the drawings of the Autumn brothers resemble plaintiffs at all, they are distorted for

purposes of lampoon, parody, or caricature." *Id.* Importantly, the court relied on the fact that the brothers "are but cartoon characters ... in a larger story, which is itself quite expressive." *Id.*

[15] Third, in *Kirby v. Sega of America, Inc.,* the California Court of Appeal applied the transformative use test to a video game in which the user controls the dancing of "Ulala," a reporter from outer space allegedly based on singer Kierin Kirby, whose "'signature' lyrical expression ... is 'ooh la la.'" 144 Cal.App.4th 47, 50 Cal.Rptr.3d 607, 609–10 (2006). [*See relevant images below*]. The court held that "Ulala is more than a mere likeness or literal depiction of Kirby," pointing to Ulala's "extremely tall, slender computer-generated physique," her "hairstyle and primary costume," her dance moves, and her role as "a space-age reporter in the 25th century," all of which were "unlike any public depiction of Kirby." *Id.* at 616. "As in *Winter,* Ulala is a 'fanciful, creative character' who exists in the context of a unique and expressive video game." *Id.* at 618.

[16] Finally, in *No Doubt v. Activision Publishing, Inc.,* the California Court of Appeal addressed Activision's *Band Hero* video game. 192 Cal.App.4th 1018, 122 Cal.Rptr.3d 397, 400 (2011), *petition for review denied,* 2011 Cal. LEXIS 6100 (Cal. June 8, 2011) (No. B223996). [*See relevant images below*]. In *Band Hero,* users simulate performing in a rock band in time with popular songs. *Id.* at 401. Users choose from a number of avatars, some of which represent actual rock stars, including the members of the rock band No Doubt. *Id.* at 401. Activision licensed No Doubt's likeness, but allegedly exceeded the scope of the license by permitting users to manipulate the No Doubt avatars to play any song in the game, solo or with members of other bands, and even to alter the avatars' voices. *Id.* at 402. The court held that No Doubt's right of publicity prevailed despite Activision's First Amendment defense because the game was not "transformative" under the *Comedy III* test. It reasoned that the video game characters were "literal recreations of the band members," doing "the same activity by which the band achieved and maintains its fame." *Id.* at 411. According to the court, the fact "that the avatars appear in the context of a videogame that contains many other creative elements[ ] does not transform the avatars into anything other than exact depictions of No Doubt's members doing exactly what they do as celebrities." *Id.* The court concluded that "the expressive elements of the game remain manifestly subordinated to the overall goal of creating a conventional portrait of No Doubt so as to commercially exploit its fame." *Id.* (internal quotation marks omitted).

[17] We have also had occasion to apply the transformative use test. In *Hilton v. Hallmark Cards,* we applied the test to a birthday card depicting Paris Hilton in a manner reminiscent of an episode of Hilton's reality show *The Simple Life.* 599 F.3d at 899. [*See relevant image below*]. We observed some differences between the episode and the card, but noted that "the basic setting is the same: we see Paris Hilton, born to privilege, working as a waitress." *Id.* at 911. We reasoned that "[w]hen we compare Hallmark's card to the video game in *Kirby,* which transported a 1990s singer (catchphrases and all) into the 25th century and transmogrified her

into a space-age reporter, ... the card falls far short of the level of new expression added in the video game." *Id.* As a result, we concluded that "there is enough doubt as to whether Hallmark's card is transformative under our case law that we cannot say Hallmark is entitled to the defense as a matter of law." *Id.*[6]

[18] With these cases in mind as guidance, we conclude that EA's use of Keller's likeness does not contain significant transformative elements such that EA is entitled to the defense as a matter of law. The facts of *No Doubt* are very similar to those here. EA is alleged to have replicated Keller's physical characteristics in *NCAA Football,* just as the members of No Doubt are realistically portrayed in *Band Hero.* Here, as in *Band Hero,* users manipulate the characters in the performance of the same activity for which they are known in real life—playing football in this case, and performing in a rock band in *Band Hero.* The context in which the activity occurs is also similarly realistic—real venues in *Band Hero* and realistic depictions of actual football stadiums in *NCAA Football.* As the district court found, Keller is represented as "what he was: the starting quarterback for Arizona State" and Nebraska, and "the game's setting is identical to where the public found [Keller] during his collegiate career: on the football field." *Keller v. Elec. Arts, Inc.,* No. C 09–1967 CW, 2010 WL 530108, at *5 (N.D.Cal. Feb. 8, 2010).

[19] EA argues that the district court erred in focusing primarily on Keller's likeness and ignoring the transformative elements of the game as a whole. Judge Thomas, our dissenting colleague, suggests the same. *See* Dissent at 1285. We are unable to say that there was any error, particularly in light of *No Doubt*, which reasoned much the same as the district court in this case: "that the avatars appear in the context of a videogame that contains many other creative elements[ ] does not transform the avatars into anything other than exact depictions of No Doubt's members doing exactly what they do as celebrities." *No Doubt,* 122 Cal.Rptr.3d at 411.[7] EA suggests that the fact that *NCAA Football* users can alter the characteristics

[6] We also briefly addressed the transformative use test in a footnote in *Hoffman v. Capital Cities/ABC, Inc.,* 255 F.3d 1180 (9th Cir.2001). We indicated that if we had considered the test, we would have concluded that an image of Dustin Hoffman from "Tootsie" that had been altered to make it appear like he was wearing fashions from a decade later "contained 'significant transformative elements.' " *Id.* at 1184 n. 2; 1182–83. "Hoffman's body was eliminated and a new, differently clothed body was substituted in its place. In fact, the entire theory of Hoffman's case rests on his allegation that the photograph is not a 'true' or 'literal' depiction of him, but a false portrayal." *Id.* at 1184 n. 2.

[7] Judge Thomas argues that the "sheer number of virtual actors," the absence of "any evidence as to the personal marketing power of Sam Keller," and the relative anonymity of each individual player in *NCAA Football* as compared to the public figures in other California right-of-publicity cases all mitigate in favor of finding that the EA's First Amendment rights outweigh Keller's right of publicity. *See* Dissent at

of the avatars in the game is significant. Again, our dissenting colleague agrees. *See* Dissent at 1286–87. In *No Doubt,* the California Court of Appeal noted that *Band Hero* "d[id] not permit players to alter the No Doubt avatars in any respect." *Id.* at 410. The court went on to say that the No Doubt avatars "remain at all times immutable images of the real celebrity musicians, in stark contrast to the 'fanciful, creative characters' in *Winter* and *Kirby.*" *Id.* The court explained further:

> [I]t is the differences between *Kirby* and the instant case ... which are determinative. In *Kirby,* the pop singer was portrayed as an entirely new character—the space-age news reporter Ulala. In *Band Hero,* by contrast, no matter what else occurs in the game during the depiction of the No Doubt avatars, the avatars perform rock songs, the same activity by which the band achieved and maintains its fame. Moreover, the avatars perform those songs as literal recreations of the band members. That the avatars can be manipulated to perform at fanciful venues including outer space or to sing songs the real band would object to singing, or that the avatars appear in the context of a videogame that contains many other creative elements, does not transform the avatars into anything other than exact depictions of No Doubt's members doing exactly what they do as celebrities.

Id. at 410–11. Judge Thomas says that "[t]he Court of Appeal cited character immutability as a chief factor distinguishing [*No Doubt*] from *Winter* and *Kirby.*" Dissent at 1287. Though No Doubt certainly mentioned the immutability of the avatars, we do not read the California Court of Appeal's decision as turning on the inability of users to alter the avatars. The key contrast with *Winter* and *Kirby* was that in those games the public figures were transformed into "fanciful, creative characters" or "portrayed as ... entirely new character[s]." *No Doubt,* 122 Cal.Rptr.3d at 410. On this front, our case is clearly aligned with *No Doubt,* not with *Winter* and *Kirby.* We believe No Doubt offers a persuasive precedent that cannot be materially distinguished from Keller's case.[8],[9]

1286–88. These facts are not irrelevant to the analysis—they all can be considered in the framework of the five considerations from *Comedy III* laid out above—but the fact is that EA elected to use avatars that mimic real college football players for a reason. If EA did not think there was value in having an avatar designed to mimic each individual player, it would not go to the lengths it does to achieve realism in this regard. Having chosen to use the players' likenesses, EA cannot now hide behind the numerosity of its potential offenses or the alleged unimportance of any one individual player.

[8] EA further argues that *No Doubt* is distinguishable because the video game company in that case entered into a license agreement which it allegedly breached. However, the California Court of Appeal did not rely on breach of contract in its analysis of whether the game was transformative. 122 Cal.Rptr.3d at 412 n. 7. Keller

[20] The Third Circuit came to the same conclusion in *Hart v. Electronic Arts, Inc.,* 717 F. 3d 141 (3d Cir. 2013). In *Hart,* EA faced a materially identical challenge under New Jersey right-of-publicity law, brought by former Rutgers quarterback Ryan Hart. *See id.* at 163 n. 28 ("*Keller* is simply [*Hart*] incarnated in California."). Though the Third Circuit was tasked with interpreting New Jersey law, the court looked to the transformative use test developed in California. *See id.* at 158 n. 23 (noting that the right-of-publicity laws are "strikingly similar ... and protect similar interests" in New Jersey and California, and that "consequently [there is] no issue in applying balancing tests developed in California to New Jersey"); *see also id.* at 165 (holding that "the Transformative Use Test is the proper analytical framework to apply to cases such as the one at bar"). Applying the test, the court held that "the *NCAA Football* ... games at issue ... do not sufficiently transform [Hart]'s identity to escape the right of publicity claim," reversing the district court's grant of summary judgment to EA. *Id.* at 170.

[21] As we have, the Third Circuit considered the potentially transformative nature of the game as a whole, *id.* at 166, 169, and the user's ability to alter avatar characteristics, *id.* at 166– 68. Asserting that "the lack of transformative context is even more pronounced here than in *No Doubt,*" *id.* at 166, and that "the ability to modify the avatar counts for little where the appeal of the game lies in users' ability to play as, or alongside [,] their preferred players or team," *id.* at 168 (internal quotation marks omitted), the Third Circuit agreed with us that these changes do not render the *NCAA Football* games sufficiently transformative to defeat a right-of-publicity claim.

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asserts here that EA contracted away its First Amendment rights in a licensing agreement with the NCAA that purportedly prohibited the use of athlete likenesses. However, in light of our conclusion that EA is not entitled to a First Amendment defense as a matter of law, we need not reach this issue and leave it for the district court to address in the first instance on remand should the finder of fact determine in post-SLAPP proceedings that EA's use is transformative.

[9] In dissent, Judge Thomas suggests that this case is distinguishable from other right-to-publicity cases because "an individual college athlete's right of publicity is extraordinarily circumscribed and, in practical reality, nonexistent" because "NCAA rules prohibit athletes from benefitting economically from any success on the field." Dissent at 1289. Judge Thomas commendably addresses the fairness of this structure, *see* Dissent at 1289 n. 5, but setting fairness aside, the fact is that college athletes are not indefinitely bound by NCAA rules. Once an athlete graduates from college, for instance, the athlete can capitalize on his success on the field during college in any number of ways. EA's use of a college athlete's likeness interferes with the athlete's right to capitalize on his athletic success once he is beyond the dominion of NCAA rule.

[22] Judge Ambro dissented in *Hart,* concluding that "the creative components of *NCAA Football* contain sufficient expressive transformation to merit First Amendment protection." *Id.* at 175 (Ambro, J., dissenting). But in critiquing the majority opinion, Judge Ambro disregarded *No Doubt* and *Kirby* because "they were not decided by the architect of the Transformative Use Test, the Supreme Court of California." *Id.* at 172 n. 4. He thus "d [id] not attempt to explain or distinguish the[se cases'] holdings except to note that [he] believe[s] *No Doubt,* which focused on individual depictions rather than the work in its entirety, was wrongly decided in light of the prior precedent in *Comedy III* and *Winter.*" *Id.* We recognize that we are bound only by the decisions of a state's highest court and not by decisions of the state's intermediate appellate court when considering state law issues sitting in diversity jurisdiction. *See In re Kirkland,* 915 F.2d 1236, 1238–39 (9th Cir.1990). Nonetheless, where there is no binding precedent from the state's highest court, we "must predict how the highest state court would decide the issue using *intermediate appellate court decisions,* decisions from other jurisdictions, statutes, treatises, and restatements as guidance." *Id.* at 1239 (emphasis added). As stated above, we believe *No Doubt* in particular provides persuasive guidance. We do not believe *No Doubt* to be inconsistent with the California Supreme Court's relevant decisions, and we will not disregard a well-reasoned decision from a state's intermediate appellate court in this context. Like the majority in *Hart,* we rely substantially on *No Doubt,* and believe we are correct to do so.

[23] Given that *NCAA Football* realistically portrays college football players in the context of college football games, the district court was correct in concluding that EA cannot prevail as a matter of law based on the transformative use defense at the anti-SLAPP stage. *Cf. Hilton,* 599 F.3d at 910–11.[10]

B

[24] EA urges us to adopt for right-of-publicity claims the broader First Amendment defense that we have previously adopted in the context of false

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[10] Judge Thomas asserts that "[t]he logical consequence of the majority view is that all realistic depictions of actual persons, no matter how incidental, are protected by a state law right of publicity regardless of the creative context," "jeopardiz[ing] the creative use of historic figures in motion pictures, books, and sound recordings." Dissent at 1290. We reject the notion that our holding has such broad consequences. As discussed above, one of the factors identified in *Comedy III* "requires an examination of whether a likely purchaser's primary motivation is to buy a reproduction of the celebrity, or to buy the expressive work of that artist." McCarthy, *supra,* § 8:72; *see Comedy III,* 106 Cal.Rptr.2d 126, 21 P.3d at 809. Certainly this leaves room for distinguishing between this case—where we have emphasized EA's primary emphasis on reproducing reality—and cases involving other kinds of expressive works.

endorsement claims under the Lanham Act: the *Rogers* test.[11] *See Brown v. Elec. Arts,* 724 F.3d at 1239–41, 2013 WL 3927736, at *1–2 (applying the *Rogers* test to a Lanham Act claim brought by former NFL player Jim Brown relating to the use of his likeness in EA's *Madden NFL* video games).

[25] *Rogers v. Grimaldi* is a landmark Second Circuit case balancing First Amendment rights against claims under the Lanham Act. 875 F.2d 994 (2d Cir.1989). The case involved a suit brought by the famous performer Ginger Rogers against the producers and distributors of *Ginger and Fred,* a movie about two fictional Italian cabaret performers who imitated Rogers and her frequent performing partner Fred Astaire. *Id.* at 996–97. Rogers alleged both a violation of the Lanham Act for creating the false impression that she endorsed the film and infringement of her common law right of publicity. *Id.* at 997.

[26] The *Rogers* court recognized that "[m]ovies, plays, books, and songs are all indisputably works of artistic expression and deserve protection," but that "[t]he purchaser of a book, like the purchaser of a can of peas, has a right not to be misled as to the source of the product." *Id.* "Consumers of artistic works thus have a dual interest: They have an interest in not being misled and they also have an interest in enjoying the results of the author's freedom of expression." *Id.* at 998. The *Rogers* court determined that titles of artistic or literary works were less likely to be misleading than "the names of ordinary commercial products," and thus that Lanham Act protections applied with less rigor when considering titles of artistic or literary works than when considering ordinary products. *Id.* at 999–1000. The court concluded that "in general the Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression." *Id.* at 999. The court therefore held:

> In the context of allegedly misleading titles using a celebrity's name, that balance will normally not support application of the [Lanham] Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.

Id.

[27] We first endorsed the *Rogers* test for Lanham Act claims involving artistic or expressive works in *Mattel, Inc. v. MCA Records, Inc.,* 296 F.3d 894, 902 (9th Cir.2002). We agreed that, in the context of artistic and literary titles, "[c]onsumers expect a title to communicate a message about the book or movie, but they do not expect it to identify the publisher or producer," and "adopt[ed] the *Rogers* standard

[11] Keller argues that EA never asked the district court to apply *Rogers* and has therefore waived the issue on appeal. Although it could have been more explicit, EA's anti-SLAPP motion did cite *Rogers* and argue that Keller had not alleged that his likeness was "wholly unrelated" to the content of the video game or a "disguised commercial advertisement," the two prongs of the *Rogers* test.

as our own." *Id.* Then, in *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.,* we considered a claim by a strip club owner that video game maker Rock Star incorporated its club logo into the game's virtual depiction of East Los Angeles, violating the club's trademark right to that logo. 547 F.3d 1095, 1096–98 (9th Cir.2008). We held that Rock Star's use of the logo and trade dress was protected by the First Amendment and that it therefore could not be held liable under the Lanham Act. *Id.* at 1099–1101. In so doing, we extended the Rogers test slightly, noting that "[a]lthough this test traditionally applies to uses of a trademark in the title of an artistic work, there is no principled reason why it ought not also apply to the use of a trademark in the body of the work." *Id.* at 1099.

[28] In this case, EA argues that we should extend this test, created to evaluate Lanham Act claims, to apply to right-of-publicity claims because it is "less prone to misinterpretation" and "more protective of free expression" than the transformative use defense. Although we acknowledge that there is some overlap between the transformative use test formulated by the California Supreme Court and the *Rogers* test, we disagree that the *Rogers* test should be imported wholesale for right-of-publicity claims. Our conclusion on this point is consistent with the Third Circuit's rejection of EA's identical argument in *Hart. See Hart,* 717 F. 3d at 154– 58. As the history and development of the *Rogers* test makes clear, it was designed to protect consumers from the risk of consumer confusion—the hallmark element of a Lanham Act claim. *See Cairns v. Franklin Mint Co.,* 292 F.3d 1139, 1149 (9th Cir.2002). The right of publicity, on the other hand, does not primarily seek to prevent consumer confusion. *See Hart,* 717 F. 3d at 158 ("[T]he right of publicity does not implicate the potential for consumer confusion....''). Rather, it primarily "protects a form of intellectual property [in one's person] that society deems to have some social utility." *Comedy III,* 106 Cal.Rptr.2d 126, 21 P.3d at 804. As the California Supreme Court has explained:

> Often considerable money, time and energy are needed to develop one's prominence in a particular field. Years of labor may be required before one's skill, reputation, notoriety or virtues are sufficiently developed to permit an economic return through some medium of commercial promotion. For some, the investment may eventually create considerable commercial value in one's identity.

Id. 106 Cal.Rptr.2d 126, 21 P.3d at 804–05 (internal quotation marks and citations omitted).

[29] The right of publicity protects the *celebrity,* not the *consumer.* Keller's publicity claim is not founded on an allegation that consumers are being illegally misled into believing that he is endorsing EA or its products. Indeed, he would be hard-pressed to support such an allegation absent evidence that EA explicitly misled consumers into holding such a belief. *See Brown v. Elec. Arts,* 724 F.3d at 1242–43, 2013 WL 3927736, at *4 (holding under the *Rogers* test that, since "Brown's likeness is artistically relevant to the [*Madden NFL*] games and there are no alleged facts to

support the claim that EA explicitly misled consumers as to Brown's involvement with the games," "the public interest in free expression outweighs the public interest in avoiding consumer confusion"). Instead, Keller's claim is that EA has appropriated, without permission and without providing compensation, his talent and years of hard work on the football field. The reasoning of the *Rogers* and *Mattel* courts—that artistic and literary works should be protected unless they explicitly mislead consumers—is simply not responsive to Keller's asserted interests here. *Cf. Hart,* 717 F. 3d at 157 ("Effectively, [EA] argues that [Hart] should be unable to assert a claim for appropriating his likeness as a football player precisely because his likeness was used for a game about football. Adopting this line of reasoning threatens to turn the right of publicity on its head.").

[30] We recognize that *Rogers* also dealt with a right-of-publicity claim—one under Oregon law—and applied a modified version of its Lanham Act test in order to adapt to that particular context:

> In light of the Oregon Court's concern for the protection of free expression, ... the right of publicity [would not] bar the use of a celebrity's name in a movie title unless the title was "wholly unrelated" to the movie or was "simply a disguised commercial advertisement for the sale of goods or services."

875 F.2d at 1004. However, the *Rogers* court was faced with a situation in which the "Oregon Courts ... [had] not determined the scope of the common law right of publicity in that state." *Id.* at 1002. In the absence of clear state-law precedent, the *Rogers* court was "obliged to engage in the uncertain task of predicting what the New York courts would predict the Oregon courts would rule as to the contours of a right of publicity under Oregon law." *Id.* In light of *Comedy III* and its progeny, we are faced with no such uncertain task.

[31] Lastly, we note that the only circuit court to import the *Rogers* test into the publicity arena, the Sixth Circuit, has done so inconsistently. In *Parks v. LaFace Records,* the Sixth Circuit indicated that the *Rogers* test was appropriate for right-of-publicity claims, noting that the Restatement (Third) of Unfair Competition had endorsed use of the test in that context. 329 F.3d 437, 461 (6th Cir.2003) (citing *Restatement (Third) of Unfair Competition* § 47 cmt. c). Subsequently, in *ETW Corp. v. Jireh Publishing, Inc.,* the court acknowledged the *Parks* decision but did not apply the *Rogers* test to the Ohio right-of-publicity claim in question. 332 F.3d at 915, 936 & n. 17 (6th Cir.2003). Instead, the court applied a balancing test from comment d in the *Restatement* (analyzing "the substantiality and market effect of the use of the celebrity's image ... in light of the informational and creative content"), as well as the transformative use test from *Comedy III. Id.* at 937–38; *see Hart,* 717 F. 3d at 157 ("We find Parks to be less than persuasive [as to the applicability of the Rogers test to right-of-publicity cases] given that just over a month later another panel of the Sixth Circuit decided [*ETW*], a right of publicity case where the Circuit applied the Transformative Use Test."). Similarly, the Tenth Circuit in *Cardtoons, L.C. v. Major*

League Baseball Players Ass'n, 95 F.3d 959 (10th Cir.1996), and the Eighth Circuit in *C.B.C. Distribution and Marketing, Inc. v. Major League Baseball Advanced Media, L.P.,* 505 F.3d 818 (8th Cir.2007), rejected the *Rogers* test in favor of a flexible case-by-case approach that takes into account the celebrity's interest in retaining his or her publicity and the public's interest in free expression. Therefore, we decline EA's invitation to extend the *Rogers* test to right-of-publicity claims.

C

[32] California has developed two additional defenses aimed at protecting the reporting of factual information under state law. One of these defenses only applies to common law right-of-publicity claims while the other only applies to statutory right-of-publicity claims. *Montana v. San Jose Mercury News, Inc.,* 34 Cal.App.4th 790, 40 Cal.Rptr.2d 639, 640 (1995). Liability will not lie for common law right-of-publicity claims for the "publication of matters in the public interest." *Id.* at 640–41. Similarly, liability will not lie for statutory right-of-publicity claims for the "use of a name, voice, signature, photograph, or likeness in connection with any news, public affairs, or sports broadcast or account, or any political campaign." Cal. Civ.Code § 3344(d). Although these defenses are based on First Amendment concerns, *Gill v. Hearst Publ'g Co.,* 40 Cal.2d 224, 253 P.2d 441, 443–44 (1953), they are not coextensive with the Federal Constitution, *New Kids on the Block v. News Am. Publ'g, Inc.,* 971 F.2d 302, 310 n. 10 (9th Cir.1992), and their application is thus a matter of state law.

[33] EA argues that these defenses give it the right to "incorporate athletes' names, statistics, and other biographical information" into its expressive works, as the defenses were "designed to create 'extra breathing space' for the use of a person's name in connection with matters of public interest." Keller responds that the right of publicity yields to free use of a public figure's likeness only to the extent reasonably required to report information to the public or publish factual data, and that the defenses apply only to broadcasts or accounts of public affairs, not to EA's *NCAA Football* games, which do not contain or constitute such reporting about Keller.

[34] California courts have generally analyzed the common law defense and the statutory defense separately, but it is clear that both defenses protect only the act of publishing or reporting. By its terms, § 3344(d) is limited to a "broadcast or account," and we have confirmed that the common law defense is about a publication or reporting of newsworthy items. *Hilton,* 599 F.3d at 912. However, most of the discussion by California courts pertains to whether the subject matter of the communication is of "public interest" or related to "news" or "public affairs," leaving little guidance as to when the communication constitutes a publication or reporting.

[35] For instance, in *Dora v. Frontline Video, Inc.,* a wellknown surfer sued the producer of a documentary on surfing entitled "The Legends of Malibu," claiming misappropriation of his name and likeness. 15 Cal.App.4th 536, 18 Cal.Rptr.2d 790,

791 (1993). The court held that the documentary was protected because it was "a fair comment on real life events which have caught the popular imagination." *Id.* at 792 (internal quotation marks omitted). The court explained that surfing "has created a lifestyle that influences speech, behavior, dress, and entertainment," has had "an economic impact," and "has also had a significant influence on the popular culture," such that "[i]t would be difficult to conclude that a surfing documentary does not fall within the category of public affairs." *Id.* at 794–95. Similarly, in *Gionfriddo v. Major League Baseball,* retired professional baseball players alleged that Major League Baseball violated their right of publicity by displaying "factual data concerning the players, their performance statistics, and verbal descriptions and video depictions of their play" in game programs and on its website. 94 Cal.App.4th 400, 114 Cal.Rptr.2d 307, 314 (2001). The court reasoned that "[t]he recitation and discussion of factual data concerning the athletic performance of these plaintiffs command a substantial public interest, and, therefore, is a form of expression due substantial constitutional protection." *Id.* at 315. And in *Montana v. San Jose Mercury News, Inc.,* former NFL quarterback Joe Montana brought a right-of-publicity action against a newspaper for selling posters containing previously published pages from the newspaper depicting the many Super Bowl victories by Montana and the San Francisco 49ers. *Montana,* 40 Cal.Rptr.2d at 639–40. The court found that "[p]osters portraying the 49'ers' [sic] victories are ... a form of public interest presentation to which protection must be extended." *Id.* at 641 (internal quotation marks omitted).

[36] We think that, unlike in *Gionfriddo, Montana*, and *Dora,* EA is not publishing or reporting factual data. EA's video game is a means by which users can play their own virtual football games, not a means for obtaining information about real-world football games. Although EA has incorporated certain actual player information into the game (height, weight, etc.), its case is considerably weakened by its decision not to include the athletes' names along with their likenesses and statistical data. EA can hardly be considered to be "reporting" on Keller's career at Arizona State and Nebraska when it is not even using Keller's name in connection with his avatar in the game. Put simply, EA's interactive game is not a publication of facts about college football; it is a game, not a reference source. These state law defenses, therefore, do not apply.[12]

[12] We similarly reject Judge Thomas's argument that Keller's right-of-publicity claim should give way to the First Amendment in light of the fact that "the essence of *NCAA Football* is founded on publicly available data." Dissent at 1288. Judge Thomas compares *NCAA Football* to the fantasy baseball products that the Eighth Circuit deemed protected by the First Amendment in the face of a right-of-publicity claim in *C.B.C. Distribution and Marketing,* 505 F.3d at 823–24. Dissent at 1288. But there is a big difference between a video game like *NCAA Football* and fantasy baseball products like those at issue in *C.B.C.* Those products merely "incorporate[d] the names along with performance and biographical data of actual major league

III

[37] Under California's transformative use defense, EA's use of the likenesses of college athletes like Samuel Keller in its video games is not, as a matter of law, protected by the First Amendment. We reject EA's suggestion to import the *Rogers* test into the right-of-publicity arena, and conclude that state law defenses for the reporting of information do not protect EA's use.

AFFIRMED**.**

THOMAS, Circuit Judge, dissenting:

[1] Because the creative and transformative elements of Electronic Arts' *NCAA Football* video game series predominate over the commercial use of the athletes' likenesses, the First Amendment protects EA from liability. Therefore, I respectfully dissent.

I

[2] As expressive works, video games are entitled to First Amendment protection. *Brown v. Entm't Merchs. Ass'n,* ––– U.S. ––––, 131 S.Ct. 2729 (2011). The First Amendment affords additional protection to *NCAA Football* because it involves a subject of substantial public interest: collegiate football. *Moore v. Univ. of Notre Dame,* 968 F.Supp. 1330, 1337 (N.D.Ind.1997). Because football is a matter of public interest, the use of the images of athletes is entitled to constitutional protection, even if profits are involved. *Montana v. San Jose Mercury News, Inc.,* 34 Cal.App.4th 790, 40 Cal.Rptr.2d 639, 643 n. 2 (1995); *see also* Cal. Civ.Code § 3344(d) (exempting from liability the "use of a name ... or likeness in connection with any ... public affairs, or sports broadcast or account").

[3] Where it is recognized, the tort of appropriation is a creature of common law or statute, depending on the jurisdiction. However, the right to compensation for the misappropriation for commercial use of one's image or celebrity is far from absolute. In every jurisdiction, any right of publicity must be balanced against the

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baseball players." *Id.* at 820. *NCAA Football,* on the other hand, uses virtual likenesses of actual college football players. It is seemingly true that each likeness is generated largely from publicly available data—though, as Judge Thomas acknowledges, EA solicits certain information directly from schools—but finding this fact dispositive would neuter the right of publicity in our digital world. Computer programmers with the appropriate expertise can create a realistic likeness of any celebrity using only publicly available data. If EA creates a virtual likeness of Tom Brady using only publicly available data—public images and videos of Brady—does EA have free reign to use that likeness in commercials without violating Brady's right of publicity? We think not, and thus must reject Judge Thomas's point about the public availability of much of the data used given that EA produced and used actual likenesses of the athletes involved.

constitutional protection afforded by the First Amendment. Courts have employed a variety of methods in balancing the rights. *See, e.g., Doe v. TCI Cablevision,* 110 S.W.3d 363, 374 (Mo.2003) (en banc). The California Supreme Court applies a "transformative use" test it formulated in *Comedy III Productions, Inc. v. Gary Saderup, Inc.,* 25 Cal.4th 387, 106 Cal.Rptr.2d 126, 21 P.3d 797 (2001).[13]

[4] As the majority properly notes, the transformative use defense is "a balancing test between the First Amendment and the right of publicity based on whether the work in question adds significant creative elements so as to be transformed into something more than a mere celebrity likeness or imitation." *Comedy III,* 106 Cal.Rptr.2d 126, 21 P.3d at 799. The rationale for the test, as the majority notes, is that "when a work contains significant transformative elements, it is not only especially worthy of First Amendment protection, but it is also less likely to interfere with the economic interest protected by the right of publicity." *Id.* 106 Cal.Rptr.2d 126, 21 P.3d at 808.

[5] The five considerations articulated in *Comedy III,* and cited by the majority, are whether: (1) the celebrity likeness is one of the raw materials from which an original work is synthesized; (2) the work is primarily the defendant's own expression if the expression is something other than the likeness of the celebrity; (3) the literal and imitative or creative elements predominate in the work; (4) the marketability and economic value of the challenged work derives primarily from the fame of the celebrity depicted; and (5) an artist's skill and talent has been manifestly subordinated to the overall goal of creating a conventional portrait of a celebrity so as to commercially exploit the celebrity's fame. *Id.* 106 Cal.Rptr.2d 126, 21 P.3d at 809–10.

[6] Although these considerations are often distilled as analytical factors, Justice Mosk was careful in *Comedy III* not to label them as such. Indeed, the focus of *Comedy III* is a more holistic examination of whether the transformative and creative elements of a particular work predominate over commercially based literal or imitative depictions. The distinction is critical, because excessive deconstruction of *Comedy III* can lead to misapplication of the test. And it is at this juncture that I must respectfully part ways with my colleagues in the majority.

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[13] I agree with the majority that the test articulated in *Rogers v. Grimaldi,* 875 F.2d 994 (2d Cir.1989), should not be employed in this context. The *Rogers* test is appropriately applied in Lanham Act cases, where the primary concern is with the danger of consumer confusion when a work is depicted as something it is not. 15 U.S.C. § 1125(a)(1). However, the right of publicity is an economic right to use the value of one own's celebrity. *Zacchini v. Scripps–Howard Broad. Co.,* 433 U.S. 562, 576–77, 97 S.Ct. 2849, 53 L.Ed.2d 965 (1977). Therefore, a more nuanced balancing is required. In our context, I believe the transformative use test—if correctly applied to the work as a whole—provides the proper analytical framework.

[7] The majority confines its inquiry to how a single athlete's likeness is represented in the video game, rather than examining the transformative and creative elements in the video game as a whole. In my view, this approach contradicts the holistic analysis required by the transformative use test. *See Hart v. Elec. Arts, Inc.,* 717 F. 3d 141, 170– 76 (3d Cir. 2013) (Ambro, J., dissenting).[14] The salient question is whether the entire work is transformative, and whether the transformative elements predominate, rather than whether an individual persona or image has been altered.

[8] When EA's *NCAA Football* video game series is examined carefully, and put in proper context, I conclude that the creative and transformative elements of the games predominate over the commercial use of the likenesses of the athletes within the games.

A

[9] The first step in conducting a balancing is to examine the creative work at issue. At its essence, EA's *NCAA Football* is a work of interactive historical fiction. Although the game changes from year to year, its most popular features predominately involve role-playing by the gamer. For example, a player can create a virtual image of himself as a potential college football player. The virtual player decides which position he would like to play, then participates in a series of "tryouts" or competes in an entire high school season to gauge his skill. Based on his performance, the virtual player is ranked and available to play at select colleges. The player chooses among the colleges, then assumes the role of a college football player. He also selects a major, the amount of time he wishes to spend on social activities, and practice—all of which may affect the virtual player's performance. He then plays his position on the college team. In some versions of the game, in another mode, the virtual player can engage in a competition for the Heisman Trophy. In another popular mode, the gamer becomes a virtual coach. The coach scouts, recruits, and develops entirely fictional players for his team. The coach can then promote the team's evolution over decades of seasons.

[10] The college teams that are supplied in the game do replicate the actual college teams for that season, including virtual athletes who bear the statistical and physical dimensions of the actual college athletes. But, unlike their professional football counterparts in the *Madden NFL* series, the NCAA football players in these games are not identified.

[11] The gamers can also change their abilities, appearances, and physical characteristics at will. Keller's impressive physical likeness can be morphed by the gamer into an overweight and slow virtual athlete, with anemic passing ability. And the gamer can create new virtual players out of whole cloth. Players can change

[14] I agree fully with Judge Ambro's excellent dissent in *Hart,* which describes the analytic flaws of applying a transformative use test outside the context of the work as a whole.

teams. The gamer could pit Sam Keller against himself, or a stronger or weaker version of himself, on a different team. Or the gamer could play the game endlessly without ever encountering Keller's avatar. In the simulated games, the gamer controls not only the conduct of the game, but the weather, crowd noise, mascots, and other environmental factors. Of course, one may play the game leaving the players unaltered, pitting team against team. But, in this context as well, the work is one of historic fiction. The gamer controls the teams, players, and games.

[12] Applying the *Comedy III* considerations to *NCAA Football* in proper holistic context, the considerations favor First Amendment protection. The athletic likenesses are but one of the raw materials from which the broader game is constructed. The work, considered as a whole, is primarily one of EA's own expression. The creative and transformative elements predominate over the commercial use of likenesses. The marketability and economic value of the game comes from the creative elements within, not from the pure commercial exploitation of a celebrity image. The game is not a conventional portrait of a celebrity, but a work consisting of many creative and transformative elements.

[13] The video game at issue is much akin to the creations the California Supreme Court found protected in *Winter v. DC Comics,* 30 Cal.4th 881, 134 Cal.Rptr.2d 634, 69 P.3d 473, 476 (2003), where the two fabled guitarists Johnny and Edgar Winter were easily identifiable, but depicted as chimeras. It is also consistent with the California Court of Appeal's decision in *Kirby v. Sega of America, Inc.,* 144 Cal.App.4th 47, 50 Cal.Rptr.3d 607, 609–10 (2006), where a character easily identified as singer Kierin Kirby, more popularly known as Lady Miss Kier, was transformed into a "'fanciful, creative character' who exists in the context of a unique and expressive video game." *Id.* at 618. So, too, are the virtual players who populate the world of the *NCAA Football* series.

[14] *No Doubt v. Activision Publishing, Inc.,* 192 Cal.App.4th 1018, 122 Cal.Rptr.3d 397 (2011), is not to the contrary. The literal representations in *No Doubt* were not, and could not be, transformed in any way. Indeed, in *No Doubt,* the bandmembers posed for motion-capture photography to allow reproduction of their likenesses, *id.* at 402, and the Court of Appeal underscored the fact that the video game did not "permit players to alter the No Doubt avatars in any respect" and the avatars remained "at all times immutable images of the real celebrity musicians," *id.* at 410. The Court of Appeal cited character immutability as a chief factor distinguishing that case from *Winter* and *Kirby. Id.* Unlike the avatars in *No Doubt,* the virtual players in NCAA Football are completely mutable and changeable at the whim of the gamer. The majority places great reliance on *No Doubt* as support for its proposition that the initial placement of realistic avatars in the game overcomes the First Amendment's protection, but the Court of Appeal in *No Doubt* rejected such a cramped construction, noting that "even literal reproductions of celebrities may be

'transformed' into expressive works based on the context into which the celebrity image is placed." *Id.* at 410 (citing *Comedy III,* 106 Cal.Rptr.2d 126, 21 P.3d at 797).[15]

[15] Unlike the majority, I would not punish EA for the realism of its games and for the skill of the artists who created realistic settings for the football games. Majority op. at 1279 n. 10. That the lifelike roar of the crowd and the crunch of pads contribute to the gamer's experience demonstrates how little of *NCAA Football* is driven by the particular likeness of Sam Keller, or any of the other plaintiffs, rather than by the game's artistic elements.

[16] In short, considering the creative elements alone in this case satisfies the transformative use test in favor of First Amendment protection.

B

[17] Although one could leave the analysis with an examination of the transformative and creative aspects of the game, a true balancing requires an inquiry as to the other side of the scales: the publicity right at stake. Here, as well, the *NCAA Football* video game series can be distinguished from the traditional right of publicity cases, both from a quantitative and a qualitative perspective.

[18] As a quantitative matter, *NCAA Football* is different from other right of publicity cases in the sheer number of virtual actors involved. Most right of publicity cases involve either one celebrity, or a finite and defined group of celebrities. *Comedy III* involved literal likenesses of the Three Stooges. *Hilton v. Hallmark Cards,* 599 F.3d 894, 909–12 (9th Cir.2009), involved the literal likeness of Paris Hilton. *Winter* involved the images of the rock star brother duo. *Kirby* involved the likeness of one singer. *No Doubt* focused on the likenesses of the members of a specific legendary band.

[19] In contrast, *NCAA Football* includes not just Sam Keller, but thousands of virtual actors. This consideration is of particular significance when we examine, as instructed by *Comedy III,* whether the source of the product marketability comes from creative elements or from pure exploitation of a celebrity image. 106 Cal.Rptr.2d 126, 21 P.3d at 810. There is not, at this stage of the litigation, any evidence as to the personal marketing power of Sam Keller, as distinguished from the appeal of the creative aspects of the product. Regardless, the sheer number of athletes involved inevitably diminish the significance of the publicity right at issue. *Comedy III* involved literal depictions of the Three Stooges on lithographs and T-shirts. *Winter* involved characters depicted in a comic strip. *Kirby* and *No Doubt* involved pivotal characters in a video game. The commercial image of the celebrities in each case was central to the production, and its contact with the consumer was immediate and unavoidable. In contrast, one could play *NCAA Football* thousands of times without ever encountering a particular avatar. In context of the collective, an

[15] Of course, to the extent that the Court of Appeal's opinion in *No Doubt* may be read to be in tension with the transformative use test as articulated by the California Supreme Court in *Comedy III* and *Winter,* it must yield.

individual's publicity right is relatively insignificant. Put another way, if an anonymous virtual player is tackled in an imaginary video game and no one notices, is there any right of publicity infringed at all?

[20] The sheer quantity of the virtual players in the game underscores the inappropriateness of analyzing the right of publicity through the lens of one likeness only. Only when the creative work is considered in complete context can a proper analysis be conducted.

[21] As a qualitative matter, the essence of *NCAA Football* is founded on publicly available data, which is not protected by any individual publicity rights. It is true that EA solicits and receives information directly from colleges and universities. But the information is hardly proprietary. Personal vital statistics for players are found in college programs and media guides. Likewise, playing statistics are easily available. In this respect, the information used by EA is indistinguishable from the information used in fantasy athletic leagues, for which the First Amendment provides protection, *C.B.C. Distribution & Mktg., Inc. v. Major League Baseball Advanced Media, L.P.,* 505 F.3d 818, 823–24 (8th Cir.2007), or much beloved statistical board games, such as Strat–O–Matic. An athlete's right of publicity simply does not encompass publicly available statistical data. *See, e.g., IMS Health Inc. v. Sorrell,* 630 F.3d 263, 271–72 (2d Cir.2010) ("The First Amendment protects '[e]ven dry information, devoid of advocacy, political relevance, or artistic expression.'" (quoting *Universal City Studios, Inc. v. Corley,* 273 F.3d 429, 446 (2d Cir.2001)) (alteration in original)).[16]

[22] Further, the structure of the game is not founded on exploitation of an individual's publicity rights. The players are unidentified and anonymous. It is true that third-party software is available to quickly identify the players, but that is not part of the EA package. And the fact that the players can be identified by the knowledgeable user by their position, team, and statistics is somewhat beside the point. The issue is whether the marketability of the product is driven by an individual celebrity, or by the game itself. *Comedy III,* 106 Cal.Rptr.2d 126, 21 P.3d at 810. Player anonymity, while certainly not a complete defense, bears on the question of how we balance the right of publicity against the First Amendment. This feature of the game places it in stark contrast with *No Doubt,* where the whole point of the enterprise was the successful commercial exploitation of the specifically identified, world-famous musicians.

[16] Contrary to the majority's suggestion, I do not claim that any use of a likeness founded on publicly available information is transformative. Majority op. 1283–84 n. 12. The majority's analogy to a commercial featuring Tom Brady is inapposite for at least two reasons: (1) a commercial is not interactive in the same way that *NCAA Football* is, and (2) Brady's marketing power is well established, while that of the plaintiffs is not.

[23] Finally, as a qualitative matter, the publicity rights of college athletes are remarkably restricted. This consideration is critical because the “right to exploit commercially one's celebrity is primarily an economic right.” *Gionfriddo v. Major League Baseball,* 94 Cal.App.4th 400, 114 Cal.Rptr.2d 307, 318 (2001). NCAA rules prohibit athletes from benefitting economically from any success on the field. NCAA Bylaw 12.5 specifically prohibits commercial licensing of an NCAA athlete's name or picture. NCAA, *2012–13 NCAA Division I Manual* § 12.5.2.1 (2012). Before being allowed to compete each year, all Division I NCAA athletes must sign a contract stating that they understand the prohibition on licensing and affirming that they have not violated any amateurism rules. In short, even if an athlete wished to license his image to EA, the athlete could not do so without destroying amateur status. Thus, an individual college athlete's right of publicity is extraordinarily circumscribed and, in practical reality, nonexistent.[17]

[24] In sum, even apart from consideration of transformative elements, examination of the right of publicity in question also resolves the balance in favor of the First Amendment. The quantity of players involved dilutes the commercial impact of any particular player and the scope of the publicity right is significantly reduced by the fact that: (1) a player cannot own the individual, publicly available statistics on which the game is based; (2) the players are not identified in the game; and (3) NCAA college athletes do not have the right to license their names and likenesses, even if they chose to do so.[18]

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[17] The issue of whether this structure is fair to the student athlete is beyond the scope of this appeal, but forms a significant backdrop to the discussion. The NCAA received revenues of $871.6 million in fiscal year 2011–12, with 81% of the money coming from television and marketing fees. However, few college athletes will ever receive any professional compensation. The NCAA reports that in 2011, there were 67,887 college football players. Of those, 15,086 were senior players, and only 255 athletes were drafted for a professional team. Thus, only 1.7% of seniors received any subsequent professional economic compensation for their athletic endeavors. NCAA, *Estimated Probability of Competing in Athletics Beyond the High School Interscholastic Level* (2011), *available at* http:// www. ncaa. org/ wps/ wcm/ connect/ public/ ncaa/ pdfs/ 2011/ 2011+ probability+ of+ going+ pro.

And participation in college football can come at a terrible cost. The NCAA reports that, during a recent five-year period, college football players suffered 41,000 injuries, including 23 non-fatal catastrophic injuries and 11 fatalities from indirect catastrophic injuries. NCAA, *Football Injuries: Data From the 2004/05 to 2008/09 Seasons, available at* http:// www. ncaa. org/ wps/ wcm/ connect/ public/ ncaa/ health+ and+ safety/ sports+ injuries/ resources/ football+ injuries.

[18] While acknowledging that these considerations are relevant to the *Comedy III* analysis, the majority says EA's use of realistic likenesses demonstrates that it sees “value in having an avatar designed to mimic each individual player.” Majority op. at

II

[25] Given the proper application of the transformative use test, Keller is unlikely to prevail. The balance of interests falls squarely on the side of the First Amendment. The stakes are not small. The logical consequence of the majority view is that all realistic depictions of actual persons, no matter how incidental, are protected by a state law right of publicity regardless of the creative context. This logic jeopardizes the creative use of historic figures in motion pictures, books, and sound recordings. Absent the use of actual footage, the motion picture *Forrest Gump* might as well be just a box of chocolates. Without its historical characters, *Midnight in Paris* would be reduced to a pedestrian domestic squabble. The majority's holding that creative use of realistic images and personas does not satisfy the transformative use test cannot be reconciled with the many cases affording such works First Amendment protection.[19] I respectfully disagree with this potentially dangerous and out-of-context interpretation of the transformative use test.

[26] For these reasons, I respectfully dissent.

1276 n. 7. But the same is true of any right of publicity case. The defendants in *Winter* saw value in using comic book characters that resembled the Winter brothers. Andy Warhol—whose portraits were discussed in *Comedy III*—saw value in using images of celebrities such as Marilyn Monroe. In those cases, the products' marketability derives primarily from the creative elements, not from a pure commercial exploitation of a celebrity image. The same is true of *NCAA Football.*

[19] *See, e.g., ETW Corp. v. Jireh Publ'g, Inc.,* 332 F.3d 915 (6th Cir.2003) (affording First Amendment protection to an artist's use of photographs of Tiger Woods); J. Thomas McCarthy, *The Rights of Publicity and Privacy* § 8.65 (2013 ed.) (collecting cases); *Hart,* 717 F. 3d at 173 (Ambro, J., dissenting) (describing cases). Football.

Winter v. DC Comics, 30 Cal.4th 881 (2003)

Kirby v. Sega of America, Inc., 144 Cal.App.4th 47 (2006)

No Doubt v. Activision Publishing, Inc., 192 Cal.App.4th 1018 (2011)


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Hilton v. Hallmark Cards, 599 F.3d 894 (9th Cir. 2010)

Comments and Questions

1. *Keller Settlement*. In June 2014, the NCAA announced a $20 million settlement with Samuel Keller, the lead plaintiff in *In re NCAA Student-Athlete Name & Likeness Licensing Litigation*. This is in addition to a previous $40 settlement Electronic Arts and Collegiate Licensing Company announced to settle a variety of lawsuits, including Keller's, over use of collegiate athletes' likenesses in video games. The total $60 million settlement fund will be distributed among approximately 75,000 potentially eligible NCAA football and male basketball athletes with a cap of $5,000 per roster appearance per video game, with many athletes receiving significantly less than this amount. *See* Jon Solomon, *EA and NCAA Video Game Settlements Have a $5,000-a-Year Cap*, CBSSports.com, June 30, 2014, http://www.cbssports.com/collegefootball/writer/jon-solomon/24601765/ea-and-ncaa-video-game-settlements-have-5000-a-year-cap.

2. *The Fate of EA's* NCAA Football *Series*. In September 2013, EA announced that it would not produce a new NCAA Football video game in 2014, making *NCAA Football 2014* the final instalment in the series. EA did so after the NCAA and three major football conferences (the Big Ten, Pac-12, and SEC) cut ties with EA in light of the college players' intellectual property litigation against EA. *See* Steve Eder, *E.A. Sports Settles Lawsuit With College Athletes*, N.Y. TIMES, Sept. 26, 2013, http://www.nytimes.com/2013/09/27/sports/ncaafootball/ea-sports-wont-make-college-video-game-in-2014.html?_r=0.

3. *Celebrities' Right of Publicity and Social Media*. In April 2014 American actress and celebrity Katherine Hegel sued the drugstore chain Duane Reade for posting the tweet and photograph shown below. She claimed violation of federal false advertising law under Lanham Act § 43(a), 15 U.S.C. § 1125(a), and New York state right of publicity law under N.Y. Civil Rights Law §§ 50 & 51. In August 2014, the parties announced a settlement in which Duane Reade agreed to make a contribution of an undisclosed amount to a Katherine Heigl charity. *See* Eriq Gardner, *Katherine Heigl Ends Lawsuit Over Duane Reade Tweet, Hollywood Reporter*, Aug. 27, 2014, http://www.hollywoodreporter.com/thr-esq/katherine-heigl-ends-lawsuit-duane-728552.

3. *Non-Celebrities Right of Publicity and Social Media*. In 2011, Facebook introduced its "Sponsored Stories" feature, which established as a default setting the insertion of advertisements into a user's newsfeed based on recent conduct by the user, such as Like-ing an advertiser's Facebook page or sharing location-based check-in information related to an advertiser. Distinguished only by the heading "Sponsored Story," these advertisements looked very similar to a user's status updates (see below). Facebook user's brought a class action asserting violation of users' right of publicity under California Civil Code § 3344(a). After the Northern District of California rejected Facebook's motion to dismiss under § 3344(d)'s newsworthiness exception, *Fraley v. Facebook, Inc.*, 830 F. Supp. 2d 785 (N.D. Cal. 2011), Facebook ended its Sponsored Stories program and paid $20 million to settle the dispute. *See* Mike Wheatley, *Facebook Kills "Sponsored Stories" but Your Face Will Still Be Used in Ads*, SiliconANGLE.com, Jan. 13, 2014, http://siliconangle.com/blog/2014/01/13/facebook-kills-sponsored-stories-but-

your-face-will-still-be-used-in-its-ads/. In a press release, Facebook announced a different approach: "Last year … [w]e also announced that marketers will no longer be able to purchase sponsored stories separately; instead, social context—stories about social actions your friends have taken, such as liking a page or checking in to a restaurant—is now eligible to appear next to all ads shown to friends on Facebook." *An Update to Facebook Ads*, Facebook.com Jan. 9, 2014, https://www.facebook.com/notes/facebook-and-privacy/an-update-to-facebook-ads/643198592396693.

[20]

[20] From http://siliconangle.com/blog/2014/01/13/facebook-kills-sponsored-stories-but-your-face-will-still-be-used-in-its-ads/.

VI. Remedies

A. Injunctive Relief

> Lanham Act § 34(a), 15 U.S.C. § 1116(a)
>
> The several courts vested with jurisdiction of civil actions arising under this chapter shall have power 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.

The primary remedy that most trademark and false advertising plaintiffs seek is injunctive relief, often in the form of a preliminary injunction. Though the circuits' criteria for a preliminary (or permanent) injunction vary somewhat, most circuits have traditionally required the plaintiff to show: (1) a likelihood of success on the merits, (2) a likelihood of irreparable harm in the absence of the injunction, (3) that the balance of the hardships tip in the movant's favor, and (4) that the injunction would not be adverse to the public interest. The Second Circuit, by contrast, has formulated a different test: "A party seeking a preliminary injunction must establish (1) irreparable harm and (2) either (a) a likelihood of success on the merits or (b) a sufficiently serious question going to the merits and a balance of hardships tipping decidedly in the moving party's favor." *Brennan's, Inc. v. Brennan's Rest., L.L.C.*, 360 F.3d 125, 129 (2d Cir. 2004). (As we will see below, however, at least one district court in the Second Circuit has formulated a revised test in light of the Second Circuit copyright case *Salinger v. Colting*, 607 F.3d 68 (2d Cir.2010)).

Most circuits have traditionally held that a showing of a likelihood of confusion triggers a presumption of irreparable harm. *See, e.g.*, *Federal Exp. Corp. v. Federal Espresso, Inc.*, 201 F.3d 168, 174 (2d Cir. 2000) ("[P]roof of a likelihood of confusion would create a presumption of irreparable harm, and thus a plaintiff would not need to prove such harm independently"); *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1209 (9th Cir. 2000) ("From our analysis of the *Sleekcraft* factors, we conclude that GoTo has demonstrated a likelihood of success on its claim that Disney's use of its logo violates the Lanham Act. From this showing of likelihood of success on the merits in this trademark infringement claim, we may presume irreparable injury.").

However, as the following two opinions show, the Supreme Court's decision in *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006), has significantly complicated this line of doctrine. *eBay* was a patent case. Do you accept the application of its reasoning and holding to trademark law, and in particular, the precise manner in which the Ninth Circuit applies *eBay* in *Herb Reed*?

Herb Reed (1928-2012) is at the 3 o'clock position.

Herb Reed Enterprises, LLC v. Florida Entertainment Management, Inc.
763 F.3d 1239 (9th Cir. 2013)

McKeown, Circuit Judge:

[1] "The Platters"—the legendary name of one of the most successful vocal performing groups of the 1950s—lives on. With 40 singles on the Billboard Hot 100 List, the names of The Platters' hits ironically foreshadowed decades of litigation—"Great Pretender," "Smoke Gets In Your Eyes," "Only You," and "To Each His Own." Larry Marshak and his company Florida Entertainment Management, Inc. (collectively "Marshak") challenge the district court's preliminary injunction in favor of Herb Reed Enterprises ("HRE"), enjoining Marshak from using the "The Platters" mark in connection with any vocal group with narrow exceptions. We consider an issue of first impression in our circuit: whether the likelihood of irreparable harm must be established—rather than presumed, as under prior Ninth Circuit precedent—by a plaintiff seeking injunctive relief in the trademark context. In light of Supreme Court precedent, the answer is yes, and we reverse the district court's order granting the preliminary injunction.

Background

[2] The Platters vocal group was formed in 1953, with Herb Reed as one of its founders. Paul Robi, David Lynch, Zola Taylor, and Tony Williams, though not founders, have come to be recognized as the other "original" band members. The group became a "global sensation" during the latter half of the 1950s, then broke up in the 1960s as the original members left one by one. After the break up, each member continued to perform under some derivation of the name "The Platters."

[3] Litigation has been the byproduct of the band's dissolution; there have been multiple legal disputes among the original members and their current and former managers over ownership of "The Platters" mark. Much of the litigation stemmed from employment contracts executed in 1956 between the original members and Five Platters, Inc. ("FPI"), the company belonging to Buck Ram, who became the group's manager in 1954. As part of the contracts, each member assigned to FPI any rights in the name "The Platters" in exchange for shares of FPI stock. According to Marshak, FPI later transferred its rights to the mark to Live Gold, Inc., which in turn transferred the rights to Marshak in 2009. Litigation over the validity of the contracts and ownership of the mark left a trail of conflicting decisions in various jurisdictions, which provide the backdrop for the present controversy.

…

[4] Last year brought yet another lawsuit. HRE commenced the present litigation in 2012 against Marshak in the District of Nevada, alleging trademark infringement and seeking a preliminary injunction against Marshak's continued use of "The Platters" mark…. The district court found that HRE had established a likelihood of success on the merits, a likelihood of irreparable harm, a balance of hardships in its favor, and that a preliminary injunction would serve public interest. Accordingly, the district court granted the preliminary injunction and set the bond at $10,000. Marshak now appeals from the preliminary injunction.

…

III. Preliminary Injunction

[5] To obtain a preliminary injunction, HRE "must establish that [it] is likely to succeed on the merits, that [it] is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in [its] favor, and that an injunction is in the public interest." *Winter v. Natural Res. Def. Council, Inc*., 555 U.S. 7, 20 (2008)….

B. Likelihood of Irreparable Harm

[6] We next address the likelihood of irreparable harm. As the district court acknowledged, two recent Supreme Court cases have cast doubt on the validity of this court's previous rule that the likelihood of "irreparable injury may be *presumed* from a showing of likelihood of success on the merits of a trademark infringement claim." *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.,* 174 F.3d 1036, 1066 (9th Cir.1999) (emphasis added). Since *Brookfield,* the landscape for benchmarking irreparable harm has changed with the Supreme Court's decisions in *eBay Inc. v. MercExchange, L.L.C.,* 547 U.S. 388, in 2006, and *Winter* in 2008.

[7] In *eBay,* the Court held that the traditional four-factor test employed by courts of equity, including the requirement that the plaintiff must establish irreparable injury in seeking a permanent injunction, applies in the patent context. 547 U.S. at 391. Likening injunctions in patent cases to injunctions under the Copyright Act, the Court explained that it "has consistently rejected ... a rule that an injunction automatically follows a determination that a copyright has been

infringed," and emphasized that a departure from the traditional principles of equity "should not be lightly implied." *Id.* at 391–93 (citations omitted). The same principle applies to trademark infringement under the Lanham Act. Just as "[n]othing in the Patent Act indicates that Congress intended such a departure," so too nothing in the Lanham Act indicates that Congress intended a departure for trademark infringement cases. *Id.* at 391–92. Both statutes provide that injunctions may be granted in accordance with "the principles of equity." 35 U.S.C. § 283; 15 U.S.C. § 1116(a).

[8] In *Winter,* the Court underscored the requirement that the plaintiff seeking a preliminary injunction "demonstrate that irreparable injury is *likely* in the absence of an injunction." 555 U.S. at 22 (emphasis in original) (citations omitted). The Court reversed a preliminary injunction because it was based only on a "possibility" of irreparable harm, a standard that is "too lenient." *Id. Winter*'s admonition that irreparable harm must be shown to be likely in the absence of a preliminary injunction also forecloses the presumption of irreparable harm here.

[9] Following *eBay* and *Winter,* we held that likely irreparable harm must be demonstrated to obtain a preliminary injunction in a copyright infringement case and that actual irreparable harm must be demonstrated to obtain a permanent injunction in a trademark infringement action. *Flexible Lifeline Sys. v. Precision Lift, Inc.,* 654 F.3d 989, 998 (9th Cir.2011); *Reno Air Racing Ass'n, Inc., v. McCord,* 452 F.3d 1126, 1137–38 (9th Cir.2006). Our imposition of the irreparable harm requirement for a permanent injunction in a trademark case applies with equal force in the preliminary injunction context. *Amoco Prod. Co. v. Village of Gambell, AK,* 480 U.S. 531, 546 n. 12 (1987) (explaining that the standard for a preliminary injunction is essentially the same as for a permanent injunction except that "likelihood of" is replaced with "actual"). We now join other circuits in holding that the *eBay* principle—that a plaintiff must establish irreparable harm—applies to a preliminary injunction in a trademark infringement case. *See N. Am. Med. Corp. v. Axiom Worldwide, Inc.,* 522 F.3d 1211, 1228–29 (11th Cir.2008); *Audi AG v. D'Amato,* 469 F.3d 534, 550 (6th Cir.2006) (applying the requirement to a permanent injunction in a trademark infringement action).

[10] Having anticipated that the Supreme Court's decisions in *eBay* and *Winter* signaled a shift away from the presumption of irreparable harm, the district court examined irreparable harm in its own right, explaining that HRE must "establish that remedies available at law, such as monetary damages, are inadequate to compensate" for the injury arising from Marshak's continuing allegedly infringing use of the mark. *Herb Reed Enters., LLC v. Fla. Entm't Mgmt., Inc.,* No. 2:12–cv–00560–MMD–GWF, 2012 WL 3020039, at *15 (D.Nev. Jul. 24, 2012). Although the district court identified the correct legal principle, we conclude that the record does not support a determination of the likelihood of irreparable harm.

[11] Marshak asserts that the district court abused its discretion by relying on "unsupported and conclusory statements regarding harm [HRE] *might* suffer." We agree.

[12] The district court's analysis of irreparable harm is cursory and conclusory, rather than being grounded in any evidence or showing offered by HRE. To begin, the court noted that it "cannot condone trademark infringement simply because it has been occurring for a long time and may continue to occur." The court went on to note that to do so "could encourage wide-scale infringement on the part of persons hoping to tread on the goodwill and fame of vintage music groups." Fair enough. Evidence of loss of control over business reputation and damage to goodwill could constitute irreparable harm. *See, e.g., Stuhlbarg Int'l Sales Co., Inc. v. John D. Brush and Co., Inc.,* 240 F.3d 832, 841 (9th Cir.2001) (holding that evidence of loss of customer goodwill supports finding of irreparable harm). Here, however, the court's pronouncements are grounded in platitudes rather than evidence, and relate neither to whether "irreparable injury is *likely* in the absence of an injunction," *Winter,* 555 U.S. at 22, nor to whether legal remedies, such as money damages, are inadequate in this case. It may be that HRE could establish the likelihood of irreparable harm. But missing from this record is any such evidence.

[13] In concluding its analysis, the district court simply cited to another district court case in Nevada "with a substantially similar claim" in which the court found that "the harm to Reed's reputation caused by a different unauthorized Platters group warranted a preliminary injunction." *HRE,* 2012 WL 3020039, at *15–16. As with its speculation on future harm, citation to a different case with a different record does not meet the standard of showing "likely" irreparable harm.

[14] Even if we comb the record for support or inferences of irreparable harm, the strongest evidence, albeit evidence not cited by the district court, is an email from a potential customer complaining to Marshak's booking agent that the customer wanted Herb Reed's band rather than another tribute band. This evidence, however, simply underscores customer confusion, not irreparable harm.[1]

[15] The practical effect of the district court's conclusions, which included no factual findings, is to reinsert the now-rejected presumption of irreparable harm based solely on a strong case of trademark infringement. Gone are the days when

[1] In assessing the evidence with respect to irreparable harm, we reject Marshak's assertion that the district court may rely only on admissible evidence to support its finding of irreparable harm. Not so. Due to the urgency of obtaining a preliminary injunction at a point when there has been limited factual development, the rules of evidence do not apply strictly to preliminary injunction proceedings. *See Republic of the Philippines v. Marcos,* 862 F.2d 1355, 1363 (9th Cir.1988) ("It was within the discretion of the district court to accept ... hearsay for purposes of deciding whether to issue the preliminary injunction.").

"[o]nce the plaintiff in an infringement action has established a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer irreparable harm if injunctive relief does not issue." *Rodeo Collection, Ltd. v. W. Seventh,* 812 F.2d 1215, 1220 (9th Cir.1987) (citing *Apple Computer, Inc. v. Formula International Inc.,* 725 F.2d 521, 526 (9th Cir.1984)). This approach collapses the likelihood of success and the irreparable harm factors. Those seeking injunctive relief must proffer evidence sufficient to establish a likelihood of irreparable harm. As in *Flexible Lifeline,* 654 F.3d at 1000, the fact that the "district court made no factual findings that would support a likelihood of irreparable harm," while not necessarily establishing a lack of irreparable harm, leads us to reverse the preliminary injunction and remand to the district court.

[16] In light of our determination that the record fails to support a finding of likely irreparable harm, we need not address the balance of equities and public interest factors.

REVERSED and REMANDED.

[*On March 31, 2014, on cross-motions for summary judgment, the district court granted summary judgment to HRE.*] *See* Herb Reed Enterprises, LLC v. Florida Entm't Mgmt., Inc., No. 12 Civ. 00560, 2014 WL 1305144 (D. Nev. Mar. 31, 2014).]

Juicy Couture, Inc. v. Bella Int'l Ltd.
930 F. Supp. 2d 489 (S.D.N.Y. 2013)

RONNIE ABRAMS, District Judge:

[Apparel and accessories company Juicy Couture, Inc. owns several federally registered marks (the "Juicy Marks"), including the word marks JUICY, JUICY COUTURE, JUICY GIRL, CHOOSE JUICY, JUICY BABY, and BORN IN THE GLAMOROUS USA, and the following image marks:

Plaintiff's "best known product is a velour tracksuit, which was introduced in 2001 and has since been worn by celebrities including Madonna, Jennifer Lopez and Gwyneth Paltrow, as have many of its other products. Juicy products generated over $1.5 billion in sales from 2009 through 2011." *Id*. at 495.

Defendants, based primarily in Hong Kong with sales primarily to China but also to the U.S., sell apparel under the word marks JUICY GIRL, JUICYLICIOUS and JG, and the following image mark:

Though the court did not address the issue, plaintiff Juicy Couture apparently qualifies as the senior user in the U.S. with respect to all relevant marks.

Juicy Couture sought a preliminary injunction barring the defendants from using their marks in connection with the sale of apparel and accessories in the U.S. and China, and barring, in particular, the defendants' operation of the website www.juicygirl.com.hk, which is maintained in and served from Hong Kong.]

II. Preliminary Injunction Standard

[1] "A preliminary injunction is an extraordinary remedy." *Winter v. Natural Res. Def. Council,* 555 U.S. 7, 24 (2008). A party seeking a preliminary injunction must show: (1) a likelihood of success on the merits; (2) a likelihood of irreparable harm in the absence of the injunction; (3) that the balance of hardships tips in the movant's favor; and (4) that the public interest is not disserved by the issuance of the injunction. *Salinger v. Colting,* 607 F.3d 68, 79–80 (2d Cir. 2010); *Bulman v. 2BKCO, Inc.,* 882 F.Supp.2d 551, 557 (S.D.N.Y. 2012). A court can also grant a preliminary injunction "in situations where it cannot determine with certainty that the moving party is more likely than not to prevail on the merits of the underlying claim, but where the costs outweigh the benefits of not granting the injunction." *Citigroup Global Mkts., Inc. v. VCG Special Opportunities Master Fund Ltd.,* 598 F.3d 30, 35 (2d Cir. 2010). The party seeking the injunction must demonstrate "by a clear showing" that the necessary elements are satisfied. *Mazurek v. Armstrong,* 520 U.S. 968, 972 (1997).

III. Discussion

A. Likelihood of Success on the Merits

[The court applied the *Polaroid* factors to find a likelihood of confusion between the plaintiff's and defendants' marks.]

B. Irreparable Harm to Plaintiff Absent Injunctive Relief

[2] "A showing of irreparable harm is 'the single most important prerequisite for the issuance of a preliminary injunction.'" *Faiveley Transp. Malmo AB v. Wabtec Corp.,* 559 F.3d 110, 118 (2d Cir. 2009) (quoting *Rodriguez v. DeBuono,* 175 F.3d 227, 234 (2d Cir. 1999)). "To satisfy the irreparable harm requirement, plaintiff[ ] must demonstrate that absent a preliminary injunction [it] will suffer an injury that is neither remote nor speculative, but actual and imminent, and one that cannot be remedied if a court waits until the end of trial to resolve the harm." *Id.* (alterations and internal quotation marks omitted). Furthermore, a plaintiff must show "that there is a continuing harm which cannot be adequately redressed by final relief on the merits and for which money damages cannot provide adequate compensation." *Kamerling v. Massanari,* 295 F.3d 206, 214 (2d Cir. 2002) (internal quotation marks omitted).

[3] "Irreparable harm exists in a trademark case when the party seeking the injunction shows that it will lose control over the reputation of its trademark ... because loss of control over one's reputation is neither 'calculable nor precisely compensable.'" *U.S. Polo Ass'n, Inc. v. PRL USA Holdings Inc.,* 800 F.Supp.2d 515, 540 (S.D.N.Y. 2011); *NYC Triathlon,* 704 F.Supp.2d at 343 ("Prospective loss of ... goodwill alone is sufficient to support a finding of irreparable harm.") (citing *Tom Doherty Associates v. Saban Entm't, Inc.,* 60 F.3d 27, 37–38 (2d Cir. 1995)). Plaintiff has invested substantial effort and resources in developing the goodwill associated with the Juicy Marks. Defendants' infringement in the United States puts that goodwill at risk by limiting Plaintiff's ability to control its brand. *See Stern's Miracle–Gro Prods., Inc. v. Shark Prods., Inc.,* 823 F.Supp. 1077, 1094 (S.D.N.Y. 1993) (plaintiff's expenditure of $100 million establishing its brand contributed to potential hardship if defendant was not enjoined from further use of the "Miracle Gro" mark); *Bulman,* 882 F.Supp.2d at 564 (likelihood of "future confusion" and "prospective loss of goodwill" despite no claim of "lost business, sales or revenues" sufficient to establish irreparable harm). Furthermore, although irreparable harm may not be presumed upon a showing of likelihood of success on the merits, *see eBay Inc. v. MercExchange, LLC,* 547 U.S. 388, 393 (2006), a party's demonstration of a likelihood of success on an infringement claim often foretells a finding of irreparable harm. *See Marks Org.,* 784 F.Supp.2d at 334 ("[A]lthough a likelihood of confusion does not create a presumption of irreparable injury, a particularly strong likelihood of confusion should weigh in favor of finding irreparable injury."). The Court finds that to be the case here.

[4] Defendants argue that Plaintiff's delay in seeking a preliminary injunction precludes a finding of irreparable harm. Delay in seeking a preliminary injunction can weaken a claim of irreparable harm because "the failure to act sooner undercuts the sense of urgency that ordinarily accompanies a motion for preliminary relief." *Tough Traveler, Ltd. v. Outbound Prods.,* 60 F.3d 964, 968 (2d Cir. 1995). Prior to the Second Circuit's decision in *Salinger,* a finding of delay defeated the presumption of irreparable harm. *See, e.g., Weight Watchers Int'l. Inc. v. Luigino's, Inc.,* 423 F.3d 137, 144 (2d Cir. 2005). Now that courts may not presume irreparable harm, however, the effect of a finding of delay is uncertain. *See Marcy Playground, Inc. v. Capitol Records, Inc.,* 6 F.Supp.2d 277, 282 (S.D.N.Y.1998) ("[T]he Court of Appeals has not yet held that unexcused delay alone necessarily defeats a preliminary injunction motion."); *New Look,* 2012 WL 251976, at *10 ("[Delay] is now simply one factor to be considered in determining whether a plaintiff will, in fact, suffer irreparable harm in the absence of a preliminary injunction."); *Marks Org.,* 784 F.Supp.2d at 333 ("[*Salinger*] leaves open the question of what effect Plaintiff's delay should have on the Court's determination of irreparable injury."). Courts recognize, however, that a plaintiff's good faith efforts to investigate infringement can justify delay. *Tough Traveler,* 60 F.3d at 968.

[5] Plaintiffs have known about Defendants' sales to the United States since at least July 16, 2012 and perhaps as early as April 2012. Plaintiff represents that from this time until the filing of the motion [on August 27, 2012] it was continuing to investigate the extent of Defendants' domestic activities. While Plaintiff's delay may call into question its sense of urgency, the Court does not find the amount of time Plaintiff took to move for preliminary relief to be unreasonable. *See, e.g., Bulman,* 882 F.Supp.2d at 564–65 (delay of several months did not preclude finding of irreparable harm); *Marks Org.,* 784 F.Supp.2d at 332–36 (granting preliminary injunction despite nearly sixteen-month delay between learning of infringing conduct and filing of motion).

C. Balancing the Hardships

[6] A court must also "consider the balance of hardships between the plaintiff and defendant and issue the injunction only if the balance of hardships tips in the plaintiff's favor." *Salinger,* 607 F.3d at 80. If Defendants continue to sell their products in the United States, Plaintiff faces potential loss of sales, goodwill and control over its reputation. By contrast, enjoining Defendants from using the Juicy Marks in connection with sales or advertising in the United States would not present significant hardship because their current sales in the United States are minimal, particularly in comparison to their sales in Hong Kong, Macao, and the People's Republic of China. Such an injunction would not affect the mainstay of Defendants' business. Thus, the balance of hardships tips in Plaintiff's favor with regard to a carefully tailored injunction.

D. Public Interest

[7] Finally, the Court must "ensure that the 'public interest would not be disserved' by the issuance of a preliminary injunction." *Salinger,* 607 F.3d at 80 (quoting *eBay,* 547 U.S. at 391). The Second Circuit has long held that there is a "strong interest in preventing public confusion." *ProFitness Phys. Therapy Ctr. v. Pro–Fit Ortho. and Sports Phys. Therapy P.C.,* 314 F.3d 62, 68 (2d Cir. 2002). Plaintiff has established that Defendants' actions are likely to cause consumer confusion. Therefore, the public interest would not be disserved by the issuance of a preliminary injunction.

[The court went on to issue a preliminary injunction but declined to apply it extraterritorially to the defendants' conduct in China or to the defendants' website.]

Comments and Questions

1. *Second Circuit treatment of* eBay. The Second Circuit has not yet explicitly embraced *eBay* in the trademark context, though it recently came close to doing so. In *Guthrie Healthcare Sys. v. ContextMedia, Inc.*, 826 F.3d 27 (2d Cir. 2016), the Second Circuit stated:

> We recognize further that the competing equities do not always favor a senior user that has shown infringement. Cases frequently arise in which imposition of a broad injunction on an innocent infringer, which had no realistic way of knowing that its mark was subject to a prior claim, would cause the junior user a catastrophic loss of goodwill acquired through investment of years of toil and large amounts of money. In such cases, notwithstanding that the legal right unquestionably belongs to the senior user, competing equities can complicate the issue of the breadth of injunctive relief. In our case, in contrast, a *50 number of equitable considerations appear to favor Plaintiff.

Id. at 49–50.

2. *How should* eBay *apply to trademark law?* Mark Lemley has criticized the manner in which courts have applied *eBay* to trademark law:

> I think *eBay* was a good—indeed, great—development in patent law and copyright law.
>
> Trademark, however, is different. The purposes of trademark law—and whom it benefits—should lead us to treat trademark injunctions differently than patent and copyright injunctions. Further, trademark courts have misinterpreted *eBay*, treating each of the four factors as a requirement rather than a consideration. That is a particular problem in trademark law, where proof of future injury can be elusive. And perhaps most remarkably, courts have expanded *eBay* in trademark cases at the same time they have denied damages relief, with

> the result that trademark owners can and do win their case only to receive no remedy at all. The result is a very real risk that courts will hurt rather than help consumers by allowing confusion to continue.

Mark A. Lemley, *Did eBay Irreparably Injure Trademark Law?*, 92 NOTRE DAME L. REV. 1795, 1796 (2017). Lemley notes in particular that due to trademark courts' strict application of *eBay* and trademark law's heightened requirements for the award of monetary damages or defendant's profits, "[t]he result is that sometimes plaintiffs win their cases but are awarded exactly nothing—no damages and no injunction." *Id*. at 1808.

B. Plaintiff's Damages and Defendant's Profits

> Lanham Act § 35, 15 U.S.C. § 1117
>
> (a) Profits; damages and costs; attorney fees
>
> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111[1] and 1114[2] of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on

[1] [15 U.S.C. § 1111 reads as follows: "Notwithstanding the provisions of section 1072 of this title, a registrant of a mark registered in the Patent and Trademark Office, may give notice that his mark is registered by displaying with the mark the words "Registered in U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." or the letter R enclosed within a circle, thus ®; and in any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration."]

[2] [15 U.S.C. § 1114 provides safe harbors for publishers and distributors of physical and electronic media, including those in which infringing advertisements appear, when they qualify as "innocent infringers".]

> profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.
>
> …
>
> (d) Statutory damages for violation of section 1125(d)(1)
>
> In a case involving a violation of section 1125(d)(1) of this title, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just.

Trademark doctrine on recovery of defendant's profits and plaintiff's damages varies randomly across the circuits—and within the circuits. McCarthy characterizes the situation as follows:

> The case law on monetary recovery in trademark infringement cases is a confusing melange of common law and equity principles, sometimes guided (and misguided) by analogies to patent and copyright law, and finding little statutory guidance in the Lanham Act. The courts have balanced several factors such as: whether defendant was willful, negligent, or innocent; whether plaintiff suffered losses in any provable amount; whether there is proof of actual confusion of some customers; and whether defendant realized profits from its infringing actions. In various cases, different courts have given widely disparate emphasis to one or more of these factors, making predictability of result a dangerous undertaking. In modern cases, courts have occasionally awarded monetary recovery on the rationales of preventing unjust enrichment and/or deterrence of defendant and others.

MCCARTHY § 30:58. *See also* BRIAN E. BANNER, TRADEMARK INFRINGEMENT REMEDIES (2012). As a practical matter, any trademark litigator must focus on the most recent doctrine within her own circuit and cannot rely on generalizations about trademark law nationally. She must also be aware of special exceptions in certain circumstances in certain circuits, such as when the parties are directly competing or when they are engaged in a licensee or franchisee relationship.

Given this state of affairs, what follows briefly below is only a highly schematic review of certain "highlights" of the doctrine various courts have adopted in deciding whether to award defendant's profits or plaintiff's damages.[3]

1. Recovery of Defendant's Profits

Willful Intent and Profits. Most circuits have traditionally required that in order to obtain an accounting of the defendant's profits, the plaintiff must show that the defendant acted with willful intent. *See, e.g.*, *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc*., 80 F.3d 749, 753 (2d Cir. 1996) ("In order to recover an accounting of an infringer's profits, a plaintiff must prove that the infringer acted in bad faith"); *ALPO Petfoods, Inc. v. Ralston Purina Co*., 913 F.2d 958, 968 (D.C. Cir. 1990) ("[A]n award based on a defendant's profits requires proof that the defendant acted willfully or in bad faith.").

However, in 1999, Congress amended Lanham Act § 35(a), 15 U.S.C. § 1117(a), so that the phrase "a violation under section 1125(a) of this title, or a willful violation under section 1125(c) of this title" replaced the phrase "or a violation under section 1125(a)." (The relevant phrase was subsequently amended to its present form: "a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title"). In *Quick Technologies, Inc. v. Sage Group PLC*, 313 F.3d 338 (5th Cir. 2002), the Fifth Circuit interpreted this 1999 amendment as indicating that willfulness was a threshold requirement for monetary recovery only with respect to violations of the Lanham Act's antidilution section, § 43(c), 15 U.S.C. § 1125(c). *See Quick Technologies,* 313 F.3d at 349 ("It is obvious from our cases that willful infringement is an important factor which must be considered when determining whether an accounting of profits is appropriate. In accordance with our previous decisions, and in light of the plain language of § 1117(a), however, we decline to adopt a bright-line rule in which a showing of willful infringement is a prerequisite to an accounting of profits." (footnote omitted)). In *Quick Technologies*, the Fifth Circuit reaffirmed its "factor-based approach", which includes intent as the first among six factors, to determine if an award of profits is appropriate:

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[3] Students seeking more precise information on a particular circuit's approach should consult the following chart, which is available on Westlaw: Practical Law Intellectual Property & Technology, *Trademark Infringement Profit and Damage Awards Standards By Circuit Chart*, Practical Law Checklist 2-618-9773.

> The factors to be considered include, but are not limited to (1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off.

Id.

Certain other circuits have followed the Fifth Circuit's multifactor approach. *See, e.g*., *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168 (3d Cir. 2005); *Synergistic Intern., LLC v. Korman*, 470 F.3d 162 (4th Cir. 2006). *See also Powerhouse Marks, LLC v. Chi Hsin Impex, Inc*., No. 04 Civ. 73923, 2006 U.S. Dist. LEXIS 4021 (E.D. Mich. Feb. 2, 2000).

Still other circuits, such as the Second, Seventh, and Ninth, have not apparently explicitly addressed the impact of the 1999 amendment. *Cf. Adray v. Adry-Mart, Inc*., 76 F.3d 984, 988 (9th Cir. 1995) ("Adray argues on appeal that the district court erred in instructing the jury that it must find willful infringement before awarding defendant's profits to Adray. An instruction that willful infringement is a prerequisite to an award of defendant's profits may be error in some circumstances (as when plaintiff seeks the defendant's profits as a measure of his own damage, *Lindy Pen Co. v. Bic Pen Corp*., 982 F.2d 1400, 1407–09 (9th Cir.1993)), but was appropriate on the record in this case [in which plaintiff seeks profits under an unjust enrichment theory]"). Within the Second Circuit, at least one district court has endorsed the Fifth Circuit approach, *Nike, Inc. v. Top Brand Co. Ltd*., No. 00 CIV 8179, 2005 WL 1654859, at *9 (S.D.N.Y. July 13, 2005), while several others have adhered to the traditional rule that profits will be awarded only upon a showing of willful intent. *See, e.g., Malletier v. Dooney & Bourke, Inc*., 500 F. Supp. 2d 276, 280-81 (S.D.N.Y. 2007); *de Venustas v. Venustas Int'l, LLC*, No. 07 Civ. 4530, 2008 WL 619028, *1 (S.D.N.Y. Mar. 5, 2008). More recently, in *Romag Fasteners, Inc. v. Fossil, Inc*., 817 F.3d 782 (Fed. Cir. March 31, 2016), the Federal Circuit heard an appeal governed by Second Circuit law and cited *Merck Eprova AG v. Gnosis S.p.A*., 760 F.3d 247, 261 (2d Cir. 2014), for the proposition that the Second Circuit requires a showing of willful intent for the award of plaintiff's profits. The *Romag* court further held that nothing in the 1999 amendment suggests that this rule has ceased to be good law in the Second Circuit.

Actual Confusion and Profits. Most circuits do not require a showing of actual confusion to trigger a disgorgement of defendant's profits. *See, e.g*., *Web Printing Controls Co., Inc. v. Oxy-Dry Corp*., 906 F.2d 1202, 1205 (7th Cir. 1990) ("These remedies [including a recovery of defendant's profits] flow not from the plaintiff's proof of its injury or damage, but from its proof of the defendant's unjust enrichment or the need for deterrence, for example…. To collapse the two inquiries of violation and remedy into one which asks only of the plaintiff's injury, as did the district court, is to read out of the Lanham Act the remedies that do not rely on proof of 'injury caused by actual confusion.' And this, of course, is improper."); *Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th Cir. 2000) ("[A] showing of actual confusion is not necessary to obtain a recovery of profits.").

The Second Circuit, by contrast, is generally understood to require a showing of actual confusion for defendant's profits to be awarded to the plaintiff. *See* MCCARTHY § 30:63 ("The Second Circuit has indicated, albeit with less than perfect clarity or adequate explanation, that some evidence of actual confusion is needed to recover profits."). *See also Banff, Ltd. v. Colberts, Inc.*, 996 F.2d 33, 35 (2d Cir. 1993) ("As stated in *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1538 (2d Cir.), '[a] profits award, premised on a theory of unjust enrichment requires a showing of actual consumer confusion, or at least proof of deceptive intent, so as to raise the rebuttable presumption of consumer confusion.'").

Apportionment. Note that Lanham Act § 35(a) provides that: "In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed."

2. Recovery of Plaintiff's Damages

Actual Confusion and Damages. Courts typically require a showing of actual confusion for damages to be awarded. *See, e.g.*, B*runswick Corp. v. Spinit Reel Co*., 832 F.2d 513, 523 (10th Cir. 1987) ("Likelihood of confusion is insufficient; to recover damages plaintiff must prove it has been damaged by actual consumer confusion or deception resulting from the violation…. Actual consumer confusion may be shown by direct evidence, a diversion of sales or direct testimony from the public, or by circumstantial evidence such as consumer surveys."); *Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A*., Inc., 80 F.3d 749, 753 (2d Cir. 1996) ("Proof of actual confusion is ordinarily required for recovery of damages for pecuniary loss sustained by the plaintiff."). "Such damages may include compensation for (1) lost sales or revenue; (2) sales at lower prices; (3) harm to market reputation; or (4) expenditures to prevent, correct, or mitigate consumer confusion." *Id*.

Intent and Damages. Court typically do not require a showing of defendant's willful intent for damages to be awarded. *See, e.g*., *Gen. Elec. Co. v. Speicher*, 877 F.2d 531, 535 (7th Cir. 1989) ("[E]ven if he is an innocent infringer he ought at least reimburse the plaintiff's losses.").

C. Corrective Advertising

Corrective advertising by defendant. Courts may order defendants to engage in corrective advertising to mitigate the consumer confusion that their conduct has caused. Corrective advertising orders are especially common in false advertising cases. *See, e.g*., *Merck Eprova AG v. Gnosis S.p.A*., 760 F.3d 247, 264 (2d Cir. 2014) (affirming a corrective advertising injunction ordering defendant to advertise on its homepage and various other websites and magazines that it had been ordered by the court to explain the difference between its products and plaintiff's products, and finding that the corrective advertising order paired with recovery of defendant's profits did not constitute unfair double recovery).

Corrective advertising by plaintiff. Courts may also take into account in their award of damages the cost to a plaintiff of running corrective advertising to mitigate confusion caused by the defendant and to restore the plaintiff to the position it would have been in had defendant not infringed. See*, e.g., Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co*., 561 F.2d 1365, 1375-76 (10th Cir. 1977) (following FTC practices, awarding plaintiff 25% of defendant's advertising budget, or $678,302, to cover the cost of plaintiff's corrective advertising).

D. Attorney's Fees

In *Fleischmann Distilling Corp. v. Maier Brewing Co*., 386 U.S. 714 (1967), the Supreme Court held that the Lanham Act did not provide for the award of attorney's fees to the prevailing party. In 1975, Congress amended Lanham Act § 35(a), 15 U.S.C. 1117(a), by adding the sentence: "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

Up until the recent Supreme Court decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc*., 134 S. Ct. 1749 (2014), the doctrine relating to recovery of attorney's fees varied randomly across the circuits. *See Nightingale Home Healthcare, Inc. v. Anodyne Therapy, LLC*, 626 F.3d 958 (7th Cir. 2010) (Posner, J.) (reviewing the "jumble" of the circuits' tests for an award of attorney's fees). The circuits generally required (i) bad faith by the defendant, (ii) willful infringement, or (iii) bad faith, vexatious, or "oppressive" litigation. *See Eagles, Ltd. v. American Eagle Foundation*, 356 F.3d 724, 728 (6th Cir.2004) (defining "oppressive" litigation). Some circuits applied different evidentiary and substantive standards depending on whether the prevailing party was the plaintiff or the defendant. *See Nightingale Home Healthcare*, 626 F.3d at 961.

Octane Fitness has since begun to exert some discipline on the circuits' approaches. In *Octane Fitness*, the Supreme Court interpreted the meaning of the Patent Act's fee-shifting provision, 35 U.S.C. § 285, which is identical to Lanham Act § 35(a). The effect of the Court's interpretation was to relax significantly the standard for fee-shifting in the patent context. In light of the identity of 35 U.S.C. § 285 and Lanham Act § 35(a), the circuits have begun to apply *Octane Fitness* in the trademark context as well. *See, e.g.*, *SunEarth, Inc. v. Sun Earth Solar Power Co*., 839 F.3d 1179, 1181 (9th Cir. 2016); *Georgia–Pac. Consumer Prods. LP v. von Drehle Corp*., 781 F.3d 710 (4th Cir. 2015), as amended (Apr. 15, 2015); *Slep–Tone Entm't Corp. v. Karaoke Kandy Store, Inc*., 782 F.3d 313, 317–18 (6th Cir. 2015); *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303 (3d Cir. 2014). Those circuits that have not yet incorporated *Octane Fitness* will very likely do so when given the opportunity. In *Baker v. DeShong*, 821 F.3d 620, 625 (5th Cir. 2016), the Fifth Circuit spelled out the new standards that courts should apply to determine if the case before it is an "exceptional case" under Lanham Act § 35(a):

> We merge *Octane Fitness*'s definition of "exceptional" into our interpretation of § 1117(a) and construe its meaning as follows: an exceptional case is one where (1) in considering both governing law and the facts of the case, the case stands out from others with respect to the substantive strength of a party's litigating position; or (2) the unsuccessful party has litigated the case in an "unreasonable manner." *See Octane Fitness*, 134 S.Ct. at 1756. The district court must address this issue "in the case-by-case exercise of their discretion, considering the totality of the circumstances." *See id*.

Id. at 625. It remains to be seen how courts will apply these standards to the facts before them, and what role defendant's bad faith or willful infringement might continue to play.

E. Counterfeiting Remedies

> Lanham Act § 35(b) & (c), 15 U.S.C. § 1117(b) & (c)
>
> (b) Treble damages for use of counterfeit mark
>
> In assessing damages under subsection (a) for any violation of section 1114(1)(a) of this title or section 220506 of Title 36, in a case involving use of a counterfeit mark or designation (as defined in section 1116(d) of this title), the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater, together with a reasonable attorney's fee, if the violation consists of
>
> (1) intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services; or
>
> (2) providing goods or services necessary to the commission of a violation specified in paragraph (1), with the intent that the recipient of the goods or services would put the goods or services to use in committing the violation.
>
> In such a case, the court may award prejudgment interest on such amount at an annual interest rate established under section 6621(a)(2) of Title 26, beginning on the date of the service of the claimant's pleadings setting forth the claim for such entry of judgment and ending on the date such entry is made, or for such shorter time as the court considers appropriate.
>
> (c) Statutory damages for use of counterfeit marks

> In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of--
>
> (1) not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or
>
> (2) if the court finds that the use of the counterfeit mark was willful, not more than $2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

Lanham Act § 34(d)(1)(B), 15 U.S.C. § 1116(d)(1)(B), defines the term "counterfeit mark":

> (B) As used in this subsection the term "counterfeit mark" means--
>
> (i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or
>
> (ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 220506 of Title 36;
>
> but such term does not include any mark or designation used on or in connection with goods or services of which the manufacture or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

Lanham Act § 45, 15 U.S.C. § 1127, provides a definition of "counterfeit": "A 'counterfeit' is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark."

Courts have not hesitated to grant substantial statutory damages awards. *See, e.g., Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc*., 658 F.3d 936, 946 (9th Cir. 2011) (affirming jury award of $10.5 million in statutory damages for contributory trademark infringement); St*ate of Idaho Potato Com'n v. G & T Terminal Packaging, Inc*., 425 F.3d 708 (9th Cir. 2005) ($100,000 in statutory damages against ex-licensee of certification mark whose continued use was deemed to be counterfeit use); *Nike Inc. v. Variety Wholesalers, Inc*., 274 F. Supp. 2d 1352, 1373 (S.D. Ga. 2003) ($900,000 in statutory damages; $100,000 for nine categories of counterfeit goods; awarded instead of $1,350,392 profits).

F. Federal Criminal Penalties for Counterfeiting

In 1984, Congress for the first time made trademark counterfeiting a federal crime. Congress has enhanced criminal penalties for counterfeiting with amendments in 1996, 2006, and 2008. *See* MCCARTHY § 30:116. The criminal penalty regime is set forth in 18 U.S.C. § 2320. The first offense by an individual may result in a fine of not more than $2,000,000 and/or imprisonment of not more than 10 years (for corporations, which are unimprisonable persons, the fine may not exceed $5,000,000). *See, e.g.,* Dorothy Atkins, *5-Hour Energy Scheme Nets Husband 7 Years, Wife 2 Years*, Law360, June 20, 2017, https://www.law360.com/articles[]/936408/5-hour-energy-scheme-nets-husband-7-years-wife-2-years (reporting criminal sentencing of ring leaders behind massive scheme to sell counterfeit 5-HOUR ENERGY drinks). A second offense by an individual may result in a fine of not more than $5,000,000 (for corporation, $15,000,000) and imprisonment of not more than 20 years. Individuals whose counterfeiting conduct results in "serious bodily injury or death" face significantly enhanced penalties. "Whoever knowingly or recklessly causes or attempts to cause serious bodily injury" from counterfeiting conduct faces up to 20 years in prison. "Whoever knowingly or recklessly causes or attempts to cause death" from counterfeiting conduct faces up to life in prison. Finally, individuals who engage in counterfeiting of "military goods or services" and pharmaceuticals also face enhanced penalties—for a first offense, not more than 20 years in prison and a fine of not more than $15,000,000; for a second offense, not more than 30 years in prison and a fine of not more than $30,000,000.