

# **Trademark and Unfair Competition Law Cases and Materials, Sixth Edition**

## **2020 Supplement**

Jane C. Ginsburg\*  
Jessica Litman  
Mary Kevlin

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**Carolina Academic Press**  
700 Kent Street  
Durham, North Carolina 27701  
Telephone (919) 489-7486  
Fax (919) 493-5668  
E-mail: [cap@cap-press.com](mailto:cap@cap-press.com) [www.cap-press.com](http://www.cap-press.com)

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## Chapter 2

# What Is A Trademark?

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### A. Subject Matter of Trademark Protection

#### 1. Word Marks

**Page 69. Insert new paragraph at the end of the Note on Slogans.**

The Trademark Trial and Appeal Board relied on *In re Eagle Crest* in refusing Wal-Mart's application to register the phrase INVESTING IN AMERICAN JOBS as a service mark for a variety of retail services. The Board concluded that consumers would perceive the phrase as an informational slogan rather than as an indicator of source. See *In re Wal-Mart Stores, Inc.*, 129 U.S.P.Q.2d (BNA) 1148 (T.T.A.B. 2019), *infra* this Supplement Chapter 5.A.4.

**Page 69. Insert new Questions following the Note on Slogans.**

#### *Questions*

1. The owner of the Chicago Sports Museum and a chain of Chicago restaurants seeks to register #MAGICNUMBER108 as a trademark for tee-shirts. The PTO denied registration, citing widespread use of the hashtag on social media by fans of the Chicago Cubs baseball team to convey enthusiasm for the team. The applicant appeals, arguing that his businesses originated the hashtag, and that that distinguishes his application from applications seeking to register common preexisting phrases as trademarks or service marks. How should the TTAB rule? See *In re DePorter*, 129 U.S.P.Q. 2d (BNA) 1298 (2019), this Supplement Chapter 5.A.4.

2. Sportscaster Dave Johnson called televised horse races for ABC, CBS, NBC, and ESPN over a 40-year career. Johnson asserts that he coined the phrase "AND DOWN THE STRETCH THEY COME," which he used in all of his broadcasts to signal that the racing horses had entered the final stage of the race. Johnson claims that the phrase is a mark for his sportscasting services. Is trademark protection available for the phrase? See *Johnson v. Amazon.com*, No. 1:19-cv-03848 (S.D.N.Y. filed April 30, 2019).

**Page 71. Insert new Questions 3 and 4.**

3. In 1997, George Sink founded a personal injury law firm in Charleston SC, under the name "GEORGE SINK P.A. INJURY LAWYERS." The law firm grew steadily, and, as of 2019, operated thirteen law offices throughout South Carolina and Georgia. George Sink's son, George Sink Jr.,

graduated from law school in 2016. In 2018, the son opened a law office in North Charlestown, using the name “GEORGE SINK II LAW FIRM.” The father filed suit against his son for trademark infringement. The son insists that he has a right to use his legal name as the name for his law office. How should the court rule? See *Sink v. George Sink II Law Firm, LLC*, 407 F. Supp. 3d 359 (D. SC.), app. dismissed, 2019 US Lexis 37599 (4<sup>th</sup> Cir. 2019).

4. In *Are We Running Out of Trademarks? An Empirical Study of Trademark Depletion and Congestion*, 131 Harv. L. Rev. 945 (2018), Professors Barton Beebe and Jeanne Fromer report that their empirical analysis of the millions of trademark applications filed over a thirty-year period and of the registered marks on the principal register supports a conclusion that:

The supply of word marks that are at least reasonably competitively effective as trademarks is finite and exhaustible. This supply is already severely depleted, particularly in certain sectors of the economy, and levels of depletion continue to rise. Those marks that are registered are growing increasingly congested. The result, as the data reveal, is that new trademark applicants are increasingly being forced to resort to second-best, less competitive marks, and the trademark system is growing increasingly—perhaps inordinately—crowded, noisy, and complex.

Should the limited availability of competitively effective word marks affect the showing we require of claimants before granting them legal ownership of a word mark? Responding to Beebe and Fromer, Professor Lisa Larrimore Ouellette argues that before making any changes to the trademark law, we should insist on seeing concrete empirical evidence that trademark depletion and congestion impose significant negative social welfare impact. See Lisa Larrimore Ouellette, *Response: Does Running Out of (Some) Trademarks Matter?*, 131 Harv. L. Rev. Forum 116 (2018). What sort of empirical evidence might be persuasive?

### 3. Trade Dress

#### Page 81. Insert new Question 4.

4. Forney sought to register a color mark for welding tools without any showing of secondary meaning. Forney described the mark as “a solid black stripe at the top. Below the solid black stripe is the color yellow which fades into the color red.”



The PTO denied registration on the ground that a color mark cannot be inherently distinctive. The Court of Appeals for the Federal Circuit reversed:

[I]n *Qualitex*, the Court considered whether a single “special shade of green-gold color” on a dry-cleaning pad was protectable trade dress. The Court held that “there is no rule absolutely barring the use of color alone” as a trade dress. The Court found no “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’).”

Although *Qualitex* implied that a showing of acquired distinctiveness may be required before a trade dress mark based on color alone can be protectable, it did not expressly so hold. . . .

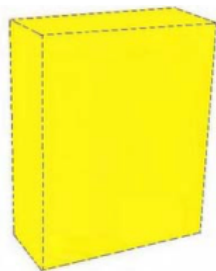
Supreme Court precedent simply does not support the Board’s conclusion that a product packaging mark based on color can never be inherently distinctive.

Forney’s proposed mark comprises the color red fading into yellow in a gradient, with a horizontal black bar at the end of the gradient. It is possible that such a mark can be perceived by consumers to suggest the source of the goods in that type of packaging. Accordingly, rather than blanketly holding that “[c]olors alone cannot be inherently distinctive,” the Board should have considered whether Forney’s mark satisfies this court’s criteria for inherent distinctiveness.

Do you agree with the court’s reading of the *Qualitex* decision? In what circumstances might a mark consisting of a single color or a combination of colors be inherently distinctive? *See In re Forney Industries*, 955 F.3d 940 (Fed. Cir. 2020).

**Page 81. Insert the following case after the Questions.**

**In re General Mills IP Holdings II, LLC**, 124 U.S.P.Q. 2d (BNA) 1016 (T.T.A.B. 2017). General Mills sought to register the color yellow as a trademark for its CHEERIOS brand, ring-shaped oat cereal.



General Mills submitted evidence that it had sold Cheerios cereal in a yellow-colored box since 1945. The trademark examiner refused registration, noting that several other cereal manufacturers market ring-shaped oat breakfast cereal in a yellow box, and that even more cereal manufacturers sell other varieties of cereal in a yellow box.





The Trademark Trial and Appeal Board agreed that General Mills had failed to show secondary meaning:

We find the number and nature of third-party cereal products in yellow packaging in the marketplace to be sufficient to convince us that consumers do not perceive the color yellow as having source-indicating significance for the goods. Several of the third-party products in yellow packaging are offered by major competitors of Applicant and there is a substantial number of such products. Moreover, the number of third-party cereal products that use yellow as a predominant background color of their packaging suggests that the competitors may be exploiting an aspect of the packaging that has “intrinsic consumer-desirability” rather than any secondary meaning the color may have. [Citation.]

As *Qualitex* and *Owens-Corning* teach, a color does not “*automatically*” indicate the source of the goods to a consumer, *Qualitex*, 34 USPQ2d at 1162; rather, it “is usually perceived as ornamentation.” *Owens-Corning*, 227 USPQ at 422. The third-party products shown above appear to make use of the color yellow for purposes of ornamentation. It is possible that the color of the packages would help a customer to narrow down the number of cereal offerings to review on a large and crowded store shelf; but it is obvious that the word marks and graphic images are more important in conveying to the customer each unique brand of product offered. As the record shows, the breakfast cereal marketplace is awash in brightly colored packages bearing bold graphics and large-format word marks. There is no example in the record of any brand of cereal that is offered in a monochrome package devoid of word and design trademarks. In such an environment, customers certainly have no need to rely upon the background color of a package in order to know what brand they are buying. Notably, there is no suggestion that Applicant would expect its customers to select their cereal on the basis of the color of the box. Even the examples of Applicant’s “look for” advertising that are of record (television commercials touting “the big yellow box that everyone knows” and “that yellow box”) include repeated, prominent displays of the front of Applicant’s box, with the mark CHEERIOS in bold, black letters in sharp contrast to the yellow background, as well as an audio track on which the term CHEERIOS is repeatedly sung or spoken.

When customers see a color appearing on products from many different sources, they are less likely to expect the color to point to a single source of goods. Instead, customers are likely to perceive the color on packages as a device designed to make the packages attractive and eye-catching. This is especially true of a primary color, like yellow, which is used by many merchants and is not “a color that in context seems unusual.” *Qualitex*, 34 USPQ2d at 1162-63. All of the cereal packages of record have *some* background color, and many of them include some shade of yellow, so Applicant’s use of a predominantly yellow color scheme is unlikely to be seen as an indication of source.

## 4. Other Identifying Indicia

**Page 87. Add the following paragraph to the end of the Note on *Other Identifying Indicia*.**

In *In re the Ride, LLC*, 2020 TTAB LEXIS 2 (TTAB 2020), a tour bus operator sought registration for the following service mark:

The mark consists of the live visual and motion elements of the trade dress of a guided bus tour in which as the bus approaches at least one predetermined location on the tour an entertainer who is dressed as a banker walks normally along the street and then performs a tap dance routine dancing act when the bus stops at the predetermined location as viewed from inside of the bus....

The TTAB affirmed the service mark examiner’s refusal of registration:

Based on our above review of the . . . evidence of record, we agree with the Examining Attorney that Applicant’s proposed mark fails to function as a service mark. . . .

This evidence suggests the tap dancing routine that is — the subject of Applicant’s proposed mark is simply one of several performances that may be viewed during Applicant’s bus tours and thus serves as a feature or aspect — as opposed to indicating the source — of Applicant’s services. Additional screenshots from Applicant’s website merely display an individual performing a tap dance viewed by people inside a bus. Nothing in these images suggests the viewers of the tap dance perceive it as an indicator of source for the bus tour services. ...

**Page 87. Add the following question after the Note on *Other Identifying Indicia*.**

### ***Question***

Hasbro, maker of Play Doh, recently succeeded in registering the scent of its product as a trademark for toy modeling compounds. The certificate of registration describes the mark as “a scent of a sweet slightly musky, vanilla fragrance with slight overtones of cherry, combined with the smell of a salt wheat-based dough.” What reasons might Hasbro have had for seeking to register the smell of Play-Doh?

## **B. Distinctiveness**

### **1. Arbitrary, Fanciful, Suggestive and Descriptive Terms**

**Page 96. Insert the following case and Question before *In re Vertex Group*:**

**Real Foods Pty Ltd. v. Frito Lay**, 906 F.3d 965 (Fed. Cir. 2018). Real Foods sought to register CORN THINS and RICE THINS as trademarks for corn and rice cakes. The Trademark Trial and Appeals Board ruled that the marks were descriptive, and the Court of Appeals for the Federal Circuit affirmed:

Substantial evidence supports the TTAB’s finding that the proposed marks are highly descriptive. The terms “corn” and “rice,” both of which are grains [citation], describe the primary ingredient in Real Foods’ respective goods ....

Moreover, the term thins describes physical characteristics of the corn and rice cakes. ... Indeed, Real Foods’ advertising materials use the word “thin” to describe their products. *See, e.g.*, J.A. 5097 (“They are a delicious *thin* corn cake, with ‘All Natural’

flavoring.” (emphasis added)), 5181 (describing the product as having “THIN slices not thick”), 5188 (stating “Corn & Rice Thins are THIN”). The record is replete with evidence of the term thins being used in marks for other, similar snack food products, *see, e.g.*, J.A. 4076-78 (identifying, in Frito-Lay’s expert report, 119 products using the term thins, including “Back to Nature Tomato Herb Rice Thins,” “Baked Potato Thins,” “FalaFel Thins,” “Pita Thins,” and “Wheat Thins”), which is evidence relevant to the issue of the term’s descriptiveness, [citation]. Thus, the proposed marks’ disclosure of this thin “characteristic” or “feature” of the goods is descriptive. [Citation]

Viewing the marks as composites “do[es] not create a different impression.” [Citation.] The composite marks are “merely descriptive” because they “immediately convey[] knowledge of a quality or characteristic of the product[s],” specifically the products’ main ingredients and thickness. [Citation.] Contrary to Real Foods’ argument, it is not determinative that the marks do not also make reference to the products being “cakes” or being made with “popped or puffed ingredients.” . . . A mark may be merely descriptive even if it does not describe *the full scope and extent* of the applicant’s goods or services.” . . . Not only does the record reveal that Real Foods has deployed the proposed marks as generic descriptors, *see, e.g.*, J.A. 5309 (referring, in Real Foods’ advertising material, to the product as “Delicious Golden Corn Thins With Real Flavoring,” with the term “Corn Thins” stylized the same as the rest of the phrase), 5319 (same), but purchasers of Real Foods’ products have also used these terms to describe Real Foods’ products, rather than as source identifiers for the products, which amounts to direct evidence of the “commercial impression” of the mark as a whole, . . . *see, e.g.*, J.A. 5288 (referring, by a potential customer, to “[Real Foods’] corn thins product”), 5318 (similar by an online distributor of Real Foods’ product). Therefore, substantial evidence supports the TTAB’s descriptiveness finding.

### *Question*

The court refers to the proposed trademarks as “highly descriptive.” Is “highly descriptive” an additional point on the *Abercrombie* distinctiveness spectrum that warrants different treatment from a mark that is merely “descriptive”? In *My Pillow, Inc. v. Ontel Products Corp.*, 2020 U.S. Dist. LEXIS 73475 (D. Minn. 2020), the owner of the trademark GUARANTEED THE MOST COMFORTABLE PILLOW YOU’LL EVER OWN sued a competitor for marketing a pillow with the slogan THE MOST COMFORTABLE PILLOW ... EVER. The court deemed plaintiff’s mark valid but highly descriptive, and declined to enter a preliminary injunction.

In *USPTO v. Booking.com*, \_\_ S. Ct. \_\_ (2020), *infra* this Supplement Chapter 5.A., the Supreme Court suggested that “[w]hen a mark incorporates generic or highly descriptive components, consumers are less likely to think that other uses of the common element emanate from the mark’s owner.” Do you agree?

**Page 98. Insert new examples at the end of Question 2:**

**o.** CAPSULE for cellphone cases. *See Uncommon, LLC v. Spigen, Inc.*, 926 F.3d 409 (7<sup>th</sup> Cir. 2019) (descriptive).

**p.** THE JOINT for a nightclub. *See In Re JC Hospitality LLC*, 802 Fed. Appx. 579 (Fed. Cir. 2020)(descriptive).

**Pages 104-05. Renumber the Question on Page 104 as Question 1, and add the following Questions on page 105:**

**2.** Snow Wizard seeks to register the following trademark for concessions trailers for snowball vendors:



Would you classify the mark as product design or product packaging? *See In re Snow Wizard*, 129 U.S.P.Q.2d (BNA) 1001 (T.T.A.B. 2018).

**3.** The White Sparrow Barn is a noted wedding and event venue near Dallas. Ruth Farms, a competing reception venue, about 90 miles away, constructed the “Nest,” a ballroom and banquet hall designed to mimic many of the White Sparrow’s distinctive design elements. The White Sparrow claims that the competitor is infringing its inherently distinctive trade dress. It describes that trade dress this way:

The Grand Hall [of the barn] features a large, open floor plan with exposed, decorative, wrapped and framed, vaulted wooden beams placed laterally across the wooden cathedral ceiling; exposed, decorative, wrapped and framed wooden columns placed vertically along the wooden side walls; tiered exposed bulb candelabra chandeliers; rustic whitewashing of the wooden interior features; and a stylistic, stacked window display along the back wall.

The interior of the Nest shares all of these design elements. Can White Sparrow force its competitor to redesign the Nest without showing secondary meaning? See *Sparrow Barns & Events, LLC, v. Ruth Farms, Inc.*, 2019 US Dist LEXIS 61515 (E.D. Tex. 2019).

## 2. Secondary Meaning

### **Page 114. Add the following after the opinion in *Adidas v. Skechers*:**

The Court of Appeals for the 9<sup>th</sup> Circuit affirmed the district court’s conclusion that the unregistered Stan Smith trade dress has acquired secondary meaning, and its entry of a preliminary injunction forbidding Skechers from selling the allegedly infringing shoes. *Adidas America, Inc. v. Skechers, USA*, 890 F.3d 747 (9<sup>th</sup> Cir. 2018):

The district court’s finding that the Stan Smith has likely acquired secondary meaning is supported by ample evidence in the record. The evidence showed that adidas has used the Stan Smith trade dress exclusively since the early 1970s, expended considerable capital and human resources to promote the shoe, and reaped significant but difficult-to-quantify value from placing the Stan Smith with celebrities, musicians, athletes, and other “influencers” to drive consumer hype and recognition of the trade dress—which, in 2014, became adidas’s top selling shoe of all time with the 40 millionth pair sold.... Also indicative of secondary meaning is the considerable amount of unsolicited media coverage praising the Stan Smith’s influence and iconic status as one of the most famous sneakers of all time.

Skechers’s own conduct also supports the district court’s finding... Skechers placed metadata tags on its website that directed consumers who searched for “adidas Stan Smith” to the page for the Onix shoe... We agree with the district court that “the only reason ‘adidas Stan Smith’ is a useful search term is that consumers associate the term with a distinctive and recognizable shoe made by adidas.” Therefore, the district court did not clearly err by finding that the Stan Smith had acquired secondary meaning.

### **Page 118. Add new case before Questions.**

**Converse, Inc. v. ITC**, 909 F.3d 1110 (Fed. Cir. 2018). In a case reviewing a determination by the International Trade Commission that Converse’s unregistered shoe design lacked secondary meaning, the Federal Circuit articulated its own version of a multi-factor test:

Converse here seeks protection as to the intervenors for a mark in the form of unregistered product-design trade dress. The Supreme Court has held that unlike word marks and product-packaging trade dress, product-design trade dress can never be inherently distinctive. *Wal-Mart*, 529 U.S. at 216. As a result, “a product’s design is distinctive, and therefore protectable, only upon a showing of secondary meaning.” *Id.*

Accordingly, Converse must show that its mark has acquired distinctiveness, i.e., secondary meaning.

....

In assessing whether the ‘753 trademark had acquired secondary meaning, the ITC weighed seven factors: “(1) the degree and manner of use; (2) the exclusivity of use; (3) the length of use; (4) the degree and manner of sales, advertising, and promotional activities; (5) the effectiveness of the effort to create secondary meaning; (6) deliberate copying; and (7) association of the trade dress with a particular source by actual purchasers (typically measured by customer surveys).” . . .

Each circuit that has addressed secondary meaning—11 circuits in all—has formulated some version of a multifactor test similar to the test adopted by the ITC. This Court has previously discussed certain factors that are relevant to the analysis, which overlap to an extent with those identified by the ITC. [Citations.]

Today we clarify that the considerations to be assessed in determining whether a mark has acquired secondary meaning can be described by the following six factors: (1) association of the trade dress with a particular source by actual purchasers (typically measured by customer surveys); (2) length, degree, and exclusivity of use; (3) amount and manner of advertising; (4) amount of sales and number of customers; (5) intentional copying; and (6) unsolicited media coverage of the product embodying the mark. While the ITC’s test set forth length, degree, and exclusivity of use as separate factors, we think that these considerations are substantially interrelated and should be evaluated together. All six factors are to be weighed together in determining the existence of secondary meaning.

**Page 119. Add new Questions 5 and 6.**

5. A local motorcycle club in the city of Sturgis, South Dakota, has hosted an annual motorcycle rally in the city since 1938. The city Chamber of Commerce has taken a leading role in promoting the rally, which brings several hundred thousand people and millions of dollars to the region every year. The Chamber has registered several marks incorporating the word STURGIS, and maintains that a license is required for any commercial use of the word STURGIS in conjunction with the rally. A local souvenir store sells a variety of rally souvenirs bearing the word “Sturgis” but has declined to purchase a license. The store contends that many other area businesses have used the word to promote the rally and their products over the past 80 years, and that the STURGIS marks therefore lack secondary meaning. What evidence could the Chamber of Commerce present to persuade a court that its marks have come to identify a particular source of rally-related products? *See Sturgis Motorcycle Rally v. Rushmore Photo & Gift*, 908 F.3d 313 (8<sup>th</sup> Cir. 2018).

6. Should courts require more evidence of secondary meaning for marks that are particularly descriptive? In *Engage Healthcare Communications v. Intellisphere*, 792 Fed. Appx. 178 (3d Cir. 2019), the Court of Appeals for the Third Circuit indicated that highly descriptive marks require stronger

evidence of secondary meaning. The court concluded that the plaintiff's evidence of extensive use and advertising failed to show that the asserted mark, PEER-SPECTIVES for hematology and oncology publications, had acquired secondary meaning.

## **C. Collective and Certification Marks and Other Group Designations**

### **1. Collective and Certification Marks**

**Page 123. Add the following to the end of the Note, before the Questions.**

Consejo Regulador del Tequila, a non-profit organization accredited under Mexican law to certify tequila production succeeded in registering the certification mark, TEQUILA, for “spirits distilled from the blue tequilana weber variety of agave plant.” The Board rejected an opposition predicated on an argument that tequila was the generic name for a variety of distilled spirits. *See Luxco, Inc. v. Consejo Regulador del Tequila, A.C.*, 121 U.S.P.Q.2d (BNA) 1477 (T.T.A.B. 2017).



## Chapter 3

# Use and Ownership

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### B. Ownership

**Page 135.** Replace *Commodores Entertainment v. McClary* with the following, more recent, 11<sup>th</sup> Circuit decision.

**Commodores Entertainment Corp. v. McClary**, 879 F.3d 1114 (11th Cir. 2018). In the 1970s, Lionel Ritchie, Thomas McClary, William King, Walter Orange, Ronald LaPread, and Milan Williams formed the funk/soul band, The Commodores. In the early 1980s, both Ritchie and McClary left the band to pursue other opportunities. Other musicians replaced them, and the band continued to perform and record. Later, LaPread and Williams left the band, leaving King and Orange as the only original members. King and Orange transferred their common law trademark rights to the Commodores Entertainment Corporation [CEC], which registered the THE COMMODORES mark as both a service mark for entertainment services and a trademark for recorded music in 2001.

In 2014, McClary began to perform with a band he called “The Commodores featuring Thomas McClary,” playing music that included old Commodores hits. CEC filed suit against McClary; McClary then filed a petition in the USPTO to cancel CEC’s registration of the COMMODORES marks. The district court found that the original members of ‘The Commodores’ had acquired common law rights to the trademarks associated with the musical band, but McClary had walked away from his rights to the marks when he left the band in 1984, and those rights remained with the group. McClary had exercised no control over the quality and characteristics of the band since his departure. The court granted CEC’s motion for judgment as a matter of law and enjoined McClary from using the mark. The Court of Appeals for the 11<sup>th</sup> Circuit affirmed:

Common-law trademarks existed in the name “The Commodores,” and the original owner of the marks was the group as a whole . . . McClary, as a member of the original group, was one of the holders of those rights.

. . . .

Ownership of the marks did not stay with McClary when he left the performing group. Rather, ownership of the marks began in, remained in, and could not be divided from the group, as opposed to its individual members. For starters the uncontroverted record established that McClary left his position in the group known as “The Commodores” more than three decades ago. No reasonable juror could have found that McClary remained with the group in the position he had previously held. Indeed, over time, all of the original group members except for King and Orange left the performing group that continued to release music and to perform as “The Commodores.” This included McClary: as he said repeatedly in his ownpleadings and testimony and as was

confirmed by many trial witnesses, he “split from the band” in 1984 to pursue a solo career.

Between 1985 and 2010, McClary had no interaction with the group as a member. He did not perform with the group, record with the group, or participate in any decisions about performances or recordings. . . .

The next question, then, is what became of McClary’s rights to the marks after he left the group and undeniably left the band. McClary claims that although the members who left had no involvement with the group, they still maintained common-law rights to use the group’s name.

We are unpersuaded. Instead, on this record, we determine that the common-law rights to the marks remained with the group members who continued to use and exert control over the group “The Commodores,” and no reasonable juror could have found otherwise.

. . . .

The continuing members of the original group, including King and Orange, are still today in a position to control the group. Given the overwhelming evidence of the control others, including King and Orange, exerted over the performances and business decisions of The Commodores, no reasonable juror could find to the contrary. King and Orange decide how many shows the group will do in a year, and where and when they will perform; they determine the songs, costumes, and production details for their shows; and they are responsible for the group’s sounds at those shows. They also make all personnel determinations, such as retaining crew members for performances.

. . . We agree, given the control sustained by King and Orange, that the original members remaining with the group retained the common-law rights to the marks.

On the other hand, the unrefuted record can lead only to the reasonable conclusion that McClary lacked control over the musical venture known as “The Commodores” after he left the band to pursue his solo career. In the period after he left the band, save two performances as a fill-in guitarist in 2010, he did not meet with the other members of the group to rehearse or perform. He did not join the group to make business decisions about performance schedules or recordings. He stopped writing songs with the group. He was not involved with the group’s decisions about performances, whether about the songs to be performed, the personnel to be involved, or the production details of the shows. The rights to use the name “The Commodores” remained with the group after McClary departed, and the corollary is also true: McClary did not retain rights to use the marks individually.

On remand, the district court granted summary judgment to CEC on its trademark infringement claim against McClary. *Commodores Entertainment Corp. v. McClary*, 324 F. Supp. 3d 1245 (M.D. Fla. 2018).

### C. “Use in Commerce”

**Page 142. Replace *In re Dell* with the following decision.**

**In re Siny**, 920 F.3d 1331 (Fed. Cir. 2019).

Siny filed trademark application Serial No. 86754400 on September 11, 2015, seeking to register the mark CASALANA in standard characters for “Knit pile fabric made with wool for use as a textile in the manufacture of outerwear, gloves, apparel, and accessories” based on use in commerce under Section 1(a) of the Lanham Act, 15 U.S.C. § 1051(a). Siny also submitted a specimen consisting of a webpage printout, which purported to show the mark in use in commerce for the goods.

[The webpage touted the advantages of Glenoit fabrics, displayed images of 11 of Glenoit’s “most popular fabrics,” including “Casalana — the washable wool,” and included a telephone number and email address “[f]or sales information.” The PTO refused registration on the ground that the specimen did not show that the mark was placed on the goods or their containers, tags or labels, and was not a “point of sale display.”]

...

The Lanham Act provides for registration of a mark based on use of the mark in commerce. 15 U.S.C. § 1051(a). A mark is deemed in use in commerce on goods when, among other things, “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.” *Id.* § 1127 (emphasis added). The U.S. Patent and Trademark Office (PTO) requires an applicant to submit a specimen of use “showing the mark as used on or in connection with the goods.” [Citation.]

The issue on appeal concerns whether the Webpage Specimen qualifies as a display associated with the goods under the Lanham Act. Mere advertising is not enough to qualify as such a display. [Citations.] In determining whether a specimen qualifies as a display associated with the goods, one important consideration is whether the display is at a point-of-sale location. [Citations.]

....

The Board considered whether the Webpage Specimen was mere advertising or an acceptable display associated with the goods. In doing so, it evaluated the point-of-sale nature of the Webpage Specimen. It noted the absence of information it considered essential to a purchasing decision, such as a price or range of prices for the goods, the minimum quantities one may order, accepted methods of payment, or how the goods would be shipped. The Board also considered the “For sales information:” text and phone number contact. It assumed that the phone number would connect a prospective customer

to sales personnel, but it found that “if virtually all important aspects of the transaction must be determined from information extraneous to the web page, then the web page is not a point of sale.” . . .

Siny’s main argument on appeal is that the Board applied “overly rigid requirements” in determining that the Webpage Specimen did not qualify as a display associated with the goods. . . . [W]e disagree that the Board applied improperly rigid requirements here. Rather, the Board carefully considered the Webpage Specimen’s contents and determined, on the record before it, that the specimen did not cross the line from mere advertising to an acceptable display associated with the goods. We cannot say that the Board’s determination lacked substantial evidence.

We have considered Siny’s other arguments and find them unpersuasive. For the foregoing reasons, we affirm.

**Page 144. Delete Question 2 and substitute the following Question 2.**

2. In *Siny*, the Court of Appeals agreed with the TTAB that displaying a mark on a webpage is not a point-of-sale display associated with the goods unless the mark appears in close proximity to an opportunity to purchase the product. Recall your last few online shopping experiences. Does the court’s analysis accord with your perceptions as a customer of what words and symbols were trademarks and what were mere informational advertising? What factors influenced your impressions?

**Page 155. Add the following paragraph before the Questions.**

On appeal, the Court of Appeals for the D.C. Circuit affirmed the judgment below. *Paletteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. de C.V.*, 743 Fed. Appx. 457 (D.C. Cir. 2018).

**Page 155. Insert new Question 3:**

3. In the *Star Wars* universe, the Millennium Falcon is a small, refurbished spaceship owned by Han Solo and his co-pilot Chewbacca. Solo won the Falcon from galactic gambler Lando Calrissian in a game of Sabacc, a high-stakes card game. The name “Sabacc” first appeared in the 1980 novelization of the movie *The Empire Strikes Back*, and the rules of the game were explored in greater detail in a trio of *Star Wars* novels published in 1983. A variety of *Star Wars* novels and reference works and at least one episode of a *Star Wars* television series have referenced the Sabacc game. The 2018 movie, *Solo: A Star Wars Story*, includes a scene showing the game between Calrissian and Solo.

In November of 2015, a company named Sabacc Creative introduced a new game app for IOS and Android devices named, “Sabacc High Stakes Card Game.” The app is available for download from the Apple and Amazon App stores.



The company registered the mark SABACC for computer software in 2016. The company advertised the app with the description,

*From a Cantina far, far away to your mobile device, welcome to the exclusive home of Sabacc, the most exciting card game around. Make your way to the tables and test your skills against the best that the galaxy has to offer, or play a private, high stakes game with friends. Keep your cards close to your chest, bet, bluff and make use of the interference field to avoid the Sabacc Shift. Improve your skills and put it all together to win the Sabacc pot and become a cloud city legend!*

Lucasfilm, Ltd, owner of the trademarks for the *Star Wars* universe of products filed suit against Sabacc Creative, claiming that it is the senior user of the SABACC mark; Sabacc Creative insists that it was the first to use the SABACC mark in commerce. Which company has priority? See *Lucasfilm Ltd. v. Ren Ventures LLC*, 126 U.S.P.Q.2d (BNA) 1515 (N.D. Cal. 2018).

## E. Priority

### Page 167. Add new Question 4.

4. In 1976, DC Comics introduced its first Black woman superhero, research scientist Karen Beecher. Dr. Beecher became the superhero Bumblebee by building herself a super-power suit that acted as protective body armor, increased her speed and strength, and enabled her to fly, shoot painful electronic blasts, and shrink to a small size. Bumblebee was never the star of her own comic book, television program, or movie, but appeared repeatedly in comic books and animated television programs featuring other superheroes and was frequently depicted on comic book covers. The first DC Bumblebee action figure appeared in 2005. In 2015, DC introduced a new *DC Super Hero Girls* franchise featuring junior versions of its female superheroes. The Super Hero Girls appear in an animated television series and are featured in comic books, on clothing, and as action figures and fashion dolls. Bumblebee is one of the stars of the franchise.

In 1984, Hasbro introduced its Transformers line of toys. The Transformers are sentient, shape-shifting battle robots that can turn themselves into automobiles. Hasbro accompanied the debut of the

toys with an animated television series, comic books, and graphic novels. The Transformers has grown into a blockbuster media franchise. One of the original Transformers was a yellow robot named Bumblebee, whose car form was originally a Volkswagen beetle. Bumblebee has become one of the most popular Transformers, has been portrayed in dozens of different toys in the Transformers franchise, and was the focus of the blockbuster 2018 live action Transformers movie, *Bumblebee*.

Hasbro sued DC for trademark infringement, claiming that DC's use of the BUMBLEBEE mark on Super Hero Girl toys, action figures, and dolls infringes Hasbro's trademark. Which party has priority? See *Hasbro Inc. v. DC Comics*, No. 1:17-cv-06558 (S.D.N.Y. filed Aug. 28, 2017).

## F. Concurrent Use

### Page 172. Add new Question 3.

3. The Court notes that Rectanus adopted the REX mark “in good faith, and without notice of any prior use by others.” If Rectanus had been aware of Regis's use of the REX mark in New England, but had adopted the mark with no intent to benefit from Regis's goodwill, would that undermine its claim to have adopted the mark in good faith? Compare *CP Interests v. California Pools*, 238 F.3d 690 (5<sup>th</sup> Cir. 2001) (mere knowledge of the senior user's use does not defeat good faith), with *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426 (9<sup>th</sup> Cir. 2017) (there is no good faith if junior user knew of the senior user's use).

## Chapter 4

# Registration of Trademarks

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### A. The Bases and Process

#### 1. Bases of Registration

**Page 185.** Insert the following Question before *M.Z. Berger & Co.*

#### *Question*

Darryl Cazeraz and Michael Latjay were partners in a business venture to develop and market a sports drink for golfers. Cazeraz and Latjay selected the name HOLE IN ONE for their beverage and their limited liability company, Hole in One, LLC. The company designed a label and produced 10 sample cases of the beverage bearing the label, while the partners struggled to secure investor funding. Meanwhile, Latjay filed an intent-to-use application in his sole name to register the HOLE IN ONE mark for sports drinks. The PTO issued a notice of allowance, and Latjay filed a statement of use, attaching a photograph of a sample case as a specimen of use. Registration issued in April of 2016. Meanwhile, Cazeraz terminated his partnership with Latjay and incorporated a new company, Hole in 1 Drinks, Inc. Cazeraz's new company secured the necessary funding and began selling HOLE IN ONE sports drinks in August of 2016. Cazeraz then filed a petition to cancel Latjay's trademark registration, arguing that because he and Latjay planned to market HOLE IN ONE sports drinks as partners, Latjay lacked a bona fide intent to use the mark by himself, and therefore his initial application was void.

Review the verified statement required to file an intent to use application by section 1(b)(3). How should the TTAB resolve the dispute? *See Hole in 1 Drinks v. Latjay*, 2020 TTAB Lexis 9 (T.T.A.B. 2020).

#### 2. The Process

**Page 199.** Add the following citation in Point 6 before the *International Watchman* cite:

*Royal Palm Properties, LLC v. Pink Palm Properties, LLC*, 950 F.3d 776 (11<sup>th</sup> Cir. 2020) (challenger to the distinctiveness of a registered mark has the burden of overcoming the presumption of validity of a registered mark);

### C. Bars to Registration

#### 1. Section 2(a) of the Lanham Act; Immoral, Scandalous, Disparaging or Deceptive Matter and False Suggestion of a Connection

***a. Immoral, Scandalous or Disparaging Marks***

**Page 213-231. Delete the cases and materials and substitute the following after the heading:**

The Supreme Court found the disparaging, immoral and scandalous prongs of Section 2(a) to be unconstitutional in violation of the First Amendment as set forth in the following two cases. Accordingly, the scandalous, derogatory and immoral bars to registration set forth in the casebook are no longer good law.

**Matal v. Tam**

137 S.Ct. 1744 (S. Ct. 2017)

JUSTICE ALITO 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.

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.

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 contempt[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

...

Under the Lanham Act, trademarks that are “used in commerce” ... may be federally registered. 15 U.S.C. §1051(a)(1).... There are now more than two million marks that have active federal certificates of registration. [Citation.] 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*, [469 U.S. 189,] at 198 (1985) (“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

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*, [505 U.S. 763,] at 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 quotation marks and citation omitted)).\*

Federal registration, however, “confers important legal rights and benefits on trademark owners who register their marks.” *B&B Hardware*, 575 U. S., at \_\_\_, 135 S. Ct. 1293 (internal quotation marks omitted). Registration on the principal register (1) “serves as ‘constructive notice of the registrant’s claim of ownership’ of the mark,”[citation]; (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,’” [citation]; 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

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).

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). This clause appeared in the original Lanham Act and has remained the same to this day. *See* §2(a), 60 Stat. 427.

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

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\* 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 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.

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 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

Simon Tam ... chose [“The Slants”] moniker in order to “reclaim” and “take ownership” of stereotypes about people of Asian ethnicity. [Citation.] 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.” [Citation.]

Tam sought federal registration ..., but an examining attorney ..., applying the PTO’s two-part framework, ... [found] 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”...[and] 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.”

Tam ...[e]ventually ... 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 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.” [Citation.]

## II

....

## III

... [A]t 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. [*Editors’ Note:* The discussion in the opinion rejecting arguments (2) and (3) in parts III B and C is omitted.]

## A

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).

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.*, 576 U.S. \_\_\_, 135 S. Ct. 2239 (2015) (slip op., at 5-7). “[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.

...

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....

... The Federal Government does not dream up ... marks [it registers], 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 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. ... [I]f 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). ... [An examiner’s decision to register] is not reviewed by any higher official unless the registration is challenged. [Citation.] 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. [Citation.]

... 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. It is

expressing contradictory views.<sup>9</sup> It is unashamedly endorsing a vast array of commercial products and services. And it is providing Delphic advice to the consuming public.

For example, if trademarks represent government speech, what does the Government have in mind when it advises Americans to “make.believe” (Sony), “Think different” (Apple), “Just do it” (Nike), or “Have it your way” (Burger King)? Was the Government warning about a coming disaster when it registered the mark “EndTime Ministries”?

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 (TTAB 1993) (“[I]ssuance of a trademark registration . . . is not a government imprimatur”). And it is unlikely that more than a tiny fraction of the public has any idea what federal registration of a trademark means. [Citation.]

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.

Our decision in *Sumnum* is similarly far afield. A small city park contained 15 monuments. [Citation.] Eleven had been donated by private groups, and one of these displayed the Ten Commandments. [Citation.] 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.

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.” [Citation.]

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

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9. 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).

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.

... [T]he case on which the Government relies most heavily, *Walker*, ... 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*. [Citation.] First, license plates have long been used by the States to convey state messages. [Citation.] 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.” [Citation.] Third, Texas “maintain[ed] direct control over the messages conveyed on its specialty plates.” [Citation.] As explained above, none of these factors are present in this case.

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.

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? [Citation.]

The Government attempts to distinguish copyright on the ground that it is “the engine of free expression,” 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.

Trademarks are private, not government, speech.

...

#### IV

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 ... 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 Central Hudson Gas & Electric Corp.*, 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.

We need not resolve this debate ... because the disparagement clause cannot withstand even *Central Hudson* review.<sup>17</sup> Under *Central Hudson*, a restriction of speech must serve “a substantial interest,” and it must be “narrowly drawn.” [Citation.] This means ... that “[t]he regulatory technique may extend only as far as the interest it serves.” [Citation.] The disparagement clause fails this requirement.

It is claimed that the disparagement clause serves two interests. ... [T]he Government asserts an interest in preventing ““underrepresented groups”” from being ““bombarded with demeaning messages in commercial advertising. [Citation.]... [I]ts unmistakable thrust is this: The Government has an interest in preventing speech expressing ideas that offend. ... [T]hat 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 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).

The second interest asserted is protecting the orderly flow of commerce. [Citations.] 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.” [Citation.] Such trademarks are analogized to discriminatory conduct, which has been recognized to have an adverse effect on commerce. [Citations.]

A simple answer ... 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.

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”?

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.

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.

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17. [W]e 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.

*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.

...

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.

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

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. [Citation.] 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. [Citation.]

The First Amendment guards against laws "targeted at specific subject matter," a form of speech suppression known as content based discrimination. [Citation.] This category includes a subtype of laws that go further, aimed at the suppression of "particular views . . . on a subject." [Citation.] A law found to discriminate based on viewpoint is an "egregious form of content discrimination," which is "presumptively unconstitutional." *Rosenberger [v. Rector and Visitors of Univ. of Va.]*, [515 U.S. 819] at 829-830 [1995)].

...[T]he test ... is whether--within the relevant subject category--the government has singled out a subset of messages for disfavor based on the views expressed. [Citation.] In the instant case, the disparagement clause ... 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.

The Government ... argues ... 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. [Citation.] .... By mandating positivity, the law here might silence dissent and distort the marketplace of ideas.

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. ...

The Government may not insulate a law ... by tying censorship to the reaction of the speaker's audience. ... 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.

Indeed, a speech burden based on audience reactions is simply government hostility and intervention in a different guise. The speech is targeted ... 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. [Citation.]

...

## II

The parties dispute whether trademarks are commercial speech ... The ... 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.

"Commercial speech is no exception,"... 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).

... In the realm of trademarks, the metaphorical marketplace of ideas becomes a tangible, powerful reality.... [M]arks 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. 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. To permit viewpoint discrimination in this context is to permit Government censorship.

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.

[T]he 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. [Citations.] The exception is necessary to allow the government to stake out positions and pursue policies. [Citation.] But it is also narrow, to prevent the government from claiming that every government program is exempt from the First Amendment. ...

... 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. ... [O]ur 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, 121 S. Ct. 1043 (internal quotation marks omitted).

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.

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.

I join the opinion of Justice Alito, except for Part II. Respondent failed to present his statutory argument either to the Patent and Trademark Office or to the Court of Appeals, and we declined respondent’s invitation to grant certiorari on this question.

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.’” [Citations.]

### **Iancu v. Brunetti**

139 S.Ct. 2294 (2019)

JUSTICE KAGAN delivered the opinion of the Court.

Two Terms ago, in *Matal v. Tam*, [citation], this Court invalidated the Lanham Act’s bar on the registration of “disparag[ing]” trademarks. 15 U. S. C. §1052(a). Although split between two non-majority opinions, all Members of the Court agreed that the provision violated the First Amendment

because it discriminated on the basis of viewpoint. Today we consider a First Amendment challenge to a neighboring provision of the Act, prohibiting the registration of “immoral[ ] or scandalous” trademarks. *Ibid.* We hold that this provision infringes the First Amendment for the same reason: It too disfavors certain ideas.

## I

Respondent Erik Brunetti is an artist and entrepreneur who founded a clothing line that uses the trademark FUCT. According to Brunetti, the mark (which functions as the clothing’s brand name) is pronounced as four letters, one after the other: F-U-C-T. But you might read it differently and, if so, you would hardly be alone.... That common perception caused difficulties for Brunetti when he tried to register his mark with the U. S. Patent and Trademark Office (PTO).

## II

This Court first considered a First Amendment challenge to a trademark registration restriction in *Tam*... [T]he Court declared unconstitutional the Lanham Act’s ban on registering marks that “disparage” any “person [ ], living or dead.” §1052(a). The eight-Justice Court divided evenly between two opinions and could not agree on the overall framework for deciding the case. (In particular, no majority emerged to resolve whether a Lanham Act bar is a condition on a government benefit or a simple restriction on speech.) But all the Justices agreed on two propositions. First, if a trademark registration bar is viewpoint-based, it is unconstitutional. [Citations.] And second, the disparagement bar was viewpoint-based. [Citations.]

The Justices thus found common ground in a core postulate of free speech law: The government may not discriminate against speech based on the ideas or opinions it conveys. [Citation]. In Justice Kennedy’s explanation, the disparagement bar allowed a trademark owner to register a mark if it was “positive” about a person, but not if it was “derogatory.” [Citation]. That was the “essence of viewpoint discrimination,” he continued, because “[t]he law thus reflects the Government’s disapproval of a subset of messages it finds offensive.” [Citation.] Justice Alito emphasized that the statute “denie[d] registration to any mark” whose disparaging message was “offensive to a substantial percentage of the members of any group.” [Citation.] The bar thus violated the “bedrock First Amendment principle” that the government cannot discriminate against “ideas that offend.” [Citation.] Slightly different explanations, then, but a shared conclusion: Viewpoint discrimination doomed the disparagement bar.

If the “immoral or scandalous” bar similarly discriminates on the basis of viewpoint, it must also collide with our First Amendment doctrine. The Government does not argue otherwise... [T]he Government offers a theory for upholding the bar if it is viewpoint-neutral (essentially, that the bar would then be a reasonable condition on a government benefit). But the Government agrees that under *Tam* it may not “deny registration based on the views expressed” by a mark... So the key question becomes: Is the “immoral or scandalous” criterion in the Lanham Act viewpoint-neutral or viewpoint-based?

It is viewpoint-based. The meanings of “immoral” and “scandalous” are not mysterious, but resort to some dictionaries still helps to lay bare the problem. When is expressive material “immoral”? According to a standard definition, when it is “inconsistent with rectitude, purity, or good morals”; “wicked”; or “vicious.” Webster’s New International Dictionary 1246 (2d ed. 1949). Or again, when it is

“opposed to or violating morality”; or “morally evil.” Shorter Oxford English Dictionary 961 (3d ed. 1947). So the Lanham Act permits registration of marks that champion society’s sense of rectitude and morality, but not marks that denigrate those concepts. And when is such material “scandalous”? Says a typical definition, when it “giv[es] offense to the conscience or moral feelings”; “excite[s] reprobation”; or “call[s] out condemnation.” Webster’s New International Dictionary, at 2229. Or again, when it is “shocking to the sense of truth, decency, or propriety”; “disgraceful”; “offensive”; or “disreputable.” Funk & Wagnalls New Standard Dictionary 2186 (1944). So the Lanham Act allows registration of marks when their messages accord with, but not when their messages defy, society’s sense of decency or propriety. Put the pair of overlapping terms together and the statute, on its face, distinguishes between two opposed sets of ideas: those aligned with conventional moral standards and those hostile to them; those inducing societal nods of approval and those provoking offense and condemnation. The statute favors the former, and disfavors the latter. “Love rules”? “Always be good”? Registration follows. “Hate rules”? “Always be cruel”? Not according to the Lanham Act’s “immoral or scandalous” bar.

The facial viewpoint bias in the law results in viewpoint-discriminatory application. Recall that the PTO itself describes the “immoral or scandalous” criterion using much the same language as in the dictionary definitions recited above. The PTO, for example, asks whether the public would view the mark as “shocking to the sense of truth, decency, or propriety”; “calling out for condemnation”; “offensive”; or “disreputable.” Using those guideposts, the PTO has refused to register marks communicating “immoral” or “scandalous” views about (among other things) drug use, religion, and terrorism. But all the while, it has approved registration of marks expressing more accepted views on the same topics. [Citations.]

Here are some samples. The PTO rejected marks conveying approval of drug use (YOU CAN’T SPELL HEALTHCARE WITHOUT THC for pain-relief medication, MARIJUANA COLA and KO KANE for beverages) because it is scandalous to “inappropriately glamoriz[e] drug abuse.” PTO, Office Action of Aug. 28, 2010, Serial No. 85038867; *see* Office Action of Dec. 24, 2009, Serial No. 77833964; Office Action of Nov. 17, 2009, Serial No. 77671304. But at the same time, the PTO registered marks with such sayings as D.A.R.E. TO RESIST DRUGS AND VIOLENCE and SAY NO TO DRUGS—REALITY IS THE BEST TRIP IN LIFE. *See* PTO, Reg. No. 2975163 (July 26, 2005); Reg. No. 2966019 (July 12, 2005). Similarly, the PTO disapproved registration for the mark BONG HITS 4 JESUS because it “suggests that people should engage in an illegal activity [in connection with] worship” and because “Christians would be morally outraged by a statement that connects Jesus Christ with illegal drug use.” Office Action of Mar. 15, 2008, Serial No. 77305946. And the PTO refused to register trademarks associating religious references with products (AGNUS DEI for safes and MADONNA for wine) because they would be “offensive to most individuals of the Christian faith” and “shocking to the sense of propriety.” *Ex parte Summit Brass & Bronze Works*, 59 USPQ 22, 23 (Dec. Com. Pat. 1943); *In re Riverbank Canning Co.*, 95 F. 2d 327, 329, 25 C.C.P.A. 1028, 1938 Dec. Comm’r Pat. 442 (CCPA 1938). But once again, the PTO approved marks—PRAISE THE LORD for a game and JESUS DIED FOR YOU on clothing—whose message suggested religious faith rather than blasphemy or irreverence. *See* Reg. No. 5265121 (Aug. 15, 2017); Reg. No. 3187985 (Dec. 19, 2006). Finally, the PTO rejected marks reflecting support for al-Qaeda (BABY AL QAEDA and AL-QAEDA on t-shirts) “because the bombing of civilians and other terrorist acts are shocking to the sense of decency and call out for condemnation.” Office Action of Nov. 22, 2004, Serial No. 78444968; *see* Office Action of Feb. 23, 2005, Serial No. 78400213. Yet it approved registration of a mark with the words WAR ON TERROR MEMORIAL. Reg. No. 5495362 (Jun. 19, 2018). Of course, all these decisions are understandable. The rejected marks

express opinions that are, at the least, offensive to many Americans. But as the Court made clear in *Tam*, a law disfavoring “ideas that offend” discriminates based on viewpoint, in violation of the First Amendment. [Citation].

... The Government basically asks us to treat decisions like those described above as PTO examiners’ mistakes. Still more, the Government tells us to ignore how the Lanham Act’s language, on its face, disfavors some ideas. In urging that course, the Government does not dispute that the statutory language—and words used to define it—have just that effect. At oral argument, the Government conceded: “[I]f you just looked at the words like ‘shocking’ and ‘offensive’ on their face and gave them their ordinary meanings[,] they could easily encompass material that was shocking [or offensive] because it expressed an outrageous point of view or a point of view that most members” of society reject. But no matter, says the Government, because the statute is “susceptible of” a limiting construction that would remove this viewpoint bias (arguing that the Court should “attempt to construe [the] statute in a way that would render it constitutional”). The Government’s idea, abstractly phrased, is to narrow the statutory bar to “marks that are offensive [or] shocking to a substantial segment of the public because of their mode of expression, independent of any views that they may express.” More concretely, the Government explains that this reinterpretation would mostly restrict the PTO to refusing marks that are “vulgar”—meaning “lewd,” “sexually explicit or profane.” Such a reconfigured bar, the Government says, would not turn on viewpoint, and so we could uphold it.

But we cannot accept the Government’s proposal, because the statute says something markedly different. This Court, of course, may interpret “ambiguous statutory language” to “avoid serious constitutional doubts.” *FCC v. Fox Television Stations, Inc.*, 556 U. S. 502, 516, 129 S. Ct. 1800, 173 L. Ed. 2d 738 (2009). But that canon of construction applies only when ambiguity exists. ...So even assuming the Government’s reading would eliminate First Amendment problems, we may adopt it only if we can see it in the statutory language. And we cannot. The “immoral or scandalous” bar stretches far beyond the Government’s proposed construction. The statute as written does not draw the line at lewd, sexually explicit, or profane marks. Nor does it refer only to marks whose “mode of expression,” independent of viewpoint, is particularly offensive. It covers the universe of immoral or scandalous—or (to use some PTO synonyms) offensive or disreputable—material. Whether or not lewd or profane. Whether the scandal and immorality comes from mode or instead from viewpoint. To cut the statute off where the Government urges is not to interpret the statute Congress enacted, but to fashion a new one. \*

And once the “immoral or scandalous” bar is interpreted fairly, it must be invalidated. [T]he

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\* We reject the dissent’s statutory surgery for the same reason. Although conceding that the term “immoral” cannot be saved, the dissent thinks that the term “scandalous” can be read as the Government proposes. See *post*, at 1-2 (Sotomayor, J., concurring in part and dissenting in part). But that term is not “ambiguous,” as the dissent argues, *post*, at 3; it is just broad. Remember that the dictionaries define it to mean offensive, disreputable, exciting reprobation, and so forth. See *supra*, at 5-6; *post*, at 3 (accepting those definitions). Even if hived off from “immoral” marks, the category of scandalous marks thus includes *both* marks that offend by the ideas they convey *and* marks that offend by their mode of expression. And its coverage of the former means that it discriminates based on viewpoint. We say nothing at all about a statute that covers only the latter—or, in the Government’s more concrete description, a statute limited to lewd, sexually explicit, and profane marks. Nor do we say anything about how to evaluate viewpoint-neutral restrictions on trademark registration, see *post*, at 14-17—because the “scandalous” bar (whether or not attached to the “immoral” bar) is not one.

Government invokes our First Amendment overbreadth doctrine, and asks us to uphold the statute against facial attack because its unconstitutional applications are not “substantial” relative to “the statute’s plainly legitimate sweep.” [Citation.] But to begin with, this Court has never applied that kind of analysis to a viewpoint-discriminatory law. In *Tam*, for example, we did not pause to consider whether the disparagement clause might admit some permissible applications (say, to certain libelous speech) before striking it down. The Court’s finding of viewpoint bias ended the matter. And similarly, it seems unlikely we would compare permissible and impermissible applications if Congress outright banned “offensive” (or to use some other examples, “divisive” or “subversive”) speech. Once we have found that a law “aim[s] at the suppression of” views, why would it matter that Congress could have captured some of the same speech through a viewpoint-neutral statute? But in any event, the “immoral or scandalous” bar is substantially overbroad. There are a great many immoral and scandalous ideas in the world (even more than there are swearwords), and the Lanham Act covers them all. It therefore violates the First Amendment.

We accordingly affirm the judgment of the Court of Appeals.

[Justice Alito’s concurring opinion, Justice Roberts’ concurring in part and dissenting in part opinion and Justice Breyer’s separate concurring in part and dissenting in part opinion are omitted. All nine Justices found the immoral prong unconstitutional. The three partial dissents found that scandalous marks are subject to a narrowing construction that avoids facial unconstitutionality.]

JUSTICE SOTOMAYOR, with whom Justice Breyer joins, concurring in part and dissenting in part.

The Court’s decision today will beget unfortunate results. With the Lanham Act’s scandalous-marks provision, 15 U. S. C. §1052(a), struck down as unconstitutional viewpoint discrimination, the Government will have no statutory basis to refuse (and thus no choice but to begin) registering marks containing the most vulgar, profane, or obscene words and images imaginable.

The coming rush to register such trademarks—and the Government’s immediate powerlessness to say no—is eminently avoidable. Rather than read the relevant text as the majority does, it is equally possible to read that provision’s bar on the registration of “scandalous” marks to address only obscenity, vulgarity, and profanity. Such a narrowing construction would save that duly enacted legislative text by rendering it a reasonable, viewpoint-neutral restriction on speech that is permissible in the context of a beneficial governmental initiative like the trademark-registration system. I would apply that narrowing construction to the term “scandalous” and accordingly reject petitioner Erik Brunetti’s facial challenge.

...

It is with regard to the word “scandalous” that I part ways with the majority. Unquestionably, “scandalous” can mean something similar to “immoral” and thus favor some viewpoints over others. But it does not have to be read that way. To say that a word or image is “scandalous” can instead mean that it is simply indecent, shocking, or generally offensive. *See* Funk & Wagnalls New Standard Dictionary 2186 (1944) (Funk & Wagnalls) (“shocking to the sense of truth, decency, or propriety; disgraceful, offensive” (emphasis added)); Webster’s New International Dictionary 2229 (1942) (“exciting reprobation; calling out condemnation”); 9 Oxford English Dictionary 175 (1933) (“Of the nature of, or causing, a ‘stumbling-block’ or occasion of offence”); 8 Century Dictionary and Cyclopedia 5374 (1911)

(Century Dictionary) (“Causing scandal or offense; exciting reproach or reprobation; extremely offensive to the sense of duty or propriety; shameful; shocking”); see also Webster’s New College Dictionary 1008 (3d ed. 2005) (“shocking or offensive”). That offensiveness could result from the views expressed, but it could also result from the way in which those views are expressed: using a manner of expression that is “shocking to [one’s] sense of . . . decency,” Funk & Wagnalls 2186, or “extremely offensive to the sense of . . . propriety,” 8 Century Dictionary 5374.

The word “scandalous” on its own, then, is ambiguous: It can be read broadly (to cover both offensive ideas and offensive manners of expressing ideas), or it can be read narrowly (to cover only offensive modes of expression). That alone raises the possibility that a limiting construction might be appropriate. But the broader text confirms the reasonableness of the narrower reading, because the word “scandalous” appears in the statute alongside other words that can, and should, be read to constrain its scope.

It is foundational “that a statute is to be read as a whole, since the meaning of statutory language, plain or not, depends on context.” *King v. St. Vincent’s Hospital*, 502 U. S. 215, 221, 112 S. Ct. 570, 116 L. Ed. 2d 578 (1991) (citation omitted). “Words are not pebbles in alien juxtaposition; they have only a communal existence; and not only does the meaning of each interpenetrate the other, but all in their aggregate take their purport from the setting in which they are used.” *Ibid.* (quoting *NLRB v. Federbush Co.*, 121 F. 2d 954, 957 (CA2 1941) (L. Hand, J.)). Accordingly, and relatedly, courts should, to the extent possible, read statutes so that “no clause, sentence, or word shall be superfluous, void, or insignificant.” *TRW Inc. v. Andrews*, 534 U. S. 19, 31, 122 S. Ct. 441, 151 L. Ed. 2d 339 (2001).

Here, Congress used not only the word “scandalous,” but also the words “immoral” and “disparage,” in the same block of statutory text—each as a separate feature that could render a mark unregistrable. See §1052(a). *Tam* already decided that “disparage” served to prohibit marks that were offensive because they derided a particular person or group. [Citation.] That defines one of the three words. Meanwhile, as the majority explains, the word “immoral” prohibits marks that are offensive because they transgress widely held moral beliefs. That defines a second of the three words.

With marks that are offensive because they are disparaging and marks that are offensive because they are immoral already covered, what work did Congress intend for “scandalous” to do? A logical answer is that Congress meant for “scandalous” to target a third and distinct type of offensiveness: offensiveness in the mode of communication rather than the idea. The other two words cover marks that are offensive because of the ideas they express; the “scandalous” clause covers marks that are offensive because of the mode of expression, apart from any particular message or idea.

...

The text of §1052... is a grab bag: It bars the registration of marks featuring “immoral, deceptive, or scandalous matter,” as well as, *inter alia*, disparaging marks, flags, insignias, mislabeled wines, and deceased Presidents. See §§1052(a)-(e). This is not, in other words, a situation in which Congress was simply being “verbos[e] and proli[x],” *Bruesewitz v. Wyeth LLC*, 562 U. S. 223, 236, 131 S. Ct. 1068, 179 L. Ed. 2d 1 (2011), using two synonyms in rapid-fire succession when one would have done fine. Instead, “scandalous” and “immoral” are separated by an unrelated word (“deceptive”) and mixed in with a lengthy series of other, unrelated concepts. The two therefore need not be interpreted as mutually

reinforcing under the Court’s precedents. [Citation.]

For that reason, while the majority offers a reasonable reading of “scandalous,” it also unnecessarily and ill-advisedly collapses the words “scandalous” and “immoral.” Instead, it should treat them as each holding a distinct, nonredundant meaning, with “immoral” covering marks that are offensive because they transgress social norms, and “scandalous” covering marks that are offensive because of the mode in which they are expressed.

What would it mean for “scandalous” in §1052(a) to cover only offensive modes of expression? The most obvious ways—indeed, perhaps the only conceivable ways—in which a trademark can be expressed in a shocking or offensive manner are when the speaker employs obscenity, vulgarity, or profanity. Obscenity has long been defined by this Court’s decision in *Miller v. California*, 413 U. S. 15, 93 S. Ct. 2607, 37 L. Ed. 2d 419 (1973). [Citation.] As for what constitutes “scandalous” vulgarity or profanity, I do not offer a list, but I do interpret the term to allow the PTO to restrict (and potentially promulgate guidance to clarify) the small group of lewd words or “swear” words that cause a visceral reaction, that are not commonly used around children, and that are prohibited in comparable settings. *Cf.* 18 U. S. C. §1464 (prohibiting “obscene, indecent, or profane language” in radio communications); *FCC v. Pacifica Foundation*, 438 U. S. 726, 746, 98 S. Ct. 3026, 57 L. Ed. 2d 1073, and n. 22 (1978) (opinion of Stevens, J.) (regulator’s objection to a monologue containing various “four-letter words” was not to its “point of view, but to the way in which it [wa]s expressed”); 46 CFR §67.117(b)(3) (2018) (Coast Guard regulation prohibiting vessel names that “contain” or are “phonetically identical to obscene, indecent, or profane language, or to racial or ethnic epithets”); *see also* Jacobs, *The Public Sensibilities Forum*, 95 Nw. U. L. Rev. 1357, 1416-1417, and n. 432 (2001) (noting that “swear words” are “perhaps more than any other categor[y] capable of specific articulation” and citing one state agency’s list). Of course, “scandalous” offers its own limiting principle: if a word, though not exactly polite, cannot be said to be “scandalous”—*e.g.*, “shocking” or “extremely offensive,” 8 Century Dictionary 5374—it is clearly not the kind of vulgarity or profanity that Congress intended to target. Everyone can think of a small number of words (including the apparent homonym of Brunetti’s mark) that would, however, plainly qualify.<sup>5</sup>

...

Freedom of speech is a cornerstone of our society, and the First Amendment protects Brunetti’s right to use words like the one at issue here. The Government need not, however, be forced to confer on Brunetti’s trademark (and some more extreme) the ancillary benefit of trademark registration, when “scandalous” in §1052(a) can reasonably be read to bar the registration of only those marks that are obscene, vulgar, or profane. Though I concur as to the unconstitutionality of the term “immoral” in §1052(a), I respectfully dissent as to the term “scandalous” in the same statute and would instead uphold it under the narrow construction discussed here.

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5. There is at least one particularly egregious racial epithet that would fit this description as well. While *Matal v. Tam*, 582 U. S. \_\_\_, 137 S. Ct. 1744, 198 L. Ed. 2d 366 (2017), removed a statutory basis to deny the registration of racial epithets in general, the Government represented at oral argument that it is holding in abeyance trademark applications that use that particular epithet. As a result of today’s ruling, the Government will now presumably be compelled to register marks containing that epithet as well rather than treating it as a “scandalous” form of profanity under §1052(a).

***Note: Implications of Matal v. Tam and Iancu v. Brunetti?***

The Supreme Court's *Tam* decision clearly finds that the disparagement clause of Section 2(a) violates the First Amendment's protection of free speech. All eight Justices who participated in the decision (Justice Gorsuch did not participate) agreed with that result, albeit via different paths.

The Justices agreed that trademarks do not come within the government speech exception but disagreed whether strict scrutiny or intermediate scrutiny should apply. Justice Alito's opinion in Part IV, joined by three other Justices, finds that it does not matter because the disparagement clause fails both tests. Justice Kennedy's concurring opinion, also joined by three other Justices, contends that a rigorous level of scrutiny is warranted whether or not trademarks are categorized as commercial speech because the disparagement provision engages in viewpoint discrimination. Justice Thomas, although joining all parts of Justice Alito's opinion except for Part II, separately states that strict scrutiny is warranted "when the government seeks to restrict truthful speech in order to suppress the ideas it conveys ... whether or not the speech in question may be characterized as 'commercial'". Does this mean he agreed with Justice Kennedy's determination that rigorous scrutiny applies even though Justice Thomas joined Part IV of Justice Alito's opinion? Why or why not?

The *Tam* decision had an immediate impact on the long-running battle between Native American groups and Pro Football, Inc., owner of REDSKINS registrations covering the Washington Redskins' football services and related merchandise. The more recent attempt to cancel the REDSKINS registrations as disparaging to Native Americans had been successful, both at the TTAB and at the district court levels, the latter of which upheld the constitutionality of the clause. See *Blackhorse v. Pro-Football, Inc.*, 112 F. Supp. 3d 439 (E.D. Va. 2015). On appeal, the Fourth Circuit stayed decision pending the Supreme Court's decision in *Tam*. After the decision, both the Native American challengers and the Department of Justice admitted defeat in light of *Tam* in letters addressed to the Fourth Circuit.

The *Tam* decision also had an immediate impact on USPTO practice.... After *Tam*, in Examination Guide 1-17, the USPTO states that disparagement is no longer a valid ground to deny registration and that:

Applications that received an advisory refusal under the disparagement provision and were suspended ... will be removed from suspension and examined for any other requirements or refusals. If an application was previously abandoned after being refused registration under the disparagement provision, and is beyond the deadline for filing a petition to revive, a new application may be filed.

<https://cdn2.hubspot.net/hubfs/454850/Exam%20guide%2001-17-1.pdf>. The USPTO's treatment of immoral and scandalous marks is likely to be similar to that afforded to disparaging marks in view of *Brunetti*. Do you agree with Justice Sotomayor's fear that there will be a gold rush at the USPTO to register obscene, vulgar and profane marks? If a majority had agreed with the limiting interpretation of the dissenters, could an argument be made that some hate speech that disparages a group might fall within one of those categories?



Prior to the Supreme Court's decision in *Tam*, Professor Rebecca Tushnet contended that section 2(a) is generally constitutional as set forth below:

I conclude that §2(a) is generally constitutional as a government determination about what speech it is willing to approve, if not endorse. If the Supreme Court disagrees, it will face a difficult job distinguishing other aspects of trademark law. And these difficulties signal a greater problem: the Court has lost touch with the reasons that some content-based distinctions might deserve special scrutiny. Often, perfectly sensible and by no means censorious regulations that depend on identifying the semantic content of speech would fall afoul of a real application of heightened scrutiny, to no good end.

Rebecca Tushnet, *The First Amendment Walks into a Bar: Trademark Regulation and Free Speech*, 92 Notre Dame L. Rev. 381 (2016).

Now that *Tam* and *Brunetti* have declared the disparaging, scandalous and immoral prongs unconstitutional, consider the constitutionality of other bars to registration when encountering them later in this Chapter. For example, section 2(c) prohibits registration of “a name, portrait or signature identifying a particular living individual [without consent]” or of “a deceased president of the United States, during the life of his widow [without consent of the widow].” Does this provision suppress expressive speech? What if the individuals are public figures? If Nancy Reagan were still alive, could someone be barred from registering RONALD REAGAN SUCKS for baby bottles? Would this now pass constitutional muster?

Also consider in later chapters whether other statutory provisions present constitutional issues. For example, the tarnishment and blurring prongs of dilution discussed in Chapter 9 protect famous marks even without a finding of likelihood of confusion. If, for instance, CHARBUCKS for coffee were found to dilute the STARBUCKS mark either because it tarnishes or blurs the distinctiveness of that mark, should that raise a constitutional issue? Cf. *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, casebook, Chapter 9.B. Was Professor Tushnet correct to raise concerns about “a real application of heightened scrutiny, to no good end”? Should Justice Kagan's opinion for the majority in *Brunetti*, which focused solely on viewpoint discrimination, alleviate Professor Tushnet's concerns expressed above? See Rebecca Tushnet's 43(B)log, “The Supreme Court and the Tone Argument (*Iancu v. Brunetti*) June 25, 2019, <https://tushnet.blogspot.com/2019/06/the-supreme-court-and-tone-argument.html>.

### *Questions*

1. Was the *Brunetti* majority opinion correct in refusing to narrow interpretation of the scandalous prong to encompass only profanity, vulgarity and obscenity in the mode of expression as Justice Sotomayor's dissenting opinion would have done? Would Congress be free to enact this more limited measure?

2. Professors Beebe and Fromer analyzed treatment of scandalous and immoral marks by PTO Examiners from 2003 through 2015 and concluded that application of the bars was inconsistent and arbitrary. 8 NYU J. Intellectual Property and Entertainment Law (Spring 2019). The authors highlighted 114 applications that received both a scandalous or immoral refusal *and* a 2(d) refusal based on an

existing registration that was considered confusingly similar to the applied-for marks. For example, MILF SEEKER for online entertainment services was refused as scandalous and immoral *and* as confusingly similar to MILFHUNTER that was registered for the same services. The article also points to over 700 applications that did not receive a refusal even though the mark matched an existing mark that did. This data was presented to the Supreme Court in *Brunetti* as the co-authors had submitted an amicus brief in favor of the respondent. If Congress enacted a more limited statute as set forth by the dissenters, could Examiners be expected to be more consistent and less arbitrary? Would it be preferable to permit such a bar to registration to be asserted only in opposition or cancellation proceedings brought by third parties at the TTAB similar to likelihood of dilution (as specified in section 2(f))?

3. Recall the discussion in Chapter 2.A.1.a in the casebook and *supra*, this Supplement, concerning slogans. Once Brunetti's application is published for opposition, could a competitor assert that Brunetti's "mark" is a varied spelling of a common saying that consumers would not perceive as a mark and thus that it is not protectable? The Beebe and Fromer article in Question 2 documents the existence of registrations that are similar to Brunetti's for similar goods. Could one of those registrants assert a 2(d) claim in an opposition?

4. Is viewpoint discrimination in favor of decorum more or less acceptable than viewpoint discrimination in favor of tolerance and civility? After *Tam*, must the PTO register the gamut of marks expressing all forms of hate speech? What difference, if any, might it make if the denigrating mark were a collective or certification mark?

### ***b. Deceptive Terms***

#### **Page 236. Insert Questions 5 and 6.**

5. CANINE CAVIAR for animal foodstuffs, pet foods and edible pet treats. Evidence submitted by Examiner showed that caviar means fish roe and that at least one U.S. pet food and a couple of UK pet foods include caviar. Applicant's experts indicated that an alternative meaning of caviar is the best of its kind and that caviar is practically non-existent as a pet food ingredient in the U.S. See *In re Canine Pet*, 126 U.S.P.Q.2d 1590 (T.T.A.B. 2018).

6. DENIM & CO. for women's clothing "made of materials other than denim all sold through interactive television and interactive online media wherein the clothing products offered for sale are modeled and whereby detailed information regarding such clothing products is provided including information as to the fabrics and materials from which such clothing is made." See *In re QVC, Inc.*, Serial No. 86670074 (T.T.A.B. Jan. 21, 2020), *on appeal*, *QVC v. Iancu*, 1:20-cv-00318 (D. Va.).

## 2. Sections 2(b) and 2(c) of the Lanham Act

**Page 243. Insert the following text before the last two sentences of *Note: Refusal under 2(b)* and start a new paragraph comprising the last two sentences of the *Note* after this additional text.**

The Board articulated factors that Examiners consider in determining whether a flag design will be perceived as a simulation: “(1) color; (2) presentation of the mark; (3) words or other designs to the drawing; and (4) use of the mark on the specimen(s).” *In re Alabama Tourism Dept.*, 2020 U.S.P.Q.2d 10485 (T.T.A.B. 2020). The Board noted, however, the following situations in which refusal of the design of a flag would not be appropriate:

- . The flag design is used to form a letter, number, or design.
- . The flag is substantially obscured by words or designs.
- . The design is not in a shape normally seen in flags.
- . The flag design appears in a color different from that normally used in the national flag.
- . A significant feature is missing or changed.

*Id.*, quoting, TMEP §1204.01(b). The mark at issue in *Alabama Tourism* is shown here:



Applying the criteria outlined above, is the flag design a simulation of the American flag or would refusal “not be appropriate”?

**Page 245. Insert Questions 3 and 4.**

3. The middle name of Opposer’s founder is Manikchand. Opposer filed an opposition under Section 2(c) against registration of the mark MANIKCHAND for snuff on the ground that it is the name of a living individual. At the time the opposition was filed, Opposer’s founder was alive. However, the founder died before the trial. Does Opposer still have a cognizable claim? Would it have been prudent also to oppose on the ground of false suggestion of a connection under Section 2(a)? *See M/S R.M. Shariwal (HUF) 100% EOU v. Sarda King Ltd.*, 2019 TTAB LEXIS 95 (April 26, 2019).

4. Before he became U.S. President, Donald Trump used the TRUMP name and mark widely in connection with real estate developments, hotels, casinos and various types of merchandise, such as wine, posters, furniture, beverage ware and apparel. He was also was a well-known TV reality star and has often been caricatured sporting his shock of blond hair. During his 2016 Presidential campaign, he extensively

used the slogan “Making [sic] America Great Again.” ADCO Industries applied to register the following two marks for utility knives:

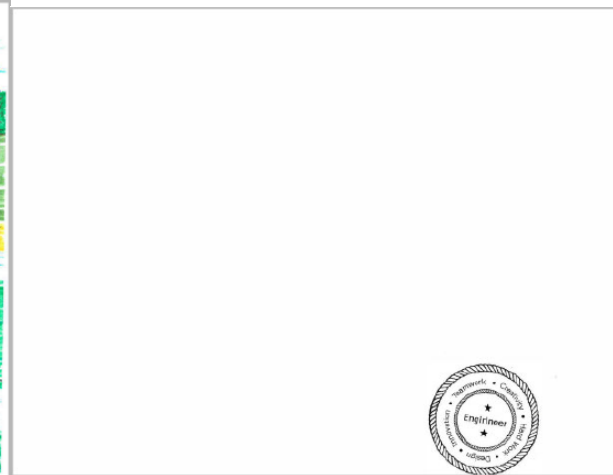
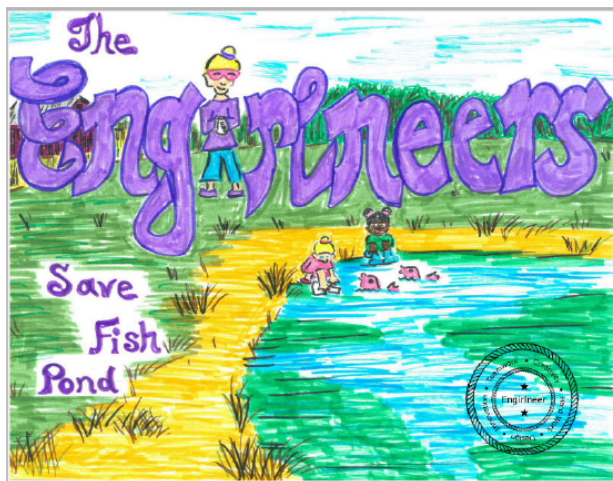


Would the Examiner have grounds to refuse registration based on section 2(c)? Would there be any other grounds encountered so far that would be applicable, such as false suggestion of a connection under section 2(a)? Would Applicant have a viable argument that refusals based on either ground would violate Applicant’s free speech rights under the Supreme Court’s decisions in *Matal v. Tam* and *Iancu v. Brunetti*, *supra*, section C.1.a, this Supplement? Why or why not? See *In re ADCO Industries-Technologies, L.P.*, 2020 TTAB LEXIS 7 (T.T.A.B. 2020).

### 3. Section 2(d) of the Lanham Act: Likely Confusion

**Page 254. Add Question 5 and the following cases after *Coach*.**

5. A threshold issue in determining likelihood of confusion is possession of a protectable, prior right in a mark. The Trademark Office has taken the position that the title of a single work, such as of a single book or movie (as opposed to a series of such works), is not protectable or eligible for registration as it merely describes the content of the work. What if a title also appears on such a work in a different manner? In *DeVivo v. Ortiz*, 2020 TTAB LEXIS 15 (T.T.A.B. 2020), the term ENGIRLNEER appeared as part of a title of a downloadable children’s book “The Engirlneers Save Fish Pond.” It also identified certain characters in the book and appeared within a seal on the front and back book covers as shown below. Should either of these uses constitute protectable trademark use?



**Omaha Steaks Int'l v. Greater Omaha Packing Co.**, 908 F.3d 1315 (Fed. Cir. 2018). The court vacated and remanded the TTAB's finding of no likelihood of confusion between Opposer's OMAHA STEAKS marks for meats and Applicant's GREATER OMAHA PROVIDING THE HIGHEST QUALITY BEEF and Design for meat, in part due to errors the Board made in assessing the *DuPont* factor of fame. The Board reasoned that Opposer failed to contextualize its evidence of sales, advertising and promotion. The court found that this was error and noted:

The Board misreads *Bose*. The Board interpreted *Bose* to require evidence of resulting "market share." Our holding was not so narrow. Market share is but one way of contextualizing ad expenditures or sales figures. *See Bose*, 293 F.3d at 1375 ("The Board suggested that one form of such context would be the substantiality of the sales or advertising figures for comparable types of products."). Though *Bose* expressly approves of using market share, it does not require it. *See id.* (discussing other contextual evidence such as "general reputation" of marked product).

*Bose* simply concluded that in light of modern advertising, "raw numbers *alone* in today's world may be misleading." *Id.* (emphasis added). *Bose* explained that understanding the type of advertising was key to contextualizing the numbers to arrive at a proper understanding of whether customers would recognize the mark. For example, "a 30-second spot commercial shown during a Super Bowl football game may cost a vast sum, but the expenditure may have little if any impact on how the public reacts to the commercial message." *Id.* At the other end of the spectrum, "handbills passed at little cost to millions of consumers (for example, to New Yorkers exiting subway stations) may amount to the kind of advertising that is probative of consumer recognition of a mark." *Id.*

Here, as the Board's own factual findings confirm, Omaha Steaks provided considerable contextual evidence of the type of advertisements and *promotions* it uses to gain sales. Specifically, Omaha Steaks senior vice president of sales and marketing, Mr. Simon, testified that it markets and sells its Omaha Steaks' products via:

- catalog and direct mail, a daily blast email, customer calls, and on social media platforms, including Twitter, Instagram, Pinterest, and Facebook, where it has over 300,000 followers.
- a direct mail advertising program operating on a rotating basis with about 2 million customers that are solicited throughout the year.
- national radio and television campaigns, free-standing print campaigns, and mention in national magazines, including *Time*, *Newsweek*, *Playboy*, and *PC Magazine*, and newspapers, including *USA Today*, the *Wall Street Journal*, the *New York Times*, and the *LA Times*.
- TV promotions of goods and services under the Omaha Steaks mark on the following TV shows: "Fox & Friends," "Hell's Kitchen," "Celebrity Apprentice," and "The View."

- features of Omaha Steaks products on “The Oprah Winfrey Show,” “The Ellen DeGeneres Show,” “Food Factory,” “Unwrapped,” and “Military Makeover.”
- unsolicited movie and TV allusions to Omaha Steaks. *See, e.g.*, J.A. 38 (discussing mentions in “Dodgeball,” “Flipper,” “The West Wing,” “Seinfeld,” “The George Lopez Show,” and “Dennis Miller Live”).
- seventy-five stores in twenty-five states, including New York, Illinois, Florida, Georgia, Ohio, Kentucky, Missouri, Nebraska, California, Colorado, Nevada, Arizona, Texas, Pennsylvania, and New Jersey, as well as two kiosks at the Omaha airport.
- appearances of Omaha Steaks’ kiosks in nationally released films, including “Up in the Air” and “About Schmidt

The Board’s fact-findings above confirm that due to Omaha Steaks’ sales and marketing efforts, the consuming public has been regularly exposed to Omaha Steaks’ marks on a nationwide scale. Based on this undisputed record, the Board’s conclusion that *Omaha Steaks* did not provide any context for its “raw” sales figures and ad expenditures lacks substantial evidence.

Relatedly, GOP also appears to argue that Omaha Steaks’ evidence of fame should be disregarded because the record does not include copies of the underlying advertisements. The Board emphasized that Omaha Steaks “provided no examples of its advertising content showing how the OMAHA STEAKS marks are used across the various referenced media, or any other evidence corroborating Plaintiff’s testimony. In the Board’s view, such evidence was necessary to understand whether the marks were “being displayed in a manner that leads to widespread recognition.” *Id.*

In *Bose*, such granular detail was necessary given the nature of the marks. Specifically, there was a dispute as to whether the Bose marks at issue—ACOUSTIC WAVE and WAVE—were well-recognized as freestanding marks, or depended on the fame of the already famous BOSE “house mark” in the same ads. *Bose*, 293 F.3d at 1374-75. In turn, that case demanded a careful examination of the ads’ content. *Id.* at 1375 (“In this case, the sales and advertising numbers for ACOUSTIC WAVE and WAVE have to be seen both in the context of how the products are presented in the advertising and sales material (here with sufficient independence from the famous house mark) and in the context of the continuous and extensive critical consideration the marked products have enjoyed.”).

Here, the need to comb through the content of the ad to parse out the level of recognition attributable to a freestanding mark is not present. It is undisputed that the tradename “Omaha Steaks” and related uses in its marks are what is being promoted, not a separate brand merely associated with its house mark. As counsel for Omaha Steaks

pointed out during oral argument—and GOP did not dispute—every registered mark submitted here includes the phrase “Omaha Steaks.”

In light of the direct overlap between the company’s name and its marks, it is undisputed that an Omaha Steaks ad involved either its registered tradename, “OMAHA STEAKS,” or one of its registered trademarks displaying that name. Indeed, in several instances, the Board’s own findings also expressly describe the use of an Omaha Steaks trademark in promotional appearances on national television and in major public venues. *See, e.g.*, J.A. 37 (“Todd Simon has personally promoted Plaintiff’s goods and services under the Omaha Steaks mark on the following television shows: ‘Fox & Friends,’ ‘Hell’s Kitchen,’ ‘Celebrity Apprentice’ and ‘The View.’” (emphasis added)); J.A. 38 (“Omaha Steaks’ goods and services are promoted under the Omaha Steaks mark through concessions, and some signage, at venues in *Omaha*, e.g., the CenturyLink Center arena, TD Ameritrade Park, Ralston arena, Storm Chasers Stadium and the Omaha Henry Doorly Zoo.” (emphasis added)).

**In re Guild Mortg. Co.**, 912 F.3d 1376 (Fed. Cir. 2019). The appellate court vacated the TTAB’s finding of likelihood of confusion between GUILD MORTGAGE COMPANY and Design for mortgage banking services and GUILD INVESTMENT MANAGEMENT for investment advisory services and remanded the proceedings. The court faulted the Board for failing to consider the eighth *DuPont* factor, i.e. the “length of time and conditions under which there has been concurrent use without evidence of actual confusion.” Applicant had put in evidence and made arguments that there was 40 years of concurrent use and that applicant was unaware of any confusion. The court, without deciding the likelihood of confusion issue, said it was error not to address evidence and arguments involving one of the *DuPont* factors:

In every case turning on likelihood of confusion, it is the duty of the examiner, the Board and this court to find, upon consideration of *all* the evidence, whether or not confusion appears likely.” *DuPont*, 476 F.2d at 1362 (emphasis in original). “In discharging this duty, the thirteen *DuPont* factors ‘must be considered’ ‘when [they] are of record.’” *In re Dixie Rests., Inc.*, 105 F.3d 1405, 1406 (Fed. Cir. 1997) (quoting *DuPont*, 476 F.2d at 1361). This is true even though “not all of the *DuPont* factors are relevant or of similar weight in every case.” *Id.* at 1406; *see also Hewlett-Packard Co. v. Packard Press, Inc.*, 281 F.3d 1261, 1265 (Fed. Cir. 2002) (noting the likelihood of confusion analysis “considers all *DuPont* factors for which there is evidence of record” but may focus on dispositive factors).

The Board erred by failing to address Guild’s argument and evidence related to *DuPont* factor 8, ... In response to the examiner’s refusal to register Guild’s mark on the basis of likelihood of confusion, Guild argued that it and Registrant have coexisted in business for over 40 years without any evidence of actual confusion. Guild attached the declaration of Mary Ann McGarry, its President and CEO, who stated that

Guild is not aware of any instances of actual confusion, or of any evidence to indicate that actual confusion has ever existed between Guild's use of the mark "GUILD MORTGAGE COMPANY" and the mark "GUILD INVESTMENT MANAGEMENT," or any other mark incorporating the term "Guild." Guild has never received any communication from Guild Investment Management, Inc., or from any third party contending that Guild's use of its mark has infringed upon Guild Investment Management Inc[.]'s mark, or has caused confusion with regard to any other business which uses or incorporates the word "Guild" in its mark, in any way. Guild has no knowledge of ever receiving any inquiries from consumers regarding investment management services of any kind. Guild has never received any communication from consumers or any third party inquiring as to whether Guild was in any way affiliated with Guild Investment Management, Inc.

...

The PTO responds that the Board properly need not credit this argument because in *ex parte* registration proceedings, the "uncorroborated statements of no known instances of actual confusion" of the only party involved in the case are "of little evidentiary value." 42 (quoting *In re Majestic Distilling Co.*, 315 F.3d 1311, 1317 (Fed. Cir. 2003)). And during oral argument, the PTO argued that evidence related to *DuPont* factor 8 was "irrelevant." But these proclamations to dismiss Guild's evidence out of hand sweep too broadly. *DuPont* factor 7 considers the "nature and extent of any actual confusion." *DuPont* factor 8 considers the "length of time during and conditions under which there has been concurrent use without evidence of actual confusion." In *Majestic Distilling*, this court held, "[w]ith regard to the seventh *DuPont* factor, we agree with the Board that Majestic's uncorroborated statements of no known instances of actual confusion are of little evidentiary value." 315 F.3d at 1317. The *Majestic Distilling* court did not extend this holding to the eighth factor, which it termed one of Majestic's "principal challenge[s]." *Id.* The court considered evidence that the marks were used concurrently for 16 years without creating confusion. *Id.* Such evidence weighs against a likelihood of confusion, but must then be balanced against the other evidence of record. The *Majestic Distilling* court held that while "Majestic's principal arguments are not without merit, . . . we find the balance in this case tilts towards a likelihood of confusion." *Id.* at 1319.

In this case, although Guild did not submit declarations from the owner of the registered mark or other parties testifying as to the absence of actual confusion, Guild nonetheless presented evidence of concurrent use of the two marks for a particularly long period of time—over 40 years—in which the two businesses operated in the same geographic market—southern California—without any evidence of actual confusion. Further, the Board has found that Guild's and Registrant's services are similar and move in the same channels of trade, which is relevant when assessing whether the absence of



actual confusion is indicative of the likelihood of confusion. The Board erred in its analysis by failing to consider this evidence and argument as to factor 8. Because this evidence weighs in favor of no likelihood of confusion, we do not deem the Board's error harmless. We make no assessment as to the evidentiary weight that should be given to Guild's CEO's declaration and simply hold that it was error to not consider it. We leave it to the Board to reconsider its likelihood of confusion determination in the first instance in light of all the evidence.

**Page 262. Add Editors' Note after *B&B Hardware***

*Editors' Note:* The long-running *B&B Hardware* saga has finally come to an end with the Eighth Circuit's latest opinion in which it affirmed the district court's judgment in favor of defendant Hargis based on the jury's finding that B&B committed fraud when it submitted its affidavit of incontestability in support of its registration on which it had relied to assert secondary meaning in its mark. The incontestability status of that registration was the basis for re-asserting infringement claims. As there was no other intervening factual change that would permit B&B to re-assert such claims, the court affirmed that B&B Hardware was barred by collateral estoppel, and the Supreme Court denied the certiorari petition. *B&B Hardware, Inc. v. Hargis Indus.*, 912 F.3d 445 (8<sup>th</sup> Cir. 2018), *cert. denied*, 140 S. Ct. 218 (2019).

**Page 262. Add Questions 4 and 5 after Question 3.**

4. Opposer's Cesari's LIANO was an Italian red sangiovese/cabernet sauvignon wine; applicant's LIANA was a Napa Valley late harvest dessert wine that sold at a much higher price point than opposer's wine. Both parties' respective registration and application, however, covered simply "wines" rather than describing specific types or channels of trade. The TTAB found LIANA for wine confusingly similar to LIANO for wine as a matter of law by comparing the marks and goods set forth in the parties' respective application and registration, reasoning:

opposer's pleaded mark LIANO and applicant's mark LIANA, are almost identical. The sole distinction between the two marks is the last letter, which is insufficient to distinguish the marks' high degree of similarity.

With regard to the goods of the pleaded registration and involved application, there is no genuine issue that the parties' goods are identical. Applicant's assertion that its wine is distinguishable because it is a dessert wine is unpersuasive. [Citation.] Here, neither opposer's pleaded registration nor the involved application has restrictions as to the channels of trade or purchasers.

*Cesari S.r.l. v. Peju Province*, Opp. No. 91158373 (July 20, 2004). Over a decade later, the Southern District of New York granted summary judgment to Cesari with respect to the Peju Province defendant on the basis of issue preclusion:

Defendants ... argue that their actual marketplace usage of LIANA is materially different from that which the TTAB adjudicated [which] ... is limited to: wines from grapes grown in Northern California, wines purchased by sophisticated customers; new world wines; wines priced between \$40 and \$60 a bottle; and wines sold on specific websites and at specific wineries.

Defendants' argument is a distinction without a difference... The specific trade channels and classes of consumers that purportedly characterize the LIANA mark's usage are among the "reasonable trade channels" and "usual classes of consumers" the TTAB considered. In other words, the marketplace usage the TTAB considered, wines, entirely encompasses the narrower usages defendants proffer in this litigation. Wines purchased by sophisticated consumers, after all, are still wines. Because defendants have not offered any evidence that LIANA is used with respect to goods other than wines (bicycles or soda, for instance), there are no "non-disclosed" usages that might necessitate a successive adjudication. *See B&B Hardware*, 135 S. Ct. at 1307-08.

Is this a proper application of *B&B Hardware*? Consider Justice Ginsburg's concurring opinion in the casebook, Ch.4.C.3. Consider also the cases in Chapter 6 on confusing similarity of wine trademarks.

5. Since the mid-1990's, Marshall Mathers III, the well-known musical artist Eminem, has used the following stylization for his name featuring a backward second letter "E" **EMINEM** in connection with his performances and apparel. He has also used the backward "E" alone shown here **E** since 2000 for the same goods and services. On July 17, 2018, he filed an ITU application to register the stylized mark **313** for a broad range of apparel. Three Thirteen Licensing owns a 2010 registration for the standard character word mark THREE THIRTEEN for a broad range of apparel, some of which items are identical to those covered in the new application for Eminem. Three Thirteen filed an opposition, asserting likelihood of confusion under 2(d). How should the Board rule? *See* Opposition No. 91242434.

## 5. Section 2(e)(4) of the Lanham Act: Surnames and Other Issues

Page 284. Add Question 4 and case excerpt below.

4. Does adding an initial or two before a surname transform it into a personal name rather than just a surname? In *In re Colors in Optics, Inc.*, 2020 TTAB LEXIS 4 (T.T.A.B. 2020), J. HUTTON for eyewear met with a surname refusal. Applicant contended that the mark stood for Jade Hutton, whose consent (signed by Jade Hutton) was submitted at the PTO. The Board noted that her father Sanford Hutton was CEO of the company, and that there was no evidence presented that she used or was known as J. Hutton. The Board affirmed the refusal and distinguished cases relied upon by the Applicant. For example, J.J. Yeley, well known by that designation as a race car driver, was not found to be primarily merely a surname. The Board, albeit noting that two initials are more likely to succeed than one initial in

creating a personal name rather than “merely a surname,” rejected a per se rule and indicated in some cases a single initial may be enough and two initials may not be. What type of evidence would the Applicant need to provide in order to overcome the refusal of J. HUTTON? Recall the discussion in *Peaceable Planet, Inc. v. Ty*, casebook at p. 69-70, of rationales for the common law rule of requiring secondary meaning for first names as well as for surnames. Is there any rationale that justifies allowing registration of personal names without secondary meaning? Does the reasoning articulated in *Ty* provide any guidance for not applying the common law rule regarding personal names in the registration context?

**Schlaflly v. St. Louis Brewery, LLC**, 909 F.3d 420 (Fed. Cir. 2018). A showing of secondary meaning is required when a mark is merely a surname. Here, the political activist Phyllis Schlaflly and Dr. Bruce Schlaflly opposed registration of the word mark SCHLAFLY for beer on the ground that it was merely a surname that was in fact associated with the well-known Phyllis Schlaflly and that secondary meaning had not been proven because no survey evidence had been submitted. The Federal Circuit rejected this argument and found that the evidence of secondary meaning submitted by Applicant was sufficient without a survey.

Section 2.41 of Title 37 of the Code of Federal Regulations in relevant part, provides that the following types of evidence may be considered to show secondary meaning:

- (1) *Ownership of prior registration(s)*. In appropriate cases, ownership of one or more active prior registrations on the Principal Register or under the Trademark Act of 1905 of the same mark may be accepted as prima facie evidence of distinctiveness if the goods or services are sufficiently similar to the goods or services in the application; however, further evidence may be required.
- (2) *Five years substantially exclusive and continuous use in commerce*. In appropriate cases, if a trademark or service mark is said to have become distinctive of the applicant’s goods or services by reason of the applicant’s substantially exclusive and continuous use of the mark in commerce for the five years before the date on which the claim of distinctiveness is made, a showing by way of verified statements in the application may be accepted as prima facie evidence of distinctiveness; however, further evidence may be required.
- (3) *Other evidence*. In appropriate cases, where the applicant claims that a mark has become distinctive in commerce of the applicant’s goods or services, the applicant may, in support of registrability, submit with the application, or in response to a request for evidence or to a refusal to register, verified statements, depositions, or other appropriate evidence showing duration, extent, and nature of the use in commerce and advertising expenditures in connection therewith (identifying types of media and attaching typical advertisements),

and verified statements, letters or statements from the trade or public, or both, or other appropriate evidence of distinctiveness.

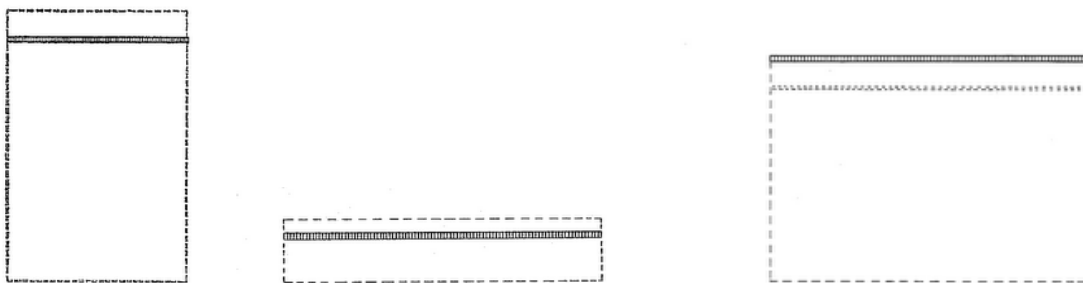
37 C.F.R. § 2.41(a).

SLB presented all three types of evidence to the Board, and the Board evaluated fifteen different forms of evidence in reaching its conclusion. These included evidence of the commercial success of SCHLAFLY-branded beer through sales at restaurants and large retailers, evidence of sales of over seventy-five million servings of SCHLAFLY-branded beer between 2009 and 2014, and media coverage in local and national media outlets, including USA Today, The Washington Post, and The Wall Street Journal. In addition, SLB demonstrated more than twenty-five years of continuous use of the SCHLAFLY mark. The Board also found direct evidence, in the form of press notices which were “direct evidence of third-party perceptions of the mark.” The Board and courts have recognized that both direct and circumstantial evidence may show secondary meaning. *See Yamaha Intern. Corp. v. Hoshino Gakki Co., Ltd.*, 840 F.2d 1572, 1583, (Fed. Cir. 1988) (“[A]bsence of consumer surveys need not preclude a finding of acquired distinctiveness. . . . To prove distinctiveness under 15 U.S.C. § 1052(f), applicants may submit any appropriate evidence tending to show that the mark distinguishes [applicant’s] goods.”) (internal quotation marks omitted).<sup>2</sup>

## 6. Section 2(e)(5) of the Lanham Act: Functionality

**Page 291. Renumber Question as 1 and insert Question 2.**

2. Illinois Tool owns three registrations for colored stripes across the top of plastic storage bags, flexible reclosable faster strips and reclosable film tubing and plastic film sheeting. The drawings of the three marks are shown below:



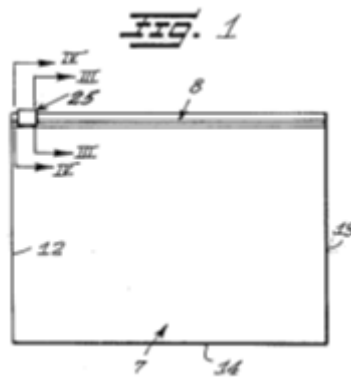
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2. *See also Herman Miller, Inc. v. Palazzetti Imports and Exports, Inc.*, 270 F.3d 298, 315, (6th Cir. 2001) (“[C]onsumer surveys, while helpful, are not a prerequisite to establishing secondary meaning.”); *see* 2 McCarthy on Trademarks and Unfair Competition § 15:30 (“Survey data is direct evidence of secondary meaning. But survey evidence is not required. Secondary meaning can be, and most often is, proven by circumstantial evidence.”).

Poly-American petitioned to cancel the registrations on ground that the product design features are functional. Illinois Tool also had owned an expired patent, claim 6 of which is set forth below:

6. A flexible closure comprising a pair of flexible closure strips each having a web portion and a marginal portion integral therewith, the marginal portions having interlocking rib and groove elements extending there along and forming a lock between the marginal portions when engaged, ...and a separating flange on the marginal portion of at least one of said strips for separating the strips and the rib and groove elements and disengaging the lock, *said flange being colored differently than the strips to facilitate identification of the flange and assist in separation of the strips.*

One of the expired patent's drawings is reproduced below:



Illinois Tool contends that 50 years of use convinced the inventor that there had never been any functionality to its color line trademarks. How should the Board rule? *See Poly-America, L.P. v. Illinois Tool Works Inc.*, 124 U.S.P.Q.2d 1508 (T.T.A.B. 2017), on appeal to the Northern District of Texas, Civ. Action No. 3:18-cv-443.

## Chapter 5

# Loss of Trademark Rights

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### A. Genericism

#### 1. Development of the Standard

**Page 299.** Add new Question 3:

3. Recall the CHEERIOS trademark claim that was rejected by the TTAB in *In re General Mills IP Holdings II, LLC*, 124 U.S.P.Q.2d 1016 (T.T.A.B. 2017), this Supplement, *supra*, Chapter 2.A.1. The Board in that case held that the yellow cereal box did not function as a mark, partly based on the fact that “the breakfast cereal marketplace is awash in brightly colored” yellow packages. *See also, Milwaukee Electric Tool Corp. v. Freud America, Inc.*, 2019 U.S.P.Q.2d 460354 (T.T.A.B. 2019) (color red held generic for saw blades and saws where evidence showed more than four dozen third-party uses of red in connection with such products). Could General Mills have taken any action previously that would have changed this result? Would the *Bayer Co. v. United Drug Co.* decision, which found ASPIRIN generic for consumers, have offered any helpful guidance?

**Page 304.** *Elliott v. Google, Inc.* was affirmed. 860 F.3d 1151 (9th Cir. 2017).

#### 2. Implementing the Standard: Survey Evidence

**Page 312.** Add the following excerpt at the end of the *Princeton Vanguard* excerpts:

On remand the Board again reached the conclusion that PRETZEL CRISPS is generic. **Frito-Lay North America, Inc. v. Princeton Vanguard LLC**, 124 U.S.P.Q.2d 1184 (T.T.A.B. 2017). This time, however, the Board thoroughly analyzed the Teflon surveys of both sides and found that both suffered from flaws that would lessen their probative value, including plaintiff’s survey’s failure to administer a prior mini-test to screen eligible survey respondents and defendant’s survey’s use of WHEAT THINS as an example of a brand name in explaining the difference between a brand and a common name. The Board ultimately disregarded both surveys because it concluded that the Teflon-format survey is only appropriate when testing whether a term that was initially a mark had become generic.

...We note, in this regard, that several such “sister circuits” have found Teflon surveys to be unpersuasive when used outside the specific context of genericide, i.e., testing to see whether a term that may once have been a mark has become generic.

Specifically, where, as here, one party claims to have exclusive rights in a term that was not previously controlled by that party as a coined term, courts have found that Teflon surveys are ineffective at determining the true weight of public perception. *See Hunt Masters, Inc. v. Landry's Seafood Restaurant, Inc.* 240 F.3d 251, 255, 57 USPQ2d 1884, 1886 (4th Cir. 2001) (“Hunt does not claim to have first coined the term ‘crab house.’ Therefore, it is not necessary to determine whether the term has become generic through common use, rendering Hunt’s customer survey irrelevant.”); *Miller Brewing Co. v. Jos. Schlitz Brewing Co.*, 605 F.2d 990, 203 USPQ 642, 647 (7th Cir. 1979) (“When Judge Learned Hand said that whether a word is generic depends on what ‘buyers understand by the word,’ . . . he was referring to a coined word for a commercial product that was alleged to have become generic through common usage. He was not suggesting that the meaning of a familiar, basic word in the English vocabulary can depend on associations the word brings to consumers as a result of advertising.”); *Schwan’s IP, LLC v. Kraft Pizza Co.*, 460 F.3d 971, 79 USPQ2d 1790, 1794 (8th Cir. 2006) (citing *Hunt Masters* and *Schlitz*) (finding that district court did not err in failing to consider survey in genericness analysis, since this was a situation where term was “commonly used before either party began labeling their frozen pizzas with the term”); *see also National Nonwovens, Inc. v. Consumer Products Enterprises, Inc.*, 397 F.Supp.2d 245, 78 USPQ2d 1526, 1533 (D. Mass. 2005) (citing *Hunt Masters*) (in ruling for defendant on summary judgment and finding plaintiff’s asserted mark to be generic, court found survey by plaintiff at trial would be “unnecessary” since plaintiff’s asserted mark was not a coined term).

...Defendant cites a district court case that criticizes the position. In *Primary Childrens’ Med. Ctr. Found. v. Scentsy, Inc.*, 104 USPQ2d 1124, 1127 (D. Utah 2012), the court found that the plaintiff’s mark FESTIVAL OF TREES for a holiday fundraiser was arbitrary. Nevertheless, the court further found that there were hundreds of other similar uses by other organizations. Thus, the court noted that to the extent the defendant contended that the plaintiff’s survey was irrelevant pursuant to the logic set forth in *Hunt Masters* and *Schwan’s*, the court disagreed with those courts:

[T]he court agrees with authorities that challenge this position and finds that consumer surveys can play an important role in determining primary significance even if the term at issue was not first coined by the party seeking to protect its mark. *Id.* at 1129 (citing McCarthy § 12:17.50).

We note that the *Scentsy* case is somewhat distinguishable in that the court did find the mark at issue to be arbitrary despite third-party use. Furthermore, the court based its decision on the fact that although there were third-party uses of the term, none were in Utah, where the plaintiff was based, a fact we cannot consider when determining the right to nationwide trademark registration.

As noted, Professor McCarthy has expressed in his treatise his personal view that the finding of *Hunt Masters* is “flawed” and “erroneous.” McCarthy § 12:17.50. In particular, Professor McCarthy expresses concern that arbitrary marks, which are not

“coined” should be allowed to be proven as non-generic, and for this he gives the examples of the brands SHELL (for oil), IVORY (for soap), and HARP (for lager). We note, however, that ... it is implicit in the wording of the cases of the Fourth, Seventh, and Eighth Circuits ...that an arbitrary mark, similar to a “coined” mark, could be established as non-generic, potentially via a Teflon survey, although a mark that was not inherently distinctive when first used could not. We also use caution in interpreting the Federal Circuit’s case law, as cited by Professor McCarthy in § 12:47 (4th ed. June 2017 Update). See *Opryland USA Inc v Great American Music Show, Inc.*, 970 F.2d 847, 23 USPQ2d 1471, 1476 (Fed. Cir. 1992). The case specifically states that the proceeding is *not* about whether the term “opry,” previously determined to be generic, has been “recaptured as a trademark,” but rather only discusses the term as a “component” of another asserted mark. *Id.* We follow the Federal Circuit’s view of its decision. The *Opryland* case does not stand for any proposition that generic terms can be recaptured as trademarks. We are not aware of any such precedent, nor are we prepared to create it.

Do you agree with the Board’s conclusion that the Teflon test is ill suited to measure genericness when a term is not coined or arbitrary? What about a suggestive term, which is also considered “inherently distinctive”? Perhaps dissatisfaction with the result in the previous appeal to the Federal Circuit led the defendant to appeal the Board’s second decision to the district court in the Western District of North Carolina. The district court, however, held that it lacked subject matter jurisdiction as the defendant had waived its right to appeal to a district court after taking a first appeal in the case to the Federal Circuit. 414 F. Supp. 3d 822 (W.D.N.C. 2019).

**Page 313. Delete Question 2 and replace it with the following Question.**

2. Given the Federal Circuit’s statement in the PRETZEL CRISPS case that “consumer surveys may be a preferred method of proving genericness,” did the Board’s decision on remand follow this direction? Did the court in *Tiffany* properly dismiss Costco’s counterclaim of genericness as a matter of law based on the survey evidence despite the lexicographic evidence to the contrary? For a later opinion in *Tiffany and Co. v. Costco Wholesale Corp.* relating to profits and damages, see this Supplement Ch. 12.B.1., *infra*.

**Page 313. After the Questions, add the following case and Questions.**

The value of surveys in proving or disproving genericness became an issue in deciding the registrability of Booking.com for hotel reservation services. The Examining Attorney refused registration and the TTAB affirmed. Booking.com then appealed to a district court and introduced new evidence, including a survey. Unlike an appeal to the Federal Circuit, one to a district court is *de novo* and permits new evidence. Applicant’s Teflon-type survey indicated that nearly 75% of respondents considered the term a brand name, a fact relied upon by the district court in concluding that the term was descriptive with secondary meaning and by the majority panel of the Fourth Circuit in affirming this result. *Booking.com B.V. v. USPTO*, 915 F.3d 171 (4<sup>th</sup> Cir. 2018). The Supreme Court granted certiorari. In reviewing the



following opinions of the Justices, consider whether they provide any guidance to reliance on survey or other evidence in evaluating consumer perception of a term as a generic or brand name.

### **USPTO v. Booking.com B. V.**

2020 U.S. LEXIS 3517 (S. Ct. June 30, 2020)

JUSTICE GINSBURG delivered the opinion of the Court.

...

Booking.com is a digital travel company that provides hotel reservations and other services under the brand “Booking.com,” which is also the domain name of its website. Booking.com filed applications to register four marks in connection with travel-related services, each with different visual features but all containing the term “Booking.com.”

Both a PTO examining attorney and the PTO’s Trademark Trial and Appeal Board concluded that the term “Booking.com” is generic for the services at issue and is therefore unregistrable. “Booking,” the Board observed, means making travel reservations, and “.com” signifies a commercial website. The Board then ruled that “customers would understand the term BOOKING.COM primarily to refer to an online reservation service for travel, tours, and lodgings.” Alternatively, the Board held that even if “Booking.com” is descriptive, not generic, it is unregistrable because it lacks secondary meaning.

Booking.com sought review in the U. S. District Court for the Eastern District of Virginia, invoking a mode of review that allows introduc[tion of] evidence not presented to the agency. *See* §1071(b). Relying in significant part on Booking.com’s new evidence of consumer perception, the District Court concluded that “Booking.com”—unlike “booking”—is not generic. The “consuming public,” the court found, “primarily understands that BOOKING.COM does not refer to a genus, rather it is descriptive of services involving ‘booking’ available at that domain name.” *Booking.com B.V. v. Matal*, 278 F. Supp. 3d 891, 918 (2017). ...[T]he District Court additionally found that the term has acquired secondary meaning as to hotel-reservation services...

The PTO appealed only the ... determination that “Booking.com” is not generic. Finding no error in the District Court’s assessment of how consumers perceive the term “Booking.com,” the Court of Appeals for the Fourth Circuit affirmed.... [T]he appeals court rejected the PTO’s contention that the combination of “.com” with a generic term like “booking” “is *necessarily* generic.” 915 F. 3d 171, 184 (2019). Dissenting in relevant part, Judge Wynn concluded that the District Court mistakenly presumed that “generic.com” terms are usually descriptive, not generic.

We ... now affirm the Fourth Circuit’s decision.

## **II**

...[S]everal guiding principles are common ground. First, a “generic” term names a “class” of goods or services, rather than any particular feature or exemplification of the class. [*S*]ee §§1127, 1064(3), 1065(4) (referring to “the generic name for the goods or services”); *Park ’N Fly*, 469 U. S., at

194 (“A generic term is one that refers to the genus of which the particular product is a species.”). Second, for a compound term, the distinctiveness inquiry trains on the term’s meaning as a whole, not its parts in isolation. [Citations]; see *Bayer Co. v. United Drug Co.*, 272 F. 505, 509 (SDNY 1921) (Hand, J.) (“What do the buyers understand by the word for whose use the parties are contending?”). Eligibility for registration, all agree, turns on the mark’s capacity to “distinguish[ing]” goods “in commerce.” §1052. Evidencing the Lanham Act’s focus on consumer perception, the section governing cancellation of registration provides that “[t]he primary significance of the registered mark to the relevant public . . . shall be the test for determining whether the registered mark has become the generic name of goods or services.” §1064(3).<sup>3</sup>

Under these principles, whether “Booking.com” is generic turns on whether that term, taken as a whole, signifies to consumers the class of online hotel-reservation services. Thus, if “Booking.com” were generic, we might expect consumers to understand Travelocity—another such service—to be a “Booking.com.” We might similarly expect that a consumer, searching for a trusted source of online hotel-reservation services, could ask a frequent traveler to name her favorite “Booking.com” provider.

Consumers do not in fact perceive the term “Booking.com” that way, the courts below determined. The PTO no longer disputes that determination. See Pet. for Cert. I; Brief for Petitioners 17-18 (contending only that a consumer-perception inquiry was unnecessary, not that the lower courts’ consumer-perception determination was wrong). That should resolve this case: Because “Booking.com” is not a generic name to consumers, it is not generic.

### III

...[T]he PTO urges a nearly *per se* rule that would render “Booking.com” ineligible for registration regardless of specific evidence of consumer perception. In the PTO’s view, which the dissent embraces, when a generic term is combined with a generic top-level domain like “.com,” the resulting combination is generic. In other words, every “generic.com” term is generic according to the PTO, absent exceptional circumstances.<sup>4</sup>

The PTO’s own past practice appears to reflect no such comprehensive rule. See, e.g., Trademark Registration No. 3,601,346 (“ART.COM” on principal register for, *inter alia*, “[o]nline retail store services” offering “art prints, original art, [and] art reproductions”); Trademark Registration No. 2,580,467 (“DATING.COM” on supplemental register for “dating services”). Existing registrations

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<sup>3</sup>The U.S. Patent and Trademark Office (PTO) suggests that the primary-significance test might not govern outside the context of §1064(3), which subjects to cancellation marks previously registered that have “become” generic. To so confine the primary-significance test, however, would upset the understanding, shared by Courts of Appeals and the PTO’s own manual for trademark examiners, that the same test governs whether a mark is registrable in the first place. [Citations.] We need not address today the scope of the primary-significance test’s application, for our analysis does not depend on whether one meaning among several is “primary.” Sufficient to resolve this case is the undisputed principle that consumer perception demarcates a term’s meaning.

<sup>4</sup>The PTO notes only one possible exception: Sometimes adding a generic term to a generic top-level domain results in wordplay (for example, “tennis.net”). That special case, the PTO acknowledges, is not presented here and does not affect our analysis.

inconsistent with the rule the PTO now advances would be at risk of cancellation if the PTO's current view were to prevail. *See* §1064(3). . . .

## A

The PTO urges that the exclusionary rule it advocates follows from a common-law principle, applied in *Goodyear's India Rubber Glove Mfg. Co. v. Goodyear Rubber Co.*, 128 U. S. 598 (1888), that a generic corporate designation added to a generic term does not confer trademark eligibility. In *Goodyear*, a decision predating the Lanham Act, this Court held that "Goodyear Rubber Company" was not "capable of exclusive appropriation." *Id.*, at 602. Standing alone, the term "Goodyear Rubber" could not serve as a trademark because it referred, in those days, to "well-known classes of goods produced by the process known as Goodyear's invention." *Ibid.* "[A]ddition of the word 'Company'" supplied no protectable meaning, the Court concluded, because adding "Company" "only indicates that parties have formed an association or partnership to deal in such goods." *Ibid.* Permitting exclusive rights in "Goodyear Rubber Company" (or "Wine Company, Cotton Company, or Grain Company"), the Court explained, would tread on the right of all persons "to deal in such articles, and to publish the fact to the world." *Id.*, at 602-603.

"Generic.com," the PTO maintains, is like "Generic Company"... According to the PTO, adding ".com" to a generic term—like adding "Company"—"conveys no additional meaning that would distinguish [one provider's] services from those of other providers." The dissent endorses that proposition...

That premise is faulty. A "generic.com" term might also convey to consumers a source-identifying characteristic: an association with a particular website. As the PTO and the dissent elsewhere acknowledge, only one entity can occupy a particular Internet domain name at a time, so "[a] consumer who is familiar with that aspect of the domain-name system can infer that BOOKING.COM refers to *some* specific entity." [Citations.] Thus, consumers could understand a given "generic.com" term to describe the corresponding website or to identify the website's proprietor. We therefore resist the PTO's position that "generic.com" terms are capable of signifying only an entire class of online goods or services and, hence, are categorically incapable of identifying a source.

The PTO's reliance on *Goodyear* is flawed in another respect. The PTO understands *Goodyear* to hold that "Generic Company" terms "are ineligible for trademark protection *as a matter of law*"—regardless of how "consumers would understand" the term. But, ... whether a term is generic depends on its meaning to consumers. That bedrock principle of the Lanham Act is incompatible with an unyielding legal rule that entirely disregards consumer perception. Instead, *Goodyear* reflects a more modest principle harmonious with Congress' subsequent enactment: A compound of generic elements is generic if the combination yields no additional meaning *to consumers* capable of distinguishing the goods or services.

The PTO also invokes the oft-repeated principle that "no matter how much money and effort the user of a generic term has poured into promoting the sale of its merchandise . . . , it cannot deprive competing manufacturers of the product of the right to call an article by its name." *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F. 2d 4, 9 (CA2 1976). That principle presupposes that a generic term is

at issue. But the PTO’s only legal basis for deeming “generic.com” ... generic is its mistaken reliance on *Goodyear*.

...[W]e do not embrace a rule automatically classifying such terms as nongeneric. Whether any given “generic.com” term is generic, we hold, depends on whether consumers in fact perceive that term as the name of a class or, instead, as a term capable of distinguishing among members of the class.<sup>6</sup>

## B

The PTO, echoed by the dissent, *post*, at 10-12, objects that protecting “generic.com” terms as trademarks would disserve trademark law’s animating policies. We disagree.

The PTO’s principal concern is that trademark protection for a term like “Booking.com” would hinder competitors. But the PTO does not assert that others seeking to offer online hotel-reservation services need to call their services “Booking.com.” Rather, the PTO fears that trademark protection for “Booking.com” could exclude or inhibit competitors from using the term “booking” or adopting domain names like “ebooking.com” or “hotel-booking.com.” The PTO’s objection, therefore, is not to exclusive use of “Booking.com” as a mark, but to undue control over similar language, *i.e.*, “booking,” that others should remain free to use.

That concern attends any descriptive mark. Responsive to it, trademark law hems in the scope of such marks short of denying trademark protection altogether. Notably, a competitor’s use does not infringe a mark unless it is likely to confuse consumers. [Citations.] In assessing the likelihood of confusion, courts consider the mark’s distinctiveness: ... When a mark incorporates generic or highly descriptive components, consumers are less likely to think that other uses of the common element emanate from the mark’s owner. [Citation.] Similarly, “[i]n a ‘crowded’ field of look-alike marks” (*e.g.*, hotel names including the word “grand”), consumers “may have learned to carefully pick out” one mark from another. [Citation.] And even where some consumer confusion exists, the doctrine known as classic fair use, [citation], protects from liability anyone who uses a descriptive term, “fairly and in good faith” and “otherwise than as a mark,” merely to describe her own goods. 15 U. S. C. §1115(b)(4); see *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U. S. 111, 122-123 (2004).

These doctrines guard against the anticompetitive effects the PTO identifies, ensuring that registration of “Booking.com” would not yield its holder a monopoly on the term “booking.”

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<sup>6</sup>Evidence informing that inquiry can include not only consumer surveys, but also dictionaries, usage by consumers and competitors, and any other source of evidence bearing on how consumers perceive a term’s meaning. Surveys can be helpful evidence of consumer perception but require care in their design and interpretation. See Brief for Trademark Scholars as *Amici Curiae* 18-20 (urging that survey respondents may conflate the fact that domain names are exclusive with a conclusion that a given “generic.com” term has achieved secondary meaning). Moreover, difficult questions may be presented when a term has multiple concurrent meanings to consumers or a meaning that has changed over time. *See, e.g.*, 2 J. McCarthy, *Trademarks and Unfair Competition* §12:51 (5th ed. 2019) (discussing terms that are “a generic name to some, a trademark to others”); *id.*, §12:49 (“Determining the distinction between generic and trademark usage of a word . . . when there are no other sellers of [the good or service] is one of the most difficult areas of trademark law.”). Such issues are not here entailed, for the PTO does not contest the lower courts’ assessment of consumer perception in this case. For the same reason, while the dissent questions the evidence on which the lower courts relied, we have no occasion to reweigh that evidence. *Cf. post*, at 1-2 (Sotomayor, J., concurring).

Booking.com concedes that “Booking.com” would be a “weak” mark [and that] [t]he mark is descriptive, ... making it “harder . . . to show a likelihood of confusion.” Furthermore, because its mark is one of many “similarly worded marks,” Booking.com accepts that close variations are unlikely to infringe [a]nd [that] federal registration of “Booking.com” would not prevent competitors from using the word “booking” to describe their own services.

... Booking.com, the PTO argues, has already seized a domain name that no other website can use and is easy for consumers to find. Consumers might enter “the word ‘booking’ in a search engine,”... or “proceed directly to ‘booking.com’ in the expectation that [online hotel-booking] services will be offered at that address.” Those competitive advantages, however, do not inevitably disqualify a mark from federal registration. All descriptive marks are intuitively linked to the product or service and thus might be easy for consumers to find using a search engine or telephone directory. The Lanham Act permits registration nonetheless. See §1052(e), (f). And the PTO fails to explain how the exclusive connection between a domain name and its owner makes the domain name a generic term all should be free to use. That connection makes trademark protection more appropriate, not less.

Finally, even if “Booking.com” is generic, the PTO urges, unfair-competition law could prevent others from passing off their services as Booking.com’s. *Cf. Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F. 3d 137, 149 (CA2 1997); *Blinded Veterans Assn. v. Blinded Am. Veterans Foundation*, 872 F. 2d 1035, 1042-1048 (CA DC 1989). But federal trademark registration would offer Booking.com greater protection. *See, e.g., Genesee Brewing*, 124 F. 3d, at 151 (unfair-competition law would oblige competitor at most to “make more of an effort” to reduce confusion, not to cease marketing its product using the disputed term); *Matal*, 582 U. S., at \_\_\_\_ (slip op., at 5) (federal registration confers valuable benefits); Brief for Respondent 26 (expressing intention to seek protections available to trademark owners under the Anticybersquatting Consumer Protection Act, 15 U. S. C. §1125(d)); Brief for Coalition of .Com Brand Owners as *Amici Curiae* 14-19 (trademark rights allow mark owners to stop domain-name abuse through private dispute resolution without resorting to litigation). We have no cause to deny Booking.com the same benefits Congress accorded other marks qualifying as nongeneric.

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The PTO challenges the judgment below on a sole ground: It urges that, as a rule, combining a generic term with “.com” yields a generic composite. For the above-stated reasons, we decline a rule of that order, one that would largely disallow registration of “generic.com” terms and open the door to cancellation of scores of currently registered marks. Accordingly, the judgment of the Court of Appeals for the Fourth Circuit regarding eligibility for trademark registration is

*Affirmed.*

JUSTICE SOTOMAYOR, concurring.

The question before the Court here is simple: whether there is a nearly *per se* rule against trademark protection for a “generic.com” term. I agree with the Court that there is no such rule, a holding that accords with how the U.S. Patent and Trademark Office (PTO) has treated such terms in the past. I add two observations.

First, the dissent wisely observes that consumer-survey evidence “may be an unreliable indicator of genericness.” Flaws in a specific survey design, or weaknesses inherent in consumer surveys generally, may limit the probative value of surveys in determining whether a particular mark is descriptive or generic in this context. But I do not read the Court’s opinion to suggest that surveys are the be-all and end-all. As the Court notes, sources such as “dictionaries, usage by consumers and competitors, and any other source of evidence bearing on how consumers perceive a term’s meaning” may also inform whether a mark is generic or descriptive.

Second, the PTO may well have properly concluded, based on such dictionary and usage evidence, that Booking.com is in fact generic for the class of services at issue here, and the District Court may have erred in concluding to the contrary. But that question is not before the Court. With these understandings, I concur in the Court’s opinion.

JUSTICE BREYER, dissenting.

... Respondent provides an online booking service. The company’s name informs the consumer of the basic nature of its business and nothing more. Therein lies the root of my disagreement with the majority.

Trademark law does not protect generic terms, meaning terms that do no more than name the product or service itself. This principle preserves the linguistic commons by preventing one producer from appropriating to its own exclusive use a term needed by others to describe their goods or services. Today, the Court holds that the addition of “.com” to an otherwise generic term, such as “booking,” can yield a protectable trademark. Because I believe this result is inconsistent with trademark principles and sound trademark policy, I respectfully dissent.

I

A

...

Courts have recognized that it is not always easy to distinguish generic from descriptive terms. *See, e.g., Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F. 2d 4, 9 (CA2 1976) (Friendly, J.). It is particularly difficult to do so when a firm wishes to string together two or more generic terms to create a compound term. Despite the generic nature of its component parts, the term as a whole is not necessarily generic. In such cases, courts must determine whether the combination of generic terms conveys some distinctive, source-identifying meaning that each term, individually, lacks. [Citation.] the meaning of the whole is no greater than the sum of its parts, then the compound is itself generic. *See Princeton Vanguard, LLC v. Frito-Lay North Am., Inc.*, 786 F. 3d 960, 966-967 (CA Fed. 2015); [citations.]

In *Goodyear*, 128 U. S. 598, we held that appending the word “Company” to the generic name for a class of goods does not yield a protectable compound term. *Id.*, at 602-603. The addition of a corporate designation, we explained, “only indicates that parties have formed an association or partnership to deal in such goods.” *Id.*, at 602. For instance, “parties united to produce or sell wine, or to

raise cotton or grain,” may well “style themselves Wine Company, Cotton Company, or Grain Company.” *Ibid.* But they would not thereby gain the right to exclude others from the use of those terms “for the obvious reason that all persons have a right to deal in such articles, and to publish the fact to the world.” *Id.*, at 603. “[I]ncorporation of a company in the name of an article of commerce, without other specification,” we concluded, does not “create any exclusive right to the use of the name.” *Ibid.*

... [T]he Lanham Act ... did not disturb the basic principle that *generic* terms are ineligible for trademark protection.... Perhaps that is why the lower courts, the Trademark Trial and Appeal Board (TTAB), the U. S. Patent and Trademark Office’s (PTO) Trademark Manual of Examining Procedure (TMPEP), and leading treatises all recognize *Goodyear*’s continued validity. [Citations.]

... *Goodyear* recognized that designations such as “Company,” “Corp.,” and “Inc.” merely indicate corporate form and therefore do nothing to distinguish one firm’s goods or services from all others’. 128 U.S., at 602. ...[T]he addition of such a corporate designation does not “magically transform a generic name for a product or service into a trademark, thereby giving a right to exclude others.” 2 McCarthy §12:39. ...[W]here a compound term consists simply of a generic term plus a corporate designation, the whole is *necessarily* no greater than the sum of its parts.

## B

... In my view, appending “.com” to a generic term ordinarily yields no meaning beyond that of its constituent parts. Because the term “Booking.com” is just such an ordinary “generic.com” term, in my view, it is not eligible for trademark registration.

Like the corporate designations at issue in *Goodyear*, a top-level domain such as “.com” has no capacity to identify and distinguish the source of goods or services. It is merely a necessary component of any web address. [Citation]. When combined with the generic name of a class of goods or services, “.com” conveys only that the owner operates a website related to such items. Just as “Wine Company” expresses the generic concept of a company that deals in wine, “wine.com” connotes only a website that does the same. The same is true of “Booking.com.” The combination of “booking” and “.com” does not serve to “identify a particular characteristic or quality of some thing; it *connotes the basic nature of that thing*”—the hallmark of a generic term. *Blinded Veterans Assn. v. Blinded Am. Veterans Foundation*, 872 F. 2d 1035, 1039 (CA DC 1989) (Ginsburg, J. for the court) (emphasis added; internal quotation marks omitted).

...

Generic second-level domains are no different. The meaning conveyed by “Booking.com” is no more and no less than a website *associated* with its generic second-level domain, “booking.” This will ordinarily be true of any generic term plus “.com” combination. The term as a whole is just as generic as its constituent parts. See 1 McCarthy §7:17.50; 2 *id.*, §12:39.50.

There may be exceptions to this rule in rare cases where the top-level domain interacts with the generic second-level domain in such a way as to produce meaning distinct from that of the terms taken individually. Likewise, the principles discussed above may apply differently to the newly expanded

universe of top-level domains, such as “.guru,” “.club,” or “.vip,” which may “conve[y] information concerning a feature, quality, or characteristic” of the website at issue. [Citations.] These scenarios are not presented here, as “Booking.com” conveys only a website associated with booking.

## C

The majority believes that *Goodyear* is inapposite because of the nature of the domain name system. Because only one entity can hold the contractual rights to a particular domain name at a time, it contends, consumers may infer that a “generic.com” domain name refers to some specific entity.

That fact does not distinguish *Goodyear*. A generic term may suggest that it is associated with a specific entity. That does not render it nongeneric. For example, “Wine, Inc.” implies the existence of a specific legal entity incorporated under the laws of some State. Likewise, consumers may perceive “The Wine Company” to refer to some specific company rather than a genus of companies. But the addition of the definite article “the” obviously does not transform the generic nature of that term. [Citation.] True, these terms do not carry the exclusivity of a domain name. But that functional exclusivity does not negate the principle animating *Goodyear*: Terms that merely convey the nature of the producer’s business should remain free for all to use. See 128 U.S., at 603.

This case illustrates the difficulties inherent in the majority’s fact-specific approach. The lower courts determined (as the majority highlights), that consumers do not use the term “Booking.com” to refer to the class of hotel reservation websites in ordinary speech. [Citation.] True, few would call Travelocity a “Booking.com.” But literal use is not dispositive. [Citation.] Consumers do not use the term “Wine, Inc.” to refer to purveyors of wine. Still, the term “Wine, Inc.” is generic because it signifies only a company incorporated for that purpose. See *Goodyear*, 128 U.S., at 602-603. Similarly, “Booking, Inc.” may not be trademarked because it signifies only a booking company. The result should be no different for “Booking.com,” which signifies only a booking website.

More than that, many of the facts that the Court supposes may distinguish some “generic.com” marks as descriptive and some as generic are unlikely to vary from case to case. There will never be evidence that consumers literally refer to the relevant class of online merchants as “generic.coms.” Nor are “generic.com” terms likely to appear in dictionaries. And the key fact that, in the majority’s view, distinguishes this case from *Goodyear*—that only one entity can own the rights to a particular domain name at a time—is present in every “generic.com” case.

What, then, stands in the way of automatic trademark eligibility for every “generic.com” domain? Much of the time, that determination will turn primarily on survey evidence, just as it did in this case. See 915 F. 3d, at 183-184.

However, survey evidence has limited probative value in this context. Consumer surveys often test whether consumers associate a term with a single source. [Citation.] But it is possible for a generic term to achieve such an association—either because that producer has enjoyed a period of exclusivity in the marketplace, *e.g.*, *Kellogg Co. v. National Biscuit Co.*, 305 U. S. 111, 118-119 (1938), or because it has invested money and effort in securing the public’s identification, *e.g.*, *Abercrombie*, 537 F. 2d, at 9. Evidence of such an association, no matter how strong, does not negate the generic nature of the term. *Ibid.* For that reason, some courts and the TTAB have concluded that survey evidence is generally of little



value in separating generic from descriptive terms. *See Schwan's IP, LLC v. Kraft Pizza Co.*, 460 F. 3d 971, 975-976 (CA8 2006); *Hunt Masters, Inc. v. Landry's Seafood Restaurant, Inc.*, 240 F. 3d 251, 254-255 (CA4 2001); *A. J. Canfield Co. v. Honickman*, 808 F. 2d 291, 301-303 (CA3 1986); *Miller Brewing Co. v. Jos. Schlitz Brewing Co.*, 605 F. 2d 990, 995 (CA7 1979); *In re Hikari Sales USA, Inc.*, 2019 WL 1453259, \*13 (TTAB 2019). Although this is the minority viewpoint, see 2 McCarthy §12:17.25, I nonetheless find it to be the more persuasive one.

Consider the survey evidence that respondent introduced below. Respondent's survey showed that 74.8% of participants thought that "Booking.com" is a brand name, whereas 23.8% believed it was a generic name. At the same time, 33% believed that "Washingmachine.com"—which does not correspond to any company—is a brand, and 60.8% thought it was generic.

What could possibly account for that difference? ... The survey participants who identified "Booking.com" as a brand likely did so because they had heard of it, through advertising or otherwise. If someone were to start a company called "Washingmachine.com," it could likely secure a similar level of consumer identification by investing heavily in advertising. Would that somehow transform the nature of the term itself? Surely not. This hypothetical shows that respondent's survey tested consumers' association of "Booking.com" with a particular company, not anything about the term itself. But such association does not establish that a term is nongeneric. *See Kellogg*, 305 U.S., at 118-119; *Abercrombie*, 537 F. 2d, at 9.

Under the majority's approach, a "generic.com" mark's eligibility for trademark protection turns primarily on survey data, which, ... may be an unreliable indicator of genericness.... [T]his approach "[d]iscard[s] the predictable and clear line rule of the [PTO] and the Federal Circuit" in favor of "a nebulous and unpredictable zone of generic name and top level domain combinations that somehow become protectable marks when accompanied by favorable survey results." 1 McCarthy §7:17.50.... In my view, a term that takes the form "generic.com" is not eligible for federal trademark registration, at least not ordinarily. There being no special circumstance here, I believe that "Booking.com" is a generic term not eligible for federal registration as a trademark.

## II

In addition to the doctrinal concerns discussed above, granting trademark protection to "generic.com" marks threatens serious anticompetitive consequences in the online marketplace.

The owners of short, generic domain names enjoy all the advantages of doing business under a generic name. These advantages exist irrespective of the trademark laws. Generic names are easy to remember. Because they immediately convey the nature of the business, the owner needs to expend less effort and expense educating consumers. [Citations.] And a generic business name may create the impression that it is the most authoritative and trustworthy source of the particular good or service. [Citations.] These advantages make it harder for distinctively named businesses to compete.

Owners of generic domain names enjoy ... automatic exclusivity. Multiple brick-and-mortar companies could style themselves "The Wine Company," but there can be only one "wine.com." And unlike the trademark system, that exclusivity is world-wide.

Generic domains are also easier for consumers to find. A consumer who wants to buy wine online may perform a keyword search and be directed to “wine.com.” Or he may simply type “wine.com” into his browser’s address bar, expecting to find a website selling wine. [Citations.] The owner of a generic domain name enjoys these benefits ... because she was fortunate (or savvy) enough to be the first to appropriate a particularly valuable piece of online real estate.

Granting trademark protection to “generic.com” marks confers additional competitive benefits on their owners by allowing them to exclude others from using *similar* domain names. Federal registration would allow respondent to threaten trademark lawsuits against competitors using domains such as “Bookings.com,” “eBooking.com,” “Booker.com,” or “Bookit.com.” Respondent says that it would not do so. But other firms may prove less restrained.

Indeed, why would a firm want to register its domain name as a trademark unless it wished to extend its area of exclusivity beyond the domain name itself? The domain name system, after all, already ensures that competitors cannot appropriate a business’s actual domain name. And unfair-competition law will often separately protect businesses from passing off and false advertising. [Citations.]

...

Not to worry, the Court responds, infringement doctrines such as likelihood of confusion and fair use will restrict the scope of protection afforded to “generic.com” marks. This response will be cold comfort to competitors of “generic.com” brands. Owners of such marks may seek to extend the boundaries of their marks through litigation, and may, at times succeed. *See, e.g., Advertise.com v. AOL, LLC*, 2010 WL 11507594 (CD Cal.) (owner of “Advertising.com” obtained preliminary injunction against competitor’s use of “Advertise.com”), *vacated in part*, 616 F. 3d 974 (CA9 2010). Even if ultimately unsuccessful, the threat of costly litigation will no doubt chill others from using variants on the registered mark and privilege established firms over new entrants to the market.

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In sum, the term “Booking.com” refers to an internet booking service, which is the generic product that respondent and its competitors sell. No more and no less. The same is true of “generic.com” terms more generally. By making such terms eligible for trademark protection, I fear that today’s decision will lead to a proliferation of “generic.com” marks, granting their owners a monopoly over a zone of useful, easy-to-remember domains. This result would tend to inhibit, rather than to promote, free competition in online commerce. I respectfully dissent.

### *Questions*

1. The majority opinion states that *Goodyear* “reflects a more modest principle harmonious with Congress’ subsequent enactment [of the Lanham Act]. A compound of generic elements is generic if the combination yields no additional meaning *to consumers* capable of distinguishing the goods or services.” If an entity with a name combining a generic term and an entity type, such as Wine Company, can demonstrate consumer perception of the name as a mark through a survey, would such a name be eligible

to register for wines? Would this result be consonant with the majority's interpretation of *Goodyear*? Is the exclusivity of a domain name to one owner a distinguishing fact that would make such a result unlikely?

2. How important do you believe the possibility of cancelling existing registrations, such as "ART.COM," was to the majority's decision to affirm? But whenever a term that has been a trademark becomes generic, such as escalator, doesn't the policy underlying disallowing registration for generic terms come in to play despite the owner's previous reliance?

3. The majority opinion notes that there are other types of evidence than surveys, such as dictionary evidence, usage by consumers and competitors "and any other evidence bearing on how consumers perceive a term's meaning." The dissent points out that dictionaries are unlikely to include domain names and that consumers and competitors are not likely, for example to refer to Travelocity as a booking.com. Is the dissent correct that, for generic.com domain names, the crucial evidence will normally come down to survey evidence under the majority's reasoning? Do you agree/disagree with the skepticism about such evidence voiced by the dissenting and the concurring opinions?

4. Justice Sotomayor stated: "the PTO may well have properly concluded, based on such dictionary and usage evidence, that Booking.com is in fact generic ..., and the District Court may have erred in concluding to the contrary. But that question is not before the Court." Do you think the PTO made a mistake in not challenging the factual finding? If it had, would the decision have provided more guidance on the type of evidence that is most persuasive in proving genericness, including the adequacy of the survey evidence?

5. The majority opinion allays concerns about possible over-protection for generic.com marks and points to the constraints placed by the likelihood of confusion and fair use analyses. The dissent evinces skepticism that as a practical matter use of the generic term of "booking" by others may well be chilled. Who is right?

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The Federal Circuit's PRETZEL CRISPS decision suggests that surveys may be the preferred method of determining genericness. But surveys also encounter criticism regarding the composition of the respondents and the design of the questions. We have seen that the choice of survey method can determine the assessment of a mark's "primary significance." Quentin Ullrich has suggested a different approach, drawing on the technique of "corpus linguistics" (first developed as a tool of statutory interpretation) to ascertain the ordinary meaning of words or phrases. In *Corpora in the Courts: Using Textual Data to Gauge Genericness and Trademark Validity*, 108 TMR 989 (Sept-Oct 2018), Ullrich argues:

. . . The data comprising a corpus can be harvested from transcripts of oral language, books, the Internet, and a host of other sources. . . . [C]orpora can be used to measure the frequency of usage of a word in the language, the rate at which a word is

capitalized, and the rate at which other words juxtapose a term in question, among other features. In addition to allowing one to quantify information about a word's use, corpora allow [qualitative analysis of the] context of a word in question. . . .

Unlike individual examples of mark usage that may be cherry-picked and unrepresentative of the language of the relevant consuming population, appropriately designed corpora allow for more probative conclusions to be made regarding the public's understanding of the mark in question. Additionally, corpora have distinct advantages over surveys—corpus-based analyses are highly replicable because of the permanence of textual data in comparison to the ephemeral oral survey environment, and they are relatively inexpensive to administer given the ease with which vast quantities of textual data can be harvested from the Internet and already-existent corpora can be analyzed. Most importantly, as corpora consist of naturally occurring language, unaffected by the surveyor, the order of questions, or the respondent's perception of "the right answer," they are uniquely equipped to reflect the actual meaning of disputed marks to consumers. . . .

. . . [T]he probative value accorded to record evidence can grow to rival that accorded to surveys. In addition to providing litigants a more accessible way to proffer evidence of genericness or trademark validity, the permanence of the textual data in corpora affords a more transparent judicial process—opposing parties can easily audit and replicate corpus-based analyses, allowing for more productive cross-examinations and responding expert reports. Moreover, trademark owners wishing to discreetly and inexpensively monitor their marks can employ corpus-based analyses using just a computer. Ultimately, in weighing survey versus corpus-based evidence, jurists will need to grapple with the question of whether elicited "understanding" or usage is the better measure of primary significance. This article, inspired by the practice of lexicographers, who are principally concerned with the meaning of words, argues that the informed analysis of usage has distinct advantages over the elicitation of understanding through surveys—such usage is unaffected by the artificial effects of the survey environment, including question wording and the surveyor's presence itself, and is not distorted by a binary obligation to label a mark one way or another. . . .

### ***Question***

Do you agree with the author that corpus linguistics analysis of usage of terms would be superior to a survey aimed at gleaned the primary understanding of a term as a brand or common name for terms widely used by the general public? Consider the term Zoom, originally a verb denoting high speed, more recently the name of an online videoconferencing program. Would extensive usage of "Zoom" as a verb or noun synonymous with videoconferencing in corpora databases justify a finding of genericness?

## **3. Genericism and Confusion**

**Page 327. Add the following citation at the end of Question 2.**

*See also Royal Crown Co. v. Coca-Cola Co.*, 892 F.3d 1358 (Fed. Cir. 2018) (whether a mark is generic is a question of fact).

**Page 327. Add new Question 3.**

3. The word ZERO in Coca-Cola’s beverage marks, such as COKE ZERO, SPRITE ZERO and POWERADE ZERO, was found to be descriptive of low or no-calorie beverages and to have acquired secondary meaning by the TTAB. The Board thus rejected Royal Crown’s claim that the term should be disclaimed. On appeal, the Federal Circuit vacated and remanded the decision. It held that the Board had applied an incorrect standard in determining that the ZERO component of the marks was not generic and had also failed to determine if ZERO is so highly descriptive as to require a much heightened showing of secondary meaning. According to the court, the correct question in determining genericism is “whether the relevant public understands the term to refer to a *key aspect* of the genus [here, soft drinks, sports drinks and energy drinks].” The court further stated that a term is generic if the relevant public understands it refers to part of the broad genus [here low- or no calorie-drinks]. *Royal Crown Co. v. Coca-Cola Co.*, 892 F.3d 1358 (Fed. Cir. 2018).

Recall the distinction drawn in the casebook, Chapter 2.B.1., between merely descriptive and generic terms. The *Quik-Print* copy case at page 91 defines a merely descriptive mark as one that “immediately conveys ... knowledge of the ingredients, qualities, or characteristics of the goods or services.” Is this any different than asking whether the public understands the term to refer to a “key aspect” of the genus or part of the genus? Has the Federal Circuit blurred the line between merely descriptive and generic terms and thereby expanded the terms that can be considered generic?

**Page 331. Add new Sub-category 4.**

**4. Informational and Common Terms and Phrases**

Recall the discussion of the protectability of slogans in the casebook, Ch.2.A.1.a. at p. 68 and in this Supplement, Ch.2.A.1, *supra*. Certain slogans, like Nike’s JUST DO IT, have been protected as inherently distinctive. Descriptive slogans, such as HAIR COLOR SO NATURAL ONLY YOUR HAIRDRESSER KNOWS FOR SURE, have been protected after a showing of secondary meaning. Some slogans and phrases, however, such as ONCE A MARINE ALWAYS A MARINE, *In re Eagle Crest, Inc.*, 96 U.S.P.Q.2d 1227 (T.T.A.B. 2010), are considered to be informational and/or so commonly used that the consuming public would not regard them as source indicative. The evidence in *Eagle Crest* established that the phrase was an old Marine saying, which was in common use, leading to the inference that consumers would not perceive it as a source indicator but rather would buy goods because of the message conveyed. Accordingly, the phrase was found not protectable as a mark. The reasoning, similar to the rationale for denying protection to generic terms, is that an applicant cannot “attempt to prevent competitors from using it to promote the sale of their own [goods].” *Id.*

Recently, Trademark Examiners and the Trademark Trial and Appeal Board have been issuing or affirming this type of refusal more frequently, often relying heavily on Internet and social media evidence, such as in the case below. Consider whether you agree with this trend.

## In Re DePorter

129 U.S.P.Q.2d 1298 (T.T.A.B. 2019)

KUCZMA, ADMINISTRATIVE TRADEMARK JUDGE:

....

### *I. Discussion*

Applicant’s proposed mark #MAGICNUMBER108 [for apparel] was refused registration under §§ 1 and 2 of the Trademark Act, 15 U.S.C. §§ 1051 and 1052, which require that the subject matter presented for registration be a “trademark,” defined in § 45 of the Trademark Act, 15 U.S.C. § 1127, as follows:

The term “trademark” includes any word, name, symbol, or device, or any combination thereof-

(1) 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 Court of Customs and Patent Appeals ... observed that “... Before there can be registration, there must be a trademark, and unless words have been so used they cannot qualify.” *In re Bose Corp.*, 546 F.2d 893, 192 USPQ 213, 215 (CCPA 1976) [citation]. “Words are not registrable merely because they do not happen to be descriptive of the goods or services with which they are associated.” *Standard Oil [Co.]*, 125 USPQ [945] at 229 [[CCPA 1960]]. The mere fact that Applicant’s phrase appears on the specimens does not make it a trademark. To be a mark, the phrase must be used in a manner which indicates to purchasers or potential purchasers a single source or origin for the goods. [Citation.] Thus, terms and expressions that merely convey an informational message are not registrable. *In re Eagle Crest, Inc.*, 96 USPQ2d 1227, 1229 (TTAB 2010).

....

... In this case, the Examining Attorney refused registration ... on the ground that the public will ... perceive the term ... only as conveying an informational message.

... [T]he Examining Attorney submit[ted] evidence showing that numerous third parties have used #MAGICNUMBER108 as part of messages posted on social media sites, including Twitter and Instagram, during and after the 2016 World Series. According to the Examining Attorney, the use of the wording #MAGICNUMBER108 in these messages identifies the subject matter of these tweets and posts as relating to and expressing support for the Chicago Cubs and their World Series win. [It had been 108 years since their previous win].

Below is a representative list of the third-party tweets on which the Examining Attorney relies, together with the Examining Attorney’s comments regarding them [omitting record cites]:

**Jeff Corder 25¢.** “@cubs ...Sooooo much better than that “other” hat! ;) #MtCGA #GoCubsGo #MagicNumber108 #FlyTheW #cubsparade #WorldSeries #CubsWin.” (Examining Attorney: “This tweet, with a photo of a hat showing a bear with a baseball bat and the wording ‘Make the Cubs Great Again,’ includes the hashtag in the context of several relating to the Cubs and their World Series win and would be perceived as also relating to that win).

**Carlos:** “It is celebration time in chi-town. #cubsworldserieschamps #magicnumber108.” (Examining Attorney: “Like the hashtag that precedes it, the hashtag #magicnumber108 would be viewed as a reference to the Cubs’ win.”).

**hiram:** “Was it a dream, Ask Chely Wright, IT WAS REAL, IT WAS MAGIC, The #ChicagoCubs WORLD CHAMPS #MagicNumber108.” (Examining Attorney: “Again, in this context, and combined with a photo of the Wrigley Field sign, the hashtag #magicnumber108 would be viewed as a reference to the Cubs’ World Series win.”).

**Joe Woschitz:** “#FlyTheW And 108 years later the Chicago Cubs are World Series Champions again! #MagicNumber108 #GoCubsGo #LetsGo #WorldSeries.” (Examining Attorney: “Here, the hashtag #magicnumber108 would be viewed as a reference to the Cubs’ World Series win, for the first time in 108 years, as stated in the text of the tweet.”).

**Lili Mirojnick:** “I have tears in my eyes. And I’m a @Yankees fan. Congrats Chi-Town... #MagicNumber108.” (Examining Attorney: “Here, again, the hashtag #magicnumber108 would be viewed as a reference to the Cubs’ World Series win.”).

**Samantha K.:** “The #magicnumber108 was correct! Congrats to the @Cubs for winning @MLB#2016worldseries.” (Examining Attorney: “Here, the hashtag #magicnumber108 would be viewed as a reference to the Cubs’ World Series win, for the first time in 108 years.”).

**Malcolm Chapman:** “DRoss hits a BIG home run in his final game, game 7. @Cubs up 6-3 #magicnumber108 #WorldSeries #Cubs.” (Examining Attorney: “Here, the hashtag #magicnumber108 would be viewed as a reference to the imminent Cubs’ World Series win.”).

**Chris Hill:** “Game 7 of the World Series! Go @Cubs! #magicnumber108 #FallClassic.” (Examining Attorney: “Again, the hashtag #magicnumber108 would be viewed as a reference to the imminent Cubs’ World Series win.”).

**AccuData:** 108 years ago, the #Cubs beat the #Tigers in Game 5 to win their last world series. Will you be watching tonight? #MagicNumber108.”

[The opinion quoted similar third-party Instagram posts using the hashtag “#magicnumber108” to refer to the Cubs’ World Series win relied upon by the Examining Attorney].

The Examining Attorney also identifies social media posts from entities associated with Applicant (ChicagoSportsMuseum and Harry Caray’s restaurant, which ... are associated with Applicant) that likewise convey information about the Chicago Cub’s World Series success:

**Chicago Sports Museum.** We’re putting together a great exhibit to celebrate the Cubs’ World Series victory! #GoCubsGo #MagicNumber108.” (Examining Attorney: “Thus, both hashtags would be

viewed as relating to the Cubs’ World Series win, not to any goods or services provided by the museum.”).

**Harry Caray’s:** HOLY COW! So many happy and excited fans in Harry’s bar tonight! #GoCubsGo #FlytheW #MagicNumber108.” (Examining Attorney: “Similar to the above ChicagoSportsMuseum tweet, all three hashtags would be viewed as relating to the Cubs’ playing in Game 3 of the World Series, not to any goods or services provided by the restaurant.”).

**Harry Caray’s:** Doors are open! Breakfast is served! We’re ready for game 3! LET’S GO CUBS! #magicnumber108. (Examining Attorney: “This tweet includes a photo of a reporter, a fan wearing a Cubs jersey, and fans holding W flags. The wording #magicnumber108 in this tweet would be viewed as a hope that the Cubs would win the World Series after 108 years.”).

[Additional similar examples are omitted].

The Examining Attorney also argues that evidence ... “establishes that “[A]pplicant compiled a list of appearances of the number 108 in baseball in general (such as 108 stitches on a baseball) and in relation to the Chicago Cubs baseball team in particular (such as the distance to foul poles in Wrigley field in meters) to predict that the Chicago Cubs baseball team would win the 2016 World Series, 108 years after their previous World Series win” [, and that] such evidence did not reference any goods sold by Applicant that featured ...[the] mark or the wording “Magic Number 108.” Thus, the Examining Attorney concludes that “Magic Number 108” was used in news articles solely to refer to appearances of the number 108 and the associated prediction by Applicant that the Chicago Cubs would win the 2016 World Series.

....

Applicant contends that his proposed mark ... is not a common phrase or message that would ordinarily be used in advertising or the relevant industry [and] maintains that the tweets and other social media postings in the record ... do not establish #MAGICNUMBER108 as a common phrase or message that customers are accustomed to seeing in everyday speech from a variety of sources because Applicant is the only user of #MAGICNUMBER108 in commerce. While Applicant and the Examining Attorney agree that the term “magicnumber108” was first used by or in relation to Applicant, they disagree as to whether it comprises a mark...

... [W]e need not find that the evidence shows third-party use of the alleged mark on goods “in commerce.” Although Applicant distinguishes *D.C. One Wholesaler, Inc. v. Chien*, 120 USPQ2d 1710, 1716 (TTAB 2016), which included evidence of the applied-for mark used by a large number of merchandisers ... it was the consumer perception of the message that determined whether or not the proposed mark could identify a single source and thus be registrable. Therefore, any evidence demonstrating widespread use of the wording is relevant, including ...social media tweets and posts of the type ... made of record in this application. TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1202.04(b) (“TMEP”) (Oct. 2018).<sup>14</sup> Neither *D.C. One Wholesaler*, nor the TMEP, specifies a “goods

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14. TMEP § 1202.04(b) (emphasis added):

“Messages that are used by a variety of sources to convey social, political, religious, or similar sentiments or ideas are likely to be



used in commerce” requirement for evidence provided in support of this refusal. *See In re Manco Inc.*, 24 USPQ2d 1938 (TTAB 1992) (affirming a refusal for two THINK GREEN marks for a variety of goods, including boxes, adhesive tape, and weather-stripping, where the evidence consisted solely of news articles showing THINK GREEN used to express concern for the environment, with no evidence of third-party use of the mark in commerce). The evidence provided by the Examining Attorney shows wide use of the proposed mark in a non-trademark manner to consistently convey information about the Chicago Cubs’ World Series appearance and win after a 108-year drought. This evidence is competent to suggest that upon encountering Applicant’s “mark,” prospective purchasers familiar with such widespread non-trademark use are unlikely to consider it to indicate the source of Applicant’s goods.

... [T]his finding is reinforced by the presence of the hash mark in Applicant’s proposed-mark. ... In the social media context, a hashtag “is a word or phrase preceded by a hash mark (#), used within a message to identify a keyword or topic of interest and facilitate a search for it.” ... Applicant’s proposed mark ... has been used extensively as a hashtag to identify the Chicago Cubs’ World Series appearance and win. We are careful to note that our conclusion that #MAGICNUMBER108 would be perceived as a hashtag is tied to the particular evidence of this case. That is not to say that every combination of a hash mark and word or phrase is or will be a hashtag. Each case must be decided on its own facts.

Where a hashtag is used as part of an online social media search term, it generally serves no source-indicating function, because it “merely facilitate[s] categorization and searching within online social media,” TMEP § 1202.18. Therefore, the addition of ... the hash symbol (#) to an otherwise unregistrable term typically will not render the resulting composite term registrable. *Cf. In re Hotels.com, L.P.*, 573 F.3d 1300, 91 USPQ2d 1532, 1537 (Fed. Cir. 2009) (“hotel” and “.com” in combination have a meaning identical to the common meaning of the separate components); *In re Oppedahl & Larson LLP*, 373 F.3d 1171, 71 USPQ2d 1370, 1374 (Fed. Cir. 2004) (finding that the addition of a top-level domain to an otherwise unregistrable mark does not typically add any source-identifying significance); [citation].

Applicant argues that his proposed mark was never used in ... any speech prior to Applicant coining that term, nor is it now used in everyday speech. Unlike the cases cited in the Office Actions and in the Examining Attorney’s brief, involving terms, slogans or sayings which are “commonly used” or “old and familiar” or “used in everyday speech,” Applicant maintains his proposed mark is different because it is arbitrary and fanciful. While Applicant argues that cases ... cited by the Examining Attorney for the general proposition that “[t]he more commonly a term or slogan is used in everyday speech, the less likely the public will use it to identify only one source and the less likely the term or slogan will be recognized by purchasers as a trademark” are not applicable. However, “[t]he critical inquiry ... is how the designation would be perceived by the relevant public.” *Eagle Crest*, 96 USPQ2d at 1229. That the applied-for mark is arbitrary or fanciful does not necessarily mean that the public perceives it as an

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perceived as an expression of support for, or affiliation or affinity with, the ideas embodied in the message rather than as a mark that indicates a single source of the goods or services.

...

Any evidence demonstrating that the public would perceive the wording merely as conveying the ordinary meaning of the message, or enthusiasm for, affinity with, or endorsement of the message, supports this refusal. In addition to dictionary or encyclopedia entries showing the meaning or significance of wording, supporting evidence may include materials (e.g., website pages, Internet search results lists if sufficient surrounding text is included, social-media pages, product fact sheets, and other promotional materials) showing the applicant’s manner of use and the manner of use by third parties.”

indication of source. *Cf.* TMEP § 1202.03(a) (“Common expressions and symbols” including “the peace symbol [and] ‘smiley face’” “are normally not perceived as marks.”). Here, the evidence of record establishes that the consumer perception of the phrase is as a widely-used message to convey information about the Chicago Cubs baseball team.

... Applicant contends that hashtags can be used as marks to promote product awareness in addition to facilitating categorization and searching of social media postings, citing Dina Roumiantseva & Aaron Rubin’s article, “#Trademarks?: Hashtags as Trademarks, [citation]....[T]he article notes:

[T]he makers of Mucinex have registered #blamemucus, which allows potential consumers to commiserate about their colds through social media, as well as spread the word about Mucinex and participate in drawings for prizes. The #blamemucus registration covers both the pharmaceutical products themselves (with a store display bearing the mark as a specimen of use) and services consisting of information in the field of respiratory and pulmonary conditions via the Internet (with the company website as a specimen).

However, Applicant has not used #MAGICNUMBER108 in this manner. While Applicant argues that, like the makers of Mucinex, he “encourages people to use Applicant’s hash tag [to] create product awareness,” other than the specimen showing use of the term on the front of a t-shirt, Applicant has not identified or produced copies of any methods he used to create such awareness. Nor do the examples of third-party use of “#MAGICNUMBER108” that have been submitted show use of the proposed mark in support of product awareness of Applicant’s goods, such as in tweets under the hashtag ... containing photos of consumers wearing one of Applicant’s shirts.... To the extent goods were shown in connection with the #MAGICNUMBER108 hashtag, they were not the goods for which Applicant has applied to register his proposed mark. For example, Harry Caray’s — an entity associated with Applicant — displayed a third party’s footwear (see below) in a social media post that employed the ... hashtag.



Another example of third-party goods shown with #MAGICNUMBER108 is shown in a Google search for “#magicnumber108 shirts” which identified third-party Palmer Place Restaurant’s Facebook page regarding the “Palmer Place Cubs Fan T shirts and Sweatshirts” it offers for sale:

You should be here!!! Go Cubs!! - Palmer Place Restaurant and ...  
<https://www.facebook.com/PalmerPlace/videos/vb.../10157665488990333/?...3...> ▼  
#gocubsgo #FlyTheW #palmerslagrange #magicnumber108 #gocubsgo ... Our Palmer Place Cubs  
Fan T shirts & Sweatshirts are in stop by to buy one while we ...

as well as the Facebook listing advertising the shirts:

(“. . . Our Palmer Place Cubs Fan T shirts & Sweatshirts are in stop by to buy one while we have them. Go Cubs Go We Believe in you guys!! #flythew #magicnumber108 #palmerslagrange #gocubsgo #lagrangeil #truebluecubsfans”)

The hashtag #MAGICNUMBER108 as used in these contexts was and is ... associated with the Chicago Cubs’ then-upcoming World Series win.

... Applicant submits an article ... [and] quotes the following:

Username or trademark mentions on sites like Twitter, Tumblr or Instagram could promote a trademark as well, depending on content, but should be accompanied by proof of actual sales under the mark.<sup>22</sup>

Although acknowledging that such mentions *could* promote a trademark, ... the article says that whether a hashtag can function as a mark depends on how it is used. But even in those instances, the addition of the hashmark is usually devoid of source-identifying significance. We do not hold that hashtags can never be registered as trademarks. To be registrable, a hashtag ... must function as a trademark. Here, the evidence shows that #MAGICNUMBER108 is perceived as part of an online social media trend related to the phrase “magic number 108,” expressing affiliation with the Chicago Cubs baseball team and their 2016 World Series win after 108 years rather than as an identification of source...

### ***Question***

1. Applicant’s specimen of use for his #MAGICNUMBER108 application is shown below:

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22. Anne Gilson LaLande and Jerome Gilson, *Proving Ownership Online . . . and Keeping It: The Internet’s Impact on Trademark Use and Coexistence*, 104 THE TRADEMARK REPORTER 1275, 1291 (November-December, 2014).



The Examining Attorney pointed out that an applicant cannot overcome an informational refusal by amending the application to the Supplemental Register or by claiming acquired distinctiveness under Section 2(f). TMEP §1202.04. In a sense, an informational refusal is similar to a genericness finding. There is no path to protection as a trademark. Did the Examining Attorney or the TTAB adequately consider Applicant's argument his mark could be dual functioning both as a mark and as a social media topic? Does it seem fair that a phrase first coined by Applicant was barred from protection because a number of Cubs fans used or were exposed to the hashtag? How many people need to be aware of such use in order to infer that the relevant public would not perceive it as source indicative? Would you have advised Mr. DePorter to have done anything differently to enhance his chances of registration? Should he have presented any other types of evidence?

**In re Wal-Mart Stores, Inc.**, 129 U.S.P.Q.2d 1148 (T.T.A.B. 2019). The Board affirmed the refusal to register INVESTING IN AMERICAN JOBS for promoting awareness for goods made or assembled by American workers and for various retail store services. It concluded that the phrase fails to function as a mark "because it is merely informational and commonly used as a slogan in advertising and promotional efforts to signify businesses' engagement in activities to encourage development of employment opportunities in the U.S." The Board noted:

[A] threshold issue in some cases (like this one) is whether the phrase in question in fact functions to identify the source of the services recited in the application and distinguish them from the services of others or, instead, would be perceived merely as

communicating the ordinary meaning of the words to consumers.... [O]ur primary reviewing court ... and other federal appeals courts, draw a distinction between words used to “identify and distinguish” source, and words used in their ordinarily-understood meaning to convey information other than source-identification....

... A critical element in determining whether a term or phrase is a service mark is the commercial impression the term or phrase makes on the relevant public, *i.e.*, whether the phrase sought to be registered would be perceived as a mark identifying the source of the services, or as something else. [Citation.] To make this determination, we look to the specimens and other evidence of record showing the phrase used in the marketplace to determine how consumers likely would perceive the subject matter sought to be registered. *See In re Bose*, 192 USPQ [213], at 216 [CCPA 1976]; [citations].

Applicant’s specimen below shows INVESTING IN AMERICAN JOBS, together with the “Walmart & the Spark Design” mark, used on shelf-talker signage located in Applicant’s retail stores and positioned in close proximity to goods that it designates as made by American workers:



The Board further noted:

[T]hat a phrase proposed for registration appears on the specimens of record does not establish its use as a service mark. [Citation.] As we pointed out in *Remington Prods.*, 3 USPQ2d [1714] at 1715 [T.T.A.B. 1987]:

[T]he mere fact that applicant’s slogan appears on the specimens ... does not make it a trademark. To be a mark, the term, or slogan, must be used in a manner calculated to project to purchasers or potential purchasers a single source or origin for the goods in question. Mere intent that a term function as a trademark is not enough in and of itself, any more than attachment of the trademark symbol would be, to make a term a trademark.

The slogan INVESTING IN AMERICAN JOBS is like other statements that

would ordinarily be used in business or industry, or by certain segments of the public generally, to convey support for American-made goods, and thus would not be recognized as indicating source and are not registrable. *See, e.g., In re Remington Prods.*, 3 USPQ2d at 1715 (PROUDLY MADE IN USA for electric shavers and parts thereof would not be recognized as source indicator);[citation]; *In re Volvo Cars*, 46 USPQ2d at 1461 (DRIVE SAFELY for automobiles ); *In re Manco*, 24 USPQ2d at 1941 (THINK GREEN for mailing and shipping boxes and for weatherstripping); *In re Niagara Frontier Servs., Inc.*, 221 USPQ 284, 285 (TTAB 1983) (WE MAKE IT, YOU BAKE IT! for supermarket store services); *In re TilconWarren, Inc.*, 221 USPQ 86, 88 (TTAB 1984) (WATCH THAT CHILD for construction materials); *In re Morganroth*, 208 USPQ at 288 (NATUR-ALL-IZE YOUR HAIR COLORING for hair styling salon services). These slogans all are informational in nature, expressing various sentiments using words that convey their ordinary meanings rather than indicating source.

Similarly, we find that consumers would perceive INVESTING IN AMERICAN JOBS as merely an informational statement that Applicant is selling certain goods that are made or assembled in America in areas of the store where the signage appears. It would not be perceived as a service mark for “promoting public awareness for goods made or assembled by American workers” and the various retail store services recited in the application . . . The text on Applicant’s website confirms the merely informational nature of the phrase. Thus, the commonplace meaning imparted by the phrase INVESTING IN AMERICAN JOBS would be the meaning impressed upon the purchasing public.<sup>8</sup>

The Board recited third-party uses of the phrase or similar wording by manufacturers of products, in product descriptions, in titles and text of media and news articles and concluded:

We find that the third-party usage examples provided by the Examining Attorney show that people are exposed to the ordinary meaning of the phrase “investing in American jobs” in everyday life from many different sources to promote the same message and ideas as Applicant. The evidence shows common usage of the phrase “investing in American jobs” by commercial businesses in various industries, as well as in media articles and blogs, to convey the goal or aim of investing in U.S. business to promote employment opportunities in America. The fact that the phrase “investing in American jobs” is used in the titles and texts of numerous articles for a wide range of activities that result in various employment opportunities for American workers, as well as promotion of the U.S. economy, highlights the emphasis being placed on American

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8. This is further amplified by the fact that the specimen also bears another designation that clearly identifies source, namely, the “Walmart & the Spark Design” mark. *See, e.g., In re J. Hungerford Smith Co.*, 279 F.2d 694, 126 USPQ 372, 373 (CCPA 1960) (where specimen bore the applicant’s house marks “J. Hungerford Smith’s” and “J H S” as well as the applied-for term BURGUNDY on flavoring syrup made from Burgundy cherries, the Board correctly found that the term BURGUNDY was “not used in a trademark sense”).

jobs. The Board has previously acknowledged the public policy considerations in allowing businesses to encourage purchasers to give preference to American-made products, and affirmed the refusal to register the merely informational slogan PROUDLY MADE IN THE USA, recognizing, “It is common knowledge that ... American manufacturers are anxious to encourage purchasers to give preference to American products.” *In re Remington Prods.*, 3 USPQ2d at 1715. The evidence submitted by the Examining Attorney reflects that the closely related goal of American businesses to encourage purchasers to give preference to products made or assembled by American workers is also widely touted and pursued.

The Board discounted Applicant’s reliance on its website, its top Internet search results and advertising and promotional efforts and expenditures and noted:

...[E]ven a showing that consumers associate a phrase with a particular goods or services provider does not allow the provider to remove the term from the common lexicon. *See Am. Online v. AT&T*, 57 USPQ2d at 1909-10 (“Stated otherwise, the repeated use of ordinary words functioning within the heartland of their ordinary meaning [“You Have Mail”], and not distinctively, cannot give AOL a proprietary right over those words, *even if an association develops between the words and AOL.*”) (emphasis added); *In re Wakefern Food*, 222 USPQ at 79 (finding applicant’s evidence that consumers associate WHY PAY MORE! with applicant entitled to relatively little weight where applied-for mark does not perform the function of a trademark); *In re Water Gremlin Co.*, 635 F.2d 841, 208 USPQ 89, 90 (CCPA 1980) (proof that some consumers may associate particular words with a company is not probative where a mark is not used as a source-indicator because “[n]ot all designs or words which in fact indicate or come to indicate source will be restricted in use to a single merchant”); *cf. In re J. Hungerford Smith*, 126 USPQ at 373 (not addressing applicant’s evidence of acquired distinctiveness because the applied-for term failed to function as a trademark). Indeed, when evidence shows, as it does here, that others besides an applicant are using a phrase in an informational manner, the burden on the applicant claiming exclusive ownership and a right to exclude others from use increases. [Citation.] Thus, even if there were evidence that some consumers associated the phrase with Applicant, that alone would not entitle Applicant to appropriate for itself exclusive use of an otherwise common informational phrase and thereby attempt to prevent competitors or others from using it to promote their efforts to support American workers. [Citations.]

...

Based on the record in this case, Applicant’s proposed mark INVESTING IN AMERICAN JOBS fails to function as a service mark for retail store services or for promoting public awareness of goods made or assembled by American workers. As used by Applicant, it would be perceived by customers as a merely informational phrase, not a “merchandising short-cut” that indicates the source of Applicant’s services and distinguishes them from those of others.



## Questions

1. The *Wal-Mart Stores* decision indicates that an applicant's use in the marketplace can be sufficient to justify finding a phrase or slogan is informational and thus not registrable. TracFone has owned a Supplemental Registration for the mark UNLIMITED CARRYOVER for telecommunication services for nearly 10 years. Recall that registration on the Supplemental Register signifies that a term is capable of becoming a protectable mark. TracFone applies to register the mark on the Principal Register based on a claim of secondary meaning under section 2(f) and submits a specimen of use that is the same as the one that supported its Supplemental Registration as shown here:



Could the Examining Attorney refuse registration on the ground of being informational even without third party evidence of use in the marketplace? *See In re TracFone Wireless, Inc.*, 2019 U.S.P.Q.2d 222983 (T.T.A.B. 2019).

2. If an informational slogan or phrase is presented in a stylized manner and/or is combined with design elements, should the stylized or composite mark be entitled to registration? Consider two Board cases decided a week apart with opinions authored by the same administrative judge.

In *adidas AG v. Christian Faith Fellowship Church*, 2019 TTAB LEXIS 439 (T.T.A.B. Nov. 13, 2019), the Board found the phrase ADD A ZERO to be an informational slogan commonly used in fundraising and granted the petition to cancel the word mark for shirts and caps. The Board, however, found the “specific combination, placement and shading of the wording and design element [of the



stylized word and design mark]... create an integrated whole with a single and distinct three-dimensional commercial impression...”



In *In re Ocean Technology, Inc.*, 2019 U.S.P.Q.2d 450686 (T.T.A.B. Nov. 21, 2019), the Board found Applicant’s composite word and design marks for crabmeat to be informational and not entitled to registration.



The Board reasoned that all of the wording in the marks was informational based on the evidence in the record, that the stylizations of the wording “are not particularly notable or distinctive” and that an “accurate pictorial representation” of a crab “simply informs prospective consumers that the associated product is crabmeat.” Do you agree that, unlike the ADD A ZERO and Design mark, these marks do not “create an integrated whole with a single and distinct ... commercial impression?” Did the Board take adequate account of the combination of the varied stylizations and placement of different elements in the marks?

## B. Abandonment

### 1. Non Use

#### Page 342. Add Question 8

8. If a trademark owner publicly states that it is ceasing use of a mark, is that sufficient to establish abandonment and an intent to not resume use? If less than three years have elapsed, which party has the burden of proving intent not to resume use? *See Double Coin Holdings Ltd. v. Tru Development*, 2019 U.S.P.Q.2d 377409 (T.T.A.B. 2019) (published statement of intent to cease selling WARRIOR tires that had been imported from China due to imposition of high tariff coupled with statement of intent to look for alternative site of manufacture and subsequent efforts to do so did not prove abandonment. Due

to less than three years of nonuse, counterclaimant asserting abandonment retained burden of proof of intent not to resume use).

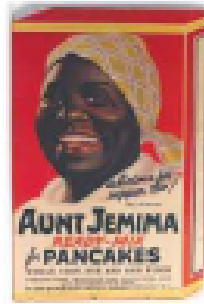
**Page 348. Add Questions 8 and 9.**

8. The *Wells Fargo* decision indicates that a company rebranding or changing its name may still be able to retain rights in the prior mark or name if it continues to make bona fide use in commerce of the original mark. What type of uses may allow a company to maintain rights in the original mark? Consider the following two cases:

In *AT&T Mobility LLC v. Thomann and Dormitus Brands LLC*, 2020 U.S.P.Q.2d 53785 (T.T.A.B. 2020), Applicant applied to register the marks CINGULAR and CINGULAR WIRELESS and Design for products in Class 9, including cell phones and cell phone accessories. AT&T Mobility opposed, *inter alia* on the ground of false suggestion of a connection. Applicant countered that Opposer lacked standing as it had abandoned use of the CINGULAR mark. Opposer, initially formed in 2000 under the name Cingular Wireless LLC, acquired AT&T Wireless in 2004 and heavily advertised the CINGULAR name and mark. In 2007, Opposer changed its name to AT&T Mobility LLC. AT&T Mobility has a controlled subsidiary New Cingular Wireless PCS, LLC, which uses its name as the holder of AT&T's FCC licenses, leases with property owners and in contracts with wireless customers. The Board held such use and history was sufficient to establish standing to assert the false suggestion of a connection ground as CINGULAR is part of Opposer's identity.

In *Equitable Nat'l Life Ins. Co. v. AXA Equitable Life Ins. Co.*, 2020 U.S. Dist. LEXIS 10714 (D. UT 2020), the court preliminarily enjoined defendant's intended use of EQUITABLE as a standalone name and mark, finding a likelihood of success that defendant had abandoned its prior rights in a standalone EQUITABLE mark even though defendant was initially the prior user from 1859. AXA S.A. acquired defendant in 1991 and the standalone EQUITABLE registrations lapse in 2003 and 2004. From 2004, it used a logo combined with AXA and in 2014, it dropped EQUITABLE from its logo and spent \$85 million in rebranding to AXA. The court recognized that defendant had previously had priority in EQUITABLE as a standalone mark but could no longer claim such priority as it only used the mark in combination with its AXA company name. References to historical products in brochures were not persuasive to the court. The facts that defendant let its prior EQUITABLE registrations lapse and dropped EQUITABLE from its logo in 2014 were sufficient evidence to establish an intent not to resume use.

9. Quaker Oats announced that it is retiring its AUNT JEMIMA brand of pancake mix and syrup by the end of 2020 and will be adopting a new name and packaging design. The brand has existed for over 130 years and is a market leader. The brand name was inspired by a minstrel song that looked back wistfully on the antebellum South. Early on, packaging appeared as shown here:



The image changed over time to now look like this:



In its announcement, Quaker Oats’ stated that the reason for changing the brand name is “to make progress toward racial equality” and acknowledged that Aunt Jemima’s origins were “based on a racial stereotype.”

Would Quaker Oats’ public statement of intent to retire the brand at the end of 2020 satisfy a finding of abandonment with intent not to resume use? Could a third party adopt AUNT JEMIMA as a brand name on January 1, 2021? At some other point in time?

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**Page 364. Add the following Note:**

***Note: Treatment of Trademark Licenses in Bankruptcy***

The Supreme Court, in an 8-to-1 decision\*, resolved a circuit split concerning the effect of a debtor in bankruptcy’s rejection of a trademark license. *Mission Product Holding Inc. v. Tempnology, LLC*, 139 S. Ct. 1652 (2019). The issue was whether such a rejection resulted in treatment as a breach, or as a rescission of the contract that would prevent the licensee from continuing to use the licensed mark. Justice Kagan answered - as a breach. In reaching this conclusion, the Court rejected two trademark-specific arguments of the debtor-licensor.

Section 365(n) provides that certain types of intellectual property licensees, including patent and copyright, can continue to use those rights and to pay the royalties under the license even if the licensor rejects the contract. The debtor-licensor in *Mission* reasoned that the failure to include trademarks within

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\* Justice Gorsuch’s dissent did not reach the merits, finding the matter moot.

the provision meant that such licenses were in effect rescinded; otherwise, why would it be necessary to articulate specific protection for other types of IP licenses? In rejecting this contention, the Court noted that the general provision of section 365(g) states that: “Rejection “constitutes a breach of [an executory] contract.” Further, the Court noted that the 365(n) provisions were enacted over time to correct the result of opinions that went the other way, rather than rejecting the general rule governing the effect of rejection as a breach.

If the licensor breaches the agreement outside bankruptcy (*again, barring any special contract term or state law*), everything said above goes. In particular, the breach does not revoke the license or stop the licensee from doing what it allows. *See, e.g., Sunbeam*, 686 F. 3d, at 376 (“Outside of bankruptcy, a licensor’s breach does not terminate a licensee’s right to use [the licensed] intellectual property”). And because rejection “constitutes a breach,” §365(g), the same consequences follow in bankruptcy. The debtor can stop performing its remaining obligations under the agreement. But the debtor cannot rescind the license already conveyed. So the licensee can continue to do whatever the license authorizes.

The licensor-debtor also argued that trademark law imposes a duty on the owner to exercise quality control with respect to the licensed mark or otherwise risk loss of the mark’s value or even of the mark itself. The Court found this argument unpersuasive:

Congress did not have “a single purpose,” but “str[uck] a balance” among multiple competing interests... Section 365 provides a debtor like Tempnology with a powerful tool: Through rejection, the debtor can escape all of its future contract obligations, without having to pay much of anything in return. But in allowing rejection of those contractual duties, Section 365 does not grant the debtor an exemption from all the burdens that generally applicable law—whether involving contracts or trademarks—imposes on property owners. [Citation.] Nor does Section 365 relieve the debtor of the need ... to make economic decisions about preserving the estate’s value—such as whether to invest the resources needed to maintain a trademark. In thus delineating the burdens that a debtor may and may not escape, Congress also weighed ... the legitimate interests and expectations of the debtor’s counterparties. The resulting balance may indeed impede some reorganizations, of trademark licensors and others....

Justice Sotomayor joined the opinion of the Court but also authored a concurrence in which she highlights a point alluded to in the majority opinion, i.e. that contract provisions or state law could vary the result. She thus elaborates:

The Court granted certiorari to decide whether rejection “terminates rights of the licensee that would survive the licensor’s breach under applicable nonbankruptcy law.” Pet. for Cert. The answer is no, for the reasons the Court explains. But the baseline inquiry remains whether the licensee’s rights would survive a breach under applicable nonbankruptcy law. Special terms in a licensing contract or state law could bear on that question in individual cases. See Brief for American Intellectual Property Law Association as *Amicus Curiae* 20-25 (discussing examples of contract terms that could potentially lead a bankruptcy court to limit licensee rights post-rejection).

In light of the decision in *Mission*, what type of license provisions should a licensor seek to include?

## Chapter 6

# Infringement

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### A. Defendant's Use in Commerce

**Page 370. Insert new case following *Born to Rock Designs v. CafePress.com*.**

**Ohio State University v. Redbubble**, 369 F. Supp. 3d 840 (S.D. OH 2019). Redbubble is an online marketplace that functions as a matchmaker to connect independent artists, product manufacturers, shipping services, and consumers. Redbubble invites artists to upload designs for print-on-demand merchandise and to specify on what products they would like their designs to appear. Redbubble automatically connects the artists with third party manufacturers who make the products. Consumers can search the Redbubble.com site to find and purchase items bearing the designs. The items will be made by one of the manufacturers, and shipped to the consumer by one of the shippers. The shipped package will bear the Redbubble logo, and the return address on the package will say “an artist at Redbubble.” A third-party payment processor handles the payment.

Ohio State University found items for sale on Redbubble’s site that incorporated its trademarks, and sued Redbubble for trademark infringement. The trial court denied Ohio State’s motion for summary judgment:

Redbubble contends that it does not use Ohio State’s trademarks in commerce because it is not the “seller” of the goods. Rather, the independent artists design the items that are listed on the website. Once a customer places an order, the third-party manufacturer produces the product, and a third-party ships the finished item to the buyer. In this way, Redbubble operates like Amazon, hosting a website where sellers can list goods for sale, and arranging for the shipment of goods for the seller. Ohio State, however, argues that Redbubble cannot merely subcontract its way out of compliance with the Lanham Act. Redbubble makes all of the arrangements for the artist to produce, ship, and sell the potentially infringing products. Additionally, “[t]he products are delivered in Redbubble packaging, with a Redbubble invoice, with Redbubble stickers and care instructions, and a Redbubble tag attached to the product.”

Redbubble is not liable for direct infringement on these facts. The caselaw sets up a spectrum against which to measure Redbubble’s conduct. At one end are companies that function like auction houses and are not liable for direct infringement. At the other end are companies like CafePress and SunFrog that themselves manufacture and ship infringing products to the customer. Redbubble does not fit neatly into either of these categories. But Redbubble’s actions put it closer to the auction house side of the spectrum than to CafePress. Redbubble essentially offers to

“independent artists” an online platform through which to sell their goods and access to Redbubble’s relationships with manufacturers and shippers. Redbubble is not directly producing the goods nor . . . is Redbubble maintaining a design database and then placing the designs onto goods that customers order.

. . . .

Ohio State has made some conclusory references to Redbubble’s advertising of the allegedly infringing products. Ohio State has argued . . . that Redbubble “advertis[es] the counterfeit goods on its site,” and “advertises the infringing goods for sale.” These allegations are too conclusory to form a basis for direct trademark infringement. . . . Ohio State also argues that “[t]he fact that OSU’s trademarks are displayed on Redbubble’s website with products offered for sale” also constitutes use. Ohio State points to 15 U.S.C. § 1127 which states that “use” can include a mark being “placed in any manner on the goods or their containers *or the displays associated therewith.*” 15 U.S.C. § 1127 (emphasis added). But this argument ignores the fact that Redbubble is not the one placing Ohio State’s marks on its website. Rather, the marks are uploaded by the independent artists.

Therefore, Redbubble is not liable for direct trademark infringement. . . .

**Page 374. Insert the following case before the Questions.**

**New Balance Athletics, Inc., v. USA New Bunren International Co.**, 424 F. Supp. 3d 334 (D. Del 2019). New Balance filed a trademark infringement action against New Bunren International, a Delaware-based distributor of shoes manufactured by a Chinese company that had been found liable in China for infringing New Balance’s trademarks. New Bunren operated a website at <http://www.new-bunren.com> that displayed images of its shoes but did not include either pricing information or purchasing instructions. The website did include a “contact us” form. New Bunren claimed that none of its products were shipped to or sold in any physical stores in the United States. As the court noted, that didn’t preclude “the possibility that its products could have been sold through the internet and directly shipped to a consumer.” On cross motions for summary judgment, New Bunren insisted that its activities did not qualify as “use in commerce.” The court disagreed.

New Bunren asserts that its activities were not “in commerce” as required by the Lanham Act. . . .

The Court finds . . . the analysis set forth by the Second Circuit in *Rescuecom*[] persuasive. Notably, the definition of “use in commerce” under § 1127 cannot be reconciled with the activities that create liability under §§ 1114 and 1125. Specifically, § 1127 requires that goods be “sold or transported,” but §§ 1114 and 1125 create civil liabilities for “offer[s] for sale” or “advertising,” which are activities where goods are not necessarily sold or transported. Section 1127 states that the definitions in that section apply, “unless the contrary is plainly apparent from the context.” The context of §§ 1114 and 1125 demonstrate that the definition of “use in commerce” from § 1127 is not

applicable. Accordingly, the Court will not rely on it to determine infringement.

This leaves the “in commerce” requirement set forth in §§ 1114 and 1125. New Bunren argues that no products bearing New Bunren’s “N” marks were shipped to or sold in any physical stores in the United States. But New Bunren admits that its goods were “marketed via the [www.new-bunren.com](http://www.new-bunren.com) website.” That New Bunren did not actually sell any infringing products is immaterial, because liability under the Lanham Act can be based on advertising or promotion alone. [Citations.]

**Page 375. Add new Question 6.**

6. VersaTop sells modular poles and drapes to be used to assemble temporary booths at trade shows under the mark PIPE & DRAPE 2.0. Georgia Expo competes with Versa Top in the modular pole and drape market. At a recent trade show, Georgia Expo distributed a brochure announcing that it has a new model under development.



The brochure referred to the new product using the phrase PIPE & DRAPE 2.0, and included a photograph of VersaTop’s product. VersaTop filed suit for trademark infringement. Georgia Expo argues that it has not used VersaTop’s mark in commerce because it did not place the mark in any manner on goods or their containers, tags, or labels. How should the court rule? *See VersaTop Support Systems, LLC, v. Georgia Expo, Inc.*, 921 F.3d 1364 (Fed. Cir. 2019).

**Page 401. Add new Question 7.**

7. STELLA ROSA brand wines, sold in supermarkets and big box stores, have the largest share of the U.S. market for inexpensive, imported Italian wines. The brand’s Rosso sparkling red wine and



Moscato d'Asti sparkling white wine generate tens of millions of dollars of sales every year. Enovation plans to sell wines in Target stores under the mark BELLA ROSA. Stella Rosa claims that the trade dress of Enovation's BELLA ROSA wines infringes its trade dress.



Do you see a likelihood of confusion? See *San Antonio Winery, Inc. v. Enovation Brands*, 2020 U.S. Dist. LEXIS 30840 (S. D. Fla. 2020).

**Page 418. Add new Question 6.**

Iron Maiden is a British heavy metal band that has been recording and performing since 1975. The band sells lots of licensed merchandise, including computer and video games, and has registered the IRON MAIDEN mark shown below for a wide variety of products.



In 2016, Nodding Frog, an electronic game company that is one of Iron Maiden's licensees, released an electronic game under the title IRON MAIDEN: LEGACY OF THE BEAST, bearing this logo:

# IRON MAIDEN LEGACY OF THE BEAST

The game is free to play, and is available as an app for IOS and Android. The band has named its current world concert tour the “Legacy of the Beast World Tour.”

3D Realms is an electronic game company. It recently introduced a first-person shooter game named ION MAIDEN.



The Ion Maiden game centers on the adventures of a bomb disposal expert who must fight an army of cybernetically-enhanced soldiers. It is available now for PC and Linux for \$19.95. 3D Realms has announced that it will release the game for the Playstation 4, Nintendo Switch, and Xbox consoles within a few months.

Iron Maiden has sued 3D Realms for trademark infringement. How should a court analyze the likelihood of confusion?

## B. Likelihood of Confusion

### 3. Different Varieties of Confusion

#### a. Initial Interest Confusion

**Page 425. Add new Question 3:**

3. In *The Scope of Strong Marks: Should Trademark Law Protect the Strong More than The Weak?*, 92 N.Y.U. L. Rev. 1339 (2017), Professors Barton Beebe and C. Scott Hemphill challenge the rule that strong marks should receive broader protection than weak marks:

. . . The central question in most trademark litigation concerns the likelihood of consumer confusion: Is a significant proportion of relevant consumers likely to be confused as to the true source of the defendant's goods due to the similarity between the defendant's and plaintiff's marks? To answer this question, one of the most important factors that courts consider - in addition to assessing the similarity of the marks - is the strength of the plaintiff's mark. Strength refers to the degree to which the mark, due to its notoriety and to some extent its intrinsic characteristics, identifies and distinguishes the product's source. It is currently taken for granted as blackletter doctrine, rehearsed in nearly every significant trademark infringement opinion, that the stronger a mark is, the more likely consumers are to confuse similar marks with it and thus the wider the scope of protection it should receive. This understanding of the role that trademark strength plays in increasing the likelihood of consumer confusion significantly influences courts' ultimate determination of liability. Greatly to the benefit of the strongest brands, it always does so in one direction: Stronger marks invariably merit broader scope. The monotonic relation between strength and scope extends to the very strongest marks, which enjoy the widest scope of protection.

This Article challenges this conventional wisdom, which we argue results in erroneous and anticompetitive findings of liability. Stronger marks should not always receive a broader scope of protection. . . . Exceptionally well-known "superstrong" marks often merit a narrower scope of protection than marks of lesser strength because their extraordinary strength reduces rather than increases the likelihood of consumer confusion. . . .

Do you agree? Which of the cases you have read so far might have come out differently if the court had placed less weight on its finding as to the strength of the mark? Do courts seem overeager to find a likelihood of confusion when the plaintiff's mark is especially strong? If Professors Beebe and Hemphill are right that great strength should in fact reduce the likelihood of confusion, what might explain the courts' willingness to rule otherwise?

#### b. Post-Sale Confusion

**Page 441. Replace the excerpt from Jeremy Sheff's *Veblen Brands* with this excerpt from a**

forthcoming book chapter.

**Jeremy N. Sheff, *Misappropriation-Based Trademark Liability in Comparative Perspective***

IRENE CALBOLI & JANE C. GINSBURG, *INTERNATIONAL AND COMPARATIVE TRADEMARK LAW* (2020)  
(EXCERPTS)

. . . .

Post-sale confusion is an invention of the lower federal courts. The Supreme Court has never endorsed the theory, nor even discussed it. But for over half a century it has been the key weapon in the arsenal of brand owners seeking to protect business models that depend on conspicuous consumption under American law. The development of post-sale confusion doctrine demonstrates how American courts smuggle misappropriation-based liability into trademark doctrine by lumping it together with other, more plausibly confusion-based, theories of liability, and blurring the distinctions between them.

(1) Status Confusion

Before post-sale confusion even had a name, it was invoked to prevent the sale of knockoff luxury goods. In the first such case, *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, the Second Circuit explained the theory of injury in blunt terms:

[S]ome customers would buy [the junior user'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. [The junior user's] wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was [genuine].

Because it is undisputed that such purchasers of the imitation good do not think they are purchasing the genuine good, the basis for infringement liability must be confusion other than point-of-sale purchaser confusion. In *Mastercrafters*, such confusion was found not in the marketplace, but in the home, specifically when the purchaser consumes the good in view of a social audience that is led to believe the good is genuine. This theory of injury, which I refer to as “status confusion,” is the historic source of what we know today as post-sale confusion.

Status confusion is the underlying theory that allows for trademark liability against manufacturers of knockoff prestige goods even where consumers know they are buying a knockoff. Such goods range from cigars and watches to handbags and award statues. Put simply, the cases presume that purchasers of such goods are not looking to purchase a guarantee of product quality associated with the trademark, but are rather purchasing the social status that is accorded to those who possess products bearing the trademark. This is something courts will not allow them to do (at least not without paying tribute to the trademark registrant or owner).

In the clearest statement of the theory, the Second Circuit in *Hermès International v. Lederer de Paris Fifth Avenue, Inc.* identified two injuries flowing from status confusion. The first injury is visited not on the owner of the mark, but on its customers: “[T]he purchaser of an original is harmed by the

widespread existence of knockoffs because the high value of originals, which derives in part from their scarcity, is lessened.” The second injury falls not on the mark owner, nor even on its customers, but on the public at large: “A loss [to the public] occurs when a sophisticated buyer purchases a knockoff and passes it off to the public as the genuine article, thereby confusing the viewing public and achieving the status of owning the genuine article at a knockoff price.”

....

There are obvious objections to treating the purported “status confusion” injuries of *Hermès* as a basis for trademark liability within the American theoretical framework. Either supposed injury would seem to be irrelevant to the economic rationale for trademark protection. Neither would seem to present any possibility that a consumer would be duped into buying something he didn’t want, or that a producer would lose a sale. ....

....

Perhaps to obscure these theoretical infirmities, status confusion cases have been lumped together with other very different theories of injury under the overarching rubric of “post-sale confusion.” . . .

## (2) Bystander Confusion

One alternative theory of post-sale confusion appears consistent with the Lanham Act’s stated purpose of extending infringement liability to confusion of *potential*, rather than only *actual*, purchasers. In its strongest form, the theory of these cases describes an injury—which I will refer to as “bystander confusion”—that follows from a standard chain of events:

- The defendant sells its product—which incorporates some feature or combination of features that resembles a protectable mark of the plaintiff—to an admittedly non-confused consumer;
- The consumer uses the product in view of a *potential* purchaser of the plaintiff’s product;
- The *potential* purchaser is confused as to the source of the observed product, misidentifying it as having originated with the plaintiff;
- The *potential* purchaser, observing the defendant’s product in use, makes some negative evaluation about the qualities of the observed product, mistakenly ascribing that evaluation to the *plaintiff’s* products;
- Under this mistaken understanding of the qualities of the *plaintiff’s* products, the *potential* purchaser refrains from future purchases of the *plaintiff’s* products, and potentially recommends that others do likewise.<sup>67</sup>

The bystander confusion theory is entirely consistent with American justifications for trademark enforcement. Should the chain of events described above occur, consumers might rely on inaccurate information in making purchasing decisions, and honest producers of quality goods could lose sales as a result—both injuries American trademark policy seeks to prevent. However, . . . courts can be sloppy in their analysis of bystander-confusion claims, extending liability to conduct that does not threaten to injure

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67. See, e.g., *CAE, Inc. v. Clean Air Eng’g*, 267 F.3d 660, 683 (7th Cir. 2001); *Payless Shoesource, Inc. v. Reebok Int’l Ltd.*, 998 F.2d 985, 989–90 (Fed. Cir. 1993); *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir. 1987).

either consumers or producers.<sup>68</sup>

The typical path to such expansion of liability is the presumption that the entire parade of events described above will follow whenever the first of them occurs. The fact that some potential future purchaser of the plaintiff's product *could* observe a purchaser of the defendant's product, *could* misidentify the plaintiff as the source of that product, and *could* form inferences about the plaintiff's goods is supposed by some courts to establish that actionable confusion is *likely*.<sup>69</sup> As Professor Robert Denicola notes, "the essentially *predictive* nature of the likelihood of confusion standard permits the accommodation of interests attributable to a host of divergent social and economic prejudices."<sup>70</sup> Insofar as this is true even of traditional point-of-sale confusion analysis, the chain of inferences required to find bystander confusion only compounds the problem.

....

### B. Downstream Confusion

The third species of post-sale confusion is grounded on the theory that a defendant's (admittedly non-confused) customers might gift or resell the defendant's goods in a secondary market, in a way that will confuse purchasers or recipients of the goods in that secondary market. In some such cases, the defendant is selling admitted replicas of the plaintiff's goods; in others, the defendant has acquired the genuine article and modified it in some way. In either case, the injury on which liability is grounded is not directly inflicted by the defendant (who sells to a non-confused purchaser), but is rather presumed to be inflicted further down the stream of commerce by one of the defendant's customers. I refer to this theory of injury as "downstream confusion." What is surprising about the downstream-confusion cases is not that they consider confusing sales or gratuitous transfers in a secondary market harmful to the trademark owner and to the public—that much is uncontroversial. Rather, what is surprising is that these cases give almost no attention to the well-established doctrines that are addressed to such an injury: contributory

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68. Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 *BU L. Rev.* 547, 608 (2006) ("In some of the broadest post-sale confusion decisions, however, there is no genuine risk that defendant's product will be perceived as inferior. In these cases, liability is difficult to square with the information transmission function of the mark, and goodwill appropriation often plays a prominent justificatory role.").

69. See, e.g., *Payless*, 998 F.2d at 989 ("Reebok contended that such confusion occurs, for example, when a consumer observes someone wearing a pair of Payless accused shoes and believes that the shoes are Reebok's. As a consequence, the consumer may attribute any perceived inferior quality of Payless shoes to Reebok, thus damaging Reebok's reputation and image. . . . We agree with Reebok that the district court abused its discretion in failing to adequately consider the extent of such post-sale confusion."); *Lois Sportswear U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872–73 (2d Cir. 1986) ("[P]ost-sale confusion would involve consumers seeing appellant's jeans outside of the retail store, perhaps being worn by a passer-by. The confusion the Act seeks to prevent in this context is that a consumer seeing the familiar stitching pattern will associate the jeans with appellee and that association will influence his buying decisions."); *Levi Strauss & Co. v. Blue Bell, Inc.*, 632 F.2d 817, 822 (9th Cir. 1980) (Wrangler's use of its projecting label is likely to cause confusion among prospective purchasers who carry even an imperfect recollection of Strauss's mark and who observe Wrangler's projecting label after the point of sale."); *Cartier v. Aaron Faber Inc.*, 396 F. Supp. 2d 356, 361 (S.D.N.Y. 2005) ("Individuals viewing the watches on a purchaser's wrist would be misled as to the true nature of the watch's craftsmanship, and any effect such identification might have on Cartier's goodwill with the public is actionable."); *Car-Freshener Corp. v. Big Lots Stores, Inc.*, 314 F. Supp. 2d 145, 153 (N.D.N.Y. 2004).

70. Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 *Wis. L. Rev.* 158, 162 note 18 (emphasis added).

infringement liability and the first-sale doctrine.\*

....

#### IV. CONCLUSION

....

I have argued in the past that the peculiarities of American competition and free expression policy—the latter of constitutional dimension—suggest that using post-sale confusion liability as a tool to facilitate conspicuous consumption is unsound as a matter of doctrine, policy, and constitutional law. These objections aside, bystander and downstream confusion might be rendered sound doctrinally, for example by imposing burdens of proof to inhibit undue speculation and by shifting analysis of implicated cases to more authoritative and generally-applicable doctrines such as the contributory liability and first-sale doctrines. But status confusion does not seem to be susceptible to such a fix, and indeed would be directly threatened by such reforms. The lumping together of various—often superfluous—theories of liability together with status confusion under the overarching rubric of “post-sale confusion” is thus revealed for the kludgy obfuscation that it is.

....

#### *Question*

Professors Kai Raustiala and Christopher Sprigman have argued that post-sale confusion is real, and may harm the trademark owner, but that it occurs only rarely. They recommend that courts require trademark owners to provide more careful proof of likelihood of confusion, and a clear connection to resulting harm. See Kai Raustiala & Christopher Jon Sprigman, *Rethinking Post-Sale Confusion*, 108 Trademark Rep. 1 (2018). Would that solve the problems identified by Professor Sheff? If not, why not?

#### **Page 447. Add to the end of Question 3.**

The district court agreed that the Skechers tags could eliminate point-of-sale confusion, but found confusion to be likely nonetheless, because of the high probability of post-sale confusion, and entered a preliminary injunction forbidding Skechers from continuing to sell the pictured Cross Court shoe. On appeal, the 9<sup>th</sup> Circuit affirmed the determination that adidas had shown a likelihood of success on its trademark infringement claim. The court, however, concluded that the district court had abused its discretion in enjoining sales of the Cross Court shoe, because adidas had failed to show irreparable harm.

adidas’s theory of harm is in tension with the theory of customer confusion that adidas has advanced to establish a likelihood of success on the merits. Adidas did not argue in the district court, and has not argued on appeal, that a Cross Court purchaser would mistakenly believe he had bought adidas shoes at the time of sale. Indeed, this

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\* [Editors’ note: We will address contributory liability in section C of this Chapter. We will address the trademark first sale doctrine in Chapter 8, section B.]

argument would be implausible because the Cross Court contains numerous Skechers logos and identifying features. Instead, adidas argues only that after the sale, someone else looking at a Cross Court shoe from afar or in passing might not notice the Skechers logos and thus might mistake it for an adidas.

The tension between adidas's consumer confusion and irreparable harm theories, then, boils down to this: How would consumers who confused Cross Courts for adidas shoes be able to surmise, from afar, that those shoes were low quality? If the "misled" consumers could not assess the quality of the shoe from afar, why would they think any differently about adidas's products? How could adidas's "premium" brand possibly be hurt by any confusion?

Indeed, such a claim is counterintuitive. If a consumer viewed a shoe from such a distance that she could not notice its Skechers logos, it is unlikely she would be able to reasonably assess the quality of the shoes. And the consumer could not conflate adidas's brand with Skechers's supposedly "discount" reputation if she did not know the price of the shoe and was too far away to tell whether the shoe might be a Skechers to begin with. In short, even if Skechers does make inferior products (or even if consumers tend to think so), there is no evidence that adidas's theory of post-sale confusion would cause consumers to associate such lesser-quality products with adidas. And, even if we agree with the district court that some consumers are likely to be confused as to the maker of the Cross Court shoe, we cannot simply assume that such confusion will cause adidas irreparable harm where, as here, adidas has failed to provide concrete evidence that it will.

*Adidas America, Inc. v. Skechers, USA*, 890 F.3d 747 (9<sup>th</sup> Cir. 2018).

**Page 447. Add the following case after the Questions.**

**Springboards to Education v. Houston Independent School District**, 912 F.3d 805 (5<sup>th</sup> Cir. 2019). Springboards to Education is an educational services company that markets its products and services to school districts. In 2005, Springboards launched its "Read a Million Words" campaign, designed to motivate students to read books by promising that students who reach their reading goals will win the "Millionaire Reader award" and be inducted into the "Millionaire Reading Club." Springboards supplies schools that purchase the program with certificates, t-shirts, drawstring backpacks, fake money, and other items to be given to participating students. Springboard holds trademark or service mark registrations for READ A MILLION WORDS, MILLION DOLLAR READER, MILLIONAIRE READER, and MILLIONAIRE READING CLUB. Houston Independent School District is not a Springboards customer. In 2008, the district started a summer reading program, which it called the Houston ISD Millionaire Club. The program offered incentives for participating students to read five books over the summer; it explained the "Millionaire" name as inspired by a calculation that if every one of the district's more than 200,000 students read five books, that would total more than one million books. The district distributed certificates, t-shirts, backpacks, and fake money to participants, all labeled "Houston ISD Millionaire Club." Springboards sued the district for trademark infringement. The trial



court granted the district’s summary judgment motion, and Springboards appealed. The Fifth Circuit affirmed, holding that no reasonable jury could find that the allegedly infringing uses created a likelihood of confusion.

To prove infringement, Springboards must show that HISD’s use of “Houston ISD Millionaire Club” “create[d] a likelihood of confusion in the minds of potential consumers as to the source, affiliation, or sponsorship” of HISD’s products or services. [Citation] In other words, Springboards must show that potential consumers, when confronted with “Houston ISD Millionaire Club,” would believe Springboards is somehow affiliated with HISD’s summer-reading program or the branded incentive items and informational material HISD distributed in connection with its summer-reading program.

In assessing likelihood of confusion, we examine eight nonexhaustive “digits of confusion”...

We will examine each digit in turn. But given the atypical facts of this case, we first digress to consider the context in which this dispute arises. . . .

We begin our detour by stating what is perhaps obvious, though easy to lose sight of when considering some of the parties’ arguments: Springboards brings a trademark claim—not a patent claim. Accordingly, Springboards does not challenge HISD’s use of a monetary-themed incentive-based literacy program. HISD could have copied the methodologies used in the Read a Million Words campaign step by step, and, whatever other problems that might have engendered, as long as it used clearly distinguishable nomenclature, Springboards would have no argument that HISD violated the Lanham Act in doing so. Thus, although the similarity between the parties’ products and services is a digit of confusion relevant to the analysis, the focus of the analysis is on whether HISD misappropriated Springboards’ marks, not whether HISD misappropriated Springboards’ literacy-promotion methods.

Next, we must identify the class of consumers at risk of confusion and the point in the transaction at which the risk of confusion arises. [Citations.] In the typical likelihood-of-confusion case, these questions require little inquiry. Normally, the alleged infringer appropriates the senior mark user’s goodwill by selling a product or service that the consumer might mistake as being in some manner affiliated with the senior mark user. [Citation.] The risk in such a case is that the purchaser will be confused at the point of the sale. . . .

The relevant risk of confusion is not as clear in this case. Springboards’ business model is premised on marketing the Read a Million Words campaign to school districts and selling those districts the products and services needed to implement the campaign. But Springboards does not allege that HISD directly competed with it by marketing the Houston ISD Millionaire Club to outside school districts. Rather, Springboards argues that HISD *itself* would have purchased Springboards’ services were it not infringing on those services. Springboards does not argue—and it would be nonsensical to argue—that

HISD confused itself into developing its own literacy program thinking that it was instead purchasing Springboards' program. The archetype therefore does not fit this case. But Springboards alludes to alternative sources of confusion, which we briefly explore.

Springboards suggests HISD's students and their parents might have been confused into thinking that HISD was using Springboards' program instead of its own. Regardless of whether that might have been the case, HISD's students and their parents are not the appropriate focus of the likelihood-of-confusion analysis. Although the ultimate recipients of HISD's services and products, the students and their parents were not purchasers in any ordinary sense. . . . Here, absent any evidence that HISD students or their parents exercise any influence over HISD's purchasing decisions, we need not consider the likelihood that HISD students and parents were confused about Springboards' role in the Houston ISD Millionaire Club initiative.

Next, Springboards suggests there is a risk that third-party educators were confused. Courts call this genus of confusion postsale confusion.... In such cases, the purchaser of the infringing product or service understands the product or service is not affiliated with the senior mark user, but there remains a likelihood of confusion in third-party potential purchasers. [Citation.]

[T]here is some risk that if HISD's literacy program were inferior to Springboards' literacy program, then Springboards' potential customers might be deterred from purchasing Springboards' products and services by a mistaken association between HISD and Springboards. This would be actionable. We therefore focus our digits-of-confusion analysis on whether there is a probability that HISD's use of "Houston ISD Millionaire Club" would confuse third-party educators into believing that Springboards is affiliated with Houston's summer-reading program.

....

Looking to the digits of confusion for guidance, we conclude that no reasonable jury could find a likelihood of confusion. Springboards' marks are not widely known and are similar or identical to multiple third-party marks. HISD did not market the Houston ISD Millionaire Club to Springboards' potential customers—i.e., third-party school districts. There is no evidence of an intent to confuse. And Springboards' potential customers are sophisticated institutional purchasers that are not easily confused. The only digit pointing unwaveringly in Springboards' favor is the similarity of the products. But even this does not strongly suggest a likelihood of confusion given the popularity of millionaire-themed literacy programs. Otherwise, there is some overlap in markets considering that HISD is a school district and Springboards markets to school districts, but the importance of this digit is undercut by the fact that HISD did not market the Houston ISD Millionaire Club externally.

Accordingly, the great weight of the digits suggests there is no likelihood of confusion.

*c. Reverse Confusion*

**Page 451.** Insert the following case after *Dreamwerks v. SKG*.

**Fleet Feet, Inc. v. Nike Inc.**, 419 F. Supp. 3d 919 (M.D. N.C. 2019). Fleet Feet is a small chain of running and fitness stores. Fleet Feet adopted the mark RUNNING CHANGES EVERYTHING in 2009 and has used it continuously in print and online advertising, but did not seek to register it until 2019. The company adopted the service mark CHANGE EVERYTHING for its retail stores and associated running events in 2013, and registered it on the principal register in 2015. In 2019, Nike launched a large-scale advertising campaign featuring the phrase SPORT CHANGES EVERYTHING.



Fleet Feet filed a trademark infringement suit and moved for a preliminary injunction. Finding a likelihood that Fleet Feet would prevail on its reverse confusion claim, the judge granted the motion and enjoined Nike’s campaign.

Weighing the relevant factors, the Court concludes that Fleet Feet has met its burden to show a likelihood of reverse confusion, but not of forward confusion. ...[T]he evidence is almost non-existent that consumers would connect Nike’s products with Fleet Feet, rather than with Nike. But the evidence is strong that consumers may come to associate Fleet Feet’s marks, and thus its services and products, with Nike, not with Fleet Feet.

Fleet Feet’s distinctive “Change Everything” and “Running Changes Everything” marks have relatively low commercial strength, Fleet Feet’s substantial advertising expenditures are a drop in the bucket compared to Nike’s spending, and Nike’s advertising campaign using the “Sport Changes Everything” phrase is likely to swamp Fleet Feet’s marks in the market and to cause consumers to link Fleet Feet’s marks with Nike. The similarity of the marks, the advertising, and the facilities and the intent factors weigh in favor of Fleet Feet on reverse confusion. While the lack of any evidence of actual confusion favors Nike, that does not outweigh the other factors.

The risk of reverse confusion is especially strong since the campaign is wide-ranging and ongoing; it will last, absent an injunction, through the upcoming holiday shopping season and many major sporting events, exposing many more consumers to Nike’s “Sport Changes Everything” mark.

. . . .

## II. Risk of Irreparable Harm

....

Given Nike’s market power, online and social media presence, and the wide-ranging placement of the “Sport Changes Everything” campaign in stores, billboards, and otherwise, Fleet Feet has shown it is likely to be irreparably harmed if Nike is permitted to continue the campaign through the holiday season and the Super Bowl. The more consumers see “Sport Changes Everything” before they see Fleet Feet’s similar marks, the more likely it is they will “come to assume” that Fleet Feet’s products are really Nike’s or to associate all three marks with Nike. . . . [Citation] This confusion is difficult to quantify, and Nike has not suggested any way that Fleet Feet could be made whole if it ultimately prevails. And given that Nike intends to use “Sport Changes Everything” only until February 2020, any permanent injunction would issue after the campaign has ended and thus would not protect Fleet Feet’s rights. [Citation.] The level of reverse confusion at issue here, the difficulty of quantifying such harm, and the timing all support a finding in favor of Fleet Feet on this factor.

## *Conclusion*

Fleet Feet has met its burden to obtain a preliminary injunction. Fleet Feet has demonstrated that it is likely to succeed on the merits. Its “Change Everything” and “Running Changes Everything” marks are both valid and protectable. While there is not much evidence of forward confusion, Fleet Feet has shown a strong likelihood of reverse confusion, as Nike’s large multimedia “Sport Changes Everything” campaign is likely to overcome public association between Fleet Feet and its “Change Everything” and “Running Changes Everything” marks. Fleet Feet is also likely to be irreparably harmed without a preliminary injunction, since Nike’s SCE seasonal use of the SCE mark will damage Fleet Feet’s trademark interests further and Fleet Feet’s interests will not be protected by a permanent injunction which issues after the advertising campaign is over. Although Nike contends that it would cost significant resources to redo the campaign at this stage, it has provided only conclusory evidentiary support. For these reasons, the balance of equities tips in favor of Fleet Feet. The public interest in enforcing trademark rights and preventing public confusion also lies with Fleet Feet.

**Page 455. Correct the citation at the end of Question 4**

The correct citation is *Uber Promotions, Inc. v. Uber Technologies, Inc.*, 162 F. Supp. 3d 1253 (N.D. Fla. 2016).

**Page 455. Add new Question 6.**

6. Artistry, Ltd, is a small, family-owned jewelry wholesale company based in Skokie, Illinois that has been operating under that name since 1982. It sells jewelry to independent jewelers and high-end department stores. Sterling Jewelers owns the Kay Jewelers and Jared chains of jewelry stores, and is the largest specialty jewelry retailer in the US. In 2012, Sterling introduced its “Artistry Diamond Collection” to all of its Kay stores. Artistry, Ltd. worries that if its customers believe that it sells diamonds to mass-market mall jewelry stores like Kay, its exclusive customers will lose confidence in the quality of its products. It asked Sterling to rename its collection. Sterling declined and filed an action seeking a declaratory judgment that its use of the word “Artistry” did not infringe Artistry, Ltd.’s mark. How should the court analyze the likelihood of confusion? See *Sterling Jewelers v Artistry Ltd.*, 896 F.3d 752 (6<sup>th</sup> Cir. 2018).

**Page 463. Insert new Question 5.**

5. Since 1980, a Nevada shipping company named Prime, Inc. has provided transportation, trucking, and shipping services, operating a large fleet of refrigerated, flatbed, and tanker trucks. Prime Inc. adopted the PRIME INC mark in 1980. The company uses the PRIME INC mark on its website, advertising, and business documents and also puts the PRIME INC logo on all of its trucks:



In 2005, Amazon.com introduced a subscription service it named “Amazon Prime.” Initially, Amazon Prime allowed customers to pay an annual subscription fee in order to receive free 2-day shipping on all orders. Amazon later expanded the program to include streaming music and video and special deals and

discounts. To facilitate speedy and cost-effective deliveries, Amazon formed Amazon Logistics, a business that contracts with independent local delivery services, which transport packages from Amazon shipping and sorting facilities to customers' homes. In 2017, Amazon introduced Amazon Prime branded delivery vehicles, which it makes available to its delivery partners for lease or purchase. Those vehicles are decorated with Amazon's marks and logos:



Prime, Inc. sued Amazon for trademark infringement, claiming that Amazon's use of the word PRIME on its vehicles has caused and will continue to cause significant consumer confusion. Which of the different theories of consumer confusion are implicated by these facts? What should Prime, Inc. need to show in order to recover on each of those theories? See *New Prime, Inc., v. Amazon Technologies, Inc.*, No. 6:19-cv-3236 (W.D. Mo., filed July 2, 2019).

### C. Secondary Liability for Trademark Infringement

**Page 469. Add new Questions 3 and 4.**

3. Jeremy Sheff, *supra* this Supplement Chapter 6.B.3, suggests that downstream confusion should be addressed as a potential species of contributory infringement rather than as a basis for direct infringement liability. Do you agree? How would you analyze the lawsuit that adidas brought against Skechers over the infringement of adidas's three stripe design as a contributory infringement case?

4. Recall the facts of *Ohio State v. Redbubble*, *supra* this Supplement Chapter 6.A. The district court granted Redbubble's motion for summary judgment on Ohio State's claim of direct trademark infringement. Ohio State's Complaint did not include either a vicarious liability or a contributory infringement claim, so the district court did not have an opportunity to address Redbubble's potential secondary liability. Would either claim have been stronger than the direct infringement claim? Why or

why not?

**Page 475. Add new case following the Question.**

**Luxottica Group, S.p.A. v. Airport Mini Mall, LLC**, 932 F.3d 1303 (11<sup>th</sup> Cir. 2019). Luxottica, the manufacturer of Ray Ban and Oakley eyewear, sued the owner of a discount mall for contributory infringement. Defendant had renewed vendors’ leases despite plaintiff’s letters complaining about the counterfeit sales and three law enforcement raids that resulted in seizures of counterfeit merchandise. After an 11-day trial, the jury returned a verdict holding defendant liable for contributory infringement and assessing damages at \$1.9 million. The 11<sup>th</sup> Circuit upheld the verdict on appeal.

*A. Luxottica Presented Sufficient Evidence to Sustain the Jury’s Verdict on Contributory Trademark Infringement.*

Under the Lanham Act, the owner of a registered trademark may hold someone contributorily liable for trademark infringement if that person induces or knowingly facilitates the infringement. ...

*1. Contributory Liability Under the Lanham Act*

The contributory trademark infringement cause of action stems from the application of “basic tort liability concepts to determine the scope of liability” under the Lanham Act. [Citations.]

...

A claim for contributory trademark infringement thus has two elements: (1) a person or entity commits direct trademark infringement under the Lanham Act; and (2) the defendant (a) “intentionally induces” the direct infringer to commit infringement, (b) supplies a “product” to the direct infringer whom it “knows” is directly infringing (actual knowledge), or (c) supplies a “product” to the direct infringer whom it “has reason to know” is directly infringing (constructive knowledge). . . .

....

*3. The Evidence Was Sufficient to Prove That the Defendants Had at Least Constructive Knowledge of Specific Acts of Infringement.*

Pursuing a knowledge theory of contributory trademark infringement, Luxottica sought to prove that the defendants knew or had reason to know that their subtenants were selling counterfeit items yet continued to supply services (space, utilities, maintenance, and parking) that enabled the subtenants to sell their goods. The question that arises—another one of first impression for this Court—is whether the knowledge theory of contributory liability requires the plaintiff to prove that the defendant had actual or constructive knowledge of *specific* infringing acts. We need not answer this question, however, because even if liability for contributory trademark infringement requires the defendant to have knowledge of specific acts of direct infringement, the evidence in this



case was sufficient for a reasonable jury to find that the defendants had at least constructive knowledge of (or were willfully blind to) specific acts of direct infringement by their subtenants.

The defendants argue that the district court should have applied what they deem a stricter standard from *Tiffany (NJ) v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010), in ruling on their renewed motion for judgment as a matter of law. In *Tiffany*, the jewelry titan sued the online listing service eBay for contributory trademark infringement because vendors listed counterfeit Tiffany products for sale on eBay's website. Whenever Tiffany notified eBay of a direct infringer's identity, eBay delisted the vendor within 24 hours. But, by itself, eBay was unable to identify and block each direct infringer, even with 200 employees focused on that task, because its website contained 100 million listings, and eBay lacked the ability to inspect goods in person and the expertise to distinguish Tiffany products from non-Tiffany products. "For contributory trademark infringement liability to lie," the Second Circuit held, "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." *Id.* at 107. Because Tiffany's demand letters identified no additional sellers of counterfeit goods other than the sellers eBay had already delisted, eBay lacked actual or constructive knowledge of the remaining direct infringers. The court thus upheld the bench trial verdict in favor of eBay. *Id.* at 96, 109.

The defendants articulate *Tiffany*'s legal standard for contributory trademark infringement as whether "Plaintiffs provide[d] notice to Defendants that a particular seller was then selling counterfeit versions of Plaintiffs' product." The defendants err, though, in asserting that *Tiffany* narrowed the sources of a defendant's actual or constructive knowledge to just one: notice by the trademark holders. *Tiffany* did not categorically shift the burden onto trademark holders to provide notice to defendants; it simply clarified that certain facts of the case—a marketplace of 100 million listings and eBay's inability to inspect goods in person and lack of expertise to distinguish Tiffany from non-Tiffany jewelry—made it unlikely that eBay could identify the infringing vendors on its own, without help from Tiffany. *Tiffany*, 600 F.3d at 97-98, 109. In arguing that it was Luxottica's burden to notify the defendants of the infringing subtenants' identities, the defendants fail to acknowledge that actual or constructive knowledge of the direct infringers' identities could arise from many sources, including steps the defendants could have taken to investigate alleged direct infringement at the Mall after being put on notice by Luxottica that unnamed subtenants' may have been selling counterfeit Luxottica products.

In any event, we need not decide today whether a defendant must be found to have had knowledge of specific acts of direct infringement for contributory liability to attach. Even if specific knowledge is necessary, the trial evidence was sufficient to prove that the defendants had at least constructive knowledge of specific instances where their subtenants infringed Luxottica's marks. Unlike in *Tiffany*, the defendants here did not need Luxottica's help to identify the infringing subtenants. Although *Inwood* created "no



affirmative duty to take precautions against the sale of counterfeits,” *Hard Rock Cafe*, 955 F.2d at 1149, the jury reasonably could have found that Luxottica’s notice letters would have prompted a reasonable landlord to do at least a cursory visual inspection of the Mall’s 130 booths to determine which vendors displayed eyewear with Luxottica’s marks and sold it at prices low enough—\$15 or \$20 a pair for glasses that typically retail at \$140 to \$220 a pair—to alert a reasonable person that it was counterfeit. Similarly, the jury reasonably could have found that a cursory visual inspection of 130 booths to see if they displayed what appeared to be counterfeit Luxottica eyewear was not so burdensome as to relieve the defendants of the responsibility to investigate after being informed by Luxottica that unnamed subtenants may have been engaging in illegal activity.

What’s more, previously we have held that evidence of “serious and widespread” infringement makes it more likely that a defendant knew about the infringement. *Mini Maid Servs. Co. v. Maid Brigade Sys., Inc.*, 967 F.2d 1516, 1522 (11th Cir. 1992). The three law enforcement raids—one of which lasted over 14 hours and required a tractor-trailer to haul away the seized merchandise—evidenced “serious and widespread” violations that gave the defendants at least constructive knowledge that their subtenants were selling counterfeit goods. *Id.* . . . The record evidence of (1) the raids, arrests, and seizures, (2) the meeting at the College Park Police Department Jamison and Bridges attended where they discussed the sale of counterfeit goods at the Mall, and (3) the defendants’ ability to visually inspect the approximately 130 booths was, taken together, sufficient to support a jury finding that the defendants had at least constructive knowledge of, or were willfully blind to learning, which subtenants were directly infringing Luxottica’s trademarks.

In sum, evidence of the defendants’ knowledge of specific infringing acts by subtenants who relied on the services the defendants provided (including space, utilities, and maintenance) amply supported the jury verdict.

### *Question*

The court distinguishes *Tiffany v. eBay* in part on the ground that eBay hosted a marketplace with 100 million listings and had no ability to inspect the goods being sold, while defendants’ mini-mall had only 130 booths, and defendants could easily have walked through the mall and examined eyewear offered for sale. Can you formulate a general rule for when the operator of a market should be deemed responsible for knowing if its vendors are selling infringing goods?

## Chapter 7

# Section 43(A)(1)(A) of the Lanham Act

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### A. Unregistered Marks

#### 1. Application to Traditional Trademark and Trade Dress Cases

**Page 478.** Delete *DC Comics v. Powers* and substitute the following case.

#### **Viacom Int'l, Inc. v. Ijr Capital Invs., L.L.C.**

891 F.3d 178 (5th Cir. 2018)

PRISCILLA R. OWEN, CIRCUIT JUDGE:

Viacom International, Inc. (Viacom) sued IJR Capital Investments, L.L.C. (IJR) for infringing on its common law trademark of The Krusty Krab—a fictional restaurant in the popular “SpongeBob SquarePants” animated television series—after IJR took steps to open seafood restaurants using the same name. The district court granted summary judgment to Viacom on its trademark infringement and unfair competition claims. IJR appeals, asserting that Viacom does not have a valid trademark for The Krusty Krab and that its seafood restaurants would not create a likelihood of confusion between the two marks. We affirm the judgment of the district court.

#### I

In 1999, Viacom launched the animated television series “SpongeBob SquarePants” on its Nickelodeon network. The show revolves around SpongeBob SquarePants, a sea sponge that wears square shorts, lives in an underwater pineapple, and works at the fictional The Krusty Krab restaurant as a fry cook with an array of characters including a cranky co-worker and the owner of The Krusty Krab. The show has become the most-watched animated television series for 15 consecutive years, with over 73 million viewers in the second quarter of 2016 alone. While the audience is predominately comprised of children, one-third of all viewers are 18 or older.

The fast food restaurant The Krusty Krab played a prominent role in the pilot episode of the series and has appeared in 166 of 203 episodes. The Krusty Krab was featured in two “SpongeBob SquarePants” feature films that grossed \$470 million (and incurred \$197 million in promotional expenses). The Krusty Krab Restaurant is also an element of Viacom’s mobile app “SpongeBob Moves In” (seven million global downloads), appears in a play called The SpongeBob Musical, and is frequently mentioned in the franchise’s advertisements and online outreach (approximately seven million page views

across platforms per week). The press has referenced The Krusty Krab many times when discussing the show.

The Krusty Krab is ... licensed to third parties for a variety of products [, which] include: licensed Krusty Krab playsets from Just Play, Mattel, The LEGO Company, and Mega Brands, Inc. (\$1.4 million in royalties since 2009), the video game “SpongeBob SquarePants Creature from The Krusty Krab” (over one 00001/520/3472430.1 million units), The Krusty Krab aquarium accessories (187,000 units), reusable franchise-themed stickers of The Krusty Krab, The Krusty Krab shirts sold at The SpongeBob Store at Universal Studios, Florida, and more. Viacom has never attempted to license The Krusty Krab mark to a restaurant. However, Viacom’s subsidiary company Paramount Pictures Corporation did license Bubba Gump Shrimp Co. for seafood restaurants based on the fictional business from the 1994 movie “Forrest Gump.”

In 2014, IJR’s owner, Javier Ramos, decided to open seafood restaurants in California and Texas. Ramos asserts that he was describing the crusted glaze applied to cooked seafood when his friend Ivan Murillo suggested naming the restaurant Crusted Crab, which quickly became The Krusty Krab. Both Murillo and Ramos deny having considered SpongeBob during this conversation, however Murillo has since stated that those who see the name may think of the restaurant from “SpongeBob SquarePants.” Also, an IJR investor mentioned SpongeBob “out of the blue” while discussing the restaurant. Ramos said that he first became aware of the fictional restaurant from “SpongeBob SquarePants” when he performed a search using Google to determine if there were restaurants with a name similar to The Krusty Krab.

...

Beyond filing an intent-to-use trademark application, IJR also developed a business plan [which] . . . included a logo for the restaurant and described the eatery as a “Cajun seafood restaurant” that would sell shrimp, crawfish, and po-boys. IJR intended to target families, singles, and students through print, radio, and online advertisements. The business plan makes no reference to the SpongeBob franchise or the fictional restaurant The Krusty Krab. . . .

...

Viacom asserted nine claims against IJR including unfair competition under the Lanham Act and trademark infringement under Texas common law. ...

... Viacom filed a motion for summary judgment on eight of its nine claims.

...The district court then granted, in part, Viacom’s summary judgment motion on its common law trademark infringement and Lanham Act unfair competition claims.

## II

A trademark infringement action under Texas common law is analyzed in the same manner as a Lanham Act claim. For Viacom to prevail on these claims, it must show (1) that it owns a legally protectable mark in The Krusty Krab and (2) that IJR’s use of the mark creates a likelihood of confusion as to source, affiliation, or sponsorship.

... While Viacom has never registered The Krusty Krab mark, the Supreme Court has held that the Lanham Act “protects qualifying unregistered marks.”<sup>5</sup> ...Viacom’s mark is legally protectable if it establishes ownership by demonstrating that it uses The Krusty Krab as a source identifier...[t]he two issues are separate questions, and because the use-as-a-source-indicator requirement is at issue in this case Viacom must establish both use and distinctiveness...

### III

. . . [W]e address a threshold question: Can specific elements from within a television show—as opposed to the title of the show itself—receive trademark protection? We conclude that they can. While this court has never explored this precise issue, we have affirmed a judgment against the junior use of Conan the Barbarian—the title character of a comic book series—in a restaurant concept. This holding suggests that trademark protection may be granted to certain characters, places, and elements of a broader entertainment entity. Additionally, other courts have unequivocally extended this protection to fictional elements of entertainment franchises. In *Warner Bros., Inc. v. Gay Toys, Inc.*,<sup>18</sup> the Second Circuit held that trademark protection may extend “to the specific ingredients of a successful T.V. series” [and] . . . that the General Lee—an orange muscle car with a Confederate flag emblem that was “prominently featured” on the successful television series “The Dukes of Hazzard”—fell “within the ambit of Section 43(a)” of the Lanham Act. Subsequently, the Seventh Circuit also affirmed an injunction barring the junior user from making a model of the “General Lee.”<sup>21</sup> The underlying purposes of trademark are to protect goodwill and “to protect consumers against confusion and monopoly,” and “to protect the investment of producers in their trade names to which goodwill may have accrued and which goodwill free-riders may attempt to appropriate by using the first producer’s mark, or one that is deceptively similar.” [Citation.] Extending trademark protection to elements of television shows that serve as source identifiers can serve those purposes.

...[U]se within a popular television series does not necessarily mean that the mark is used as a source identifier.<sup>23</sup> “The salient question” is whether The Krusty Krab mark, “as used, will be recognized in itself as an indication of origin for the particular product or service.”<sup>24</sup> If the mark “creates a separate and distinct commercial impression . . . [it] performs the trademark function of identifying the source.” [Citation.] In evaluating whether elements of a television series are trademarks, the focus is on the role that the element plays within the show and not the overall success or recognition of the show itself. When an element only occasionally appears in a successful television series, the indication-of-origin requirement may not be met. [Citation.]

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5. *Sugar Busters LLC v. Brennan*, 177 F.3d 258, 267 (5th Cir. 1999) (citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768, 112 S. Ct. 2753, 120 L. Ed. 2d 615 (1992)).

18. 658 F.2d 76 (2d Cir. 1981).

21. *See Processed Plastic Co. v. Warner Commc’ns, Inc.*, 675 F.2d 852 (7th Cir. 1982).

23. *See Paramount Pictures Corp. v. Romulan Invasions*, 7 U.S.P.Q.2d 1897, 1900 (T.T.A.B. 1988) (holding that the term Romulan from “Star Trek” does not fulfill “the requirement that a mark identify and distinguish the goods or services”).

24. *In re Morganroth*, 208 U.S.P.Q. 284, 287 (T.T.A.B. 1980) (emphasis added); *see also* 1 MCCARTHY § 3.4 (“The key question is whether, as actually used, the designation is likely to be recognized in and of itself as an indication of origin for this particular product or service.” (citing *Textron Inc. v. Cardinal Eng’g Corp.*, 164 U.S.P.Q. 397, 399 (T.T.A.B. 1969))); [citation].

For instance, in *Paramount Pictures Corp. v. Romulan Invasions*, Paramount . . . sought trademark protection on the Romulan mark, a fictional alien race in the “Star Trek” series. The Romulan mark was featured in television episodes, movies, books, licensed plastic spaceship models and dolls, puzzles, games, and more. The Trademark Trial and Appeal Board concluded that the mark was “only” used “from time to time” and held that Paramount “failed to establish any use of the term Romulan . . . as a mark to distinguish its services.” [Citation.] Star Trek fans may vehemently disagree with this analysis as a factual matter. However, we cite this decision to illustrate the conceptual aspects of the law in this area.

When an element plays a more central role in a franchise, trademark protection is ordinarily granted. For example, the Southern District of New York held that the Daily Planet, the employer of Clark Kent in “Superman,” was a common law trademark because “[t]he totality of evidence demonstrates that the Daily Planet has over the years become inextricably woven into the fabric of the Superman story.”<sup>30</sup> Twenty-five years later, the Southern District of New York also held that Kryptonite—a registered trademark—was a protectable ingredient of the broader “Superman” franchise because it is “a staple of the Superman character and story,” the mark “is immediately recognized or associated with the character Superman,” and it “identif[ies] the entertainment and other goods and services created, distributed and/or licensed by or on behalf of DC Comics.”<sup>31</sup> Likewise, the Second and Seventh Circuits granted trademark protection to the General Lee from “The Dukes of Hazzard” because of its critical role in the television series.<sup>32</sup> The Fifth Circuit has upheld trademark protection for a cartoon character that was central to the comic strip.<sup>33</sup>

The Krusty Krab is analogous to protected marks like the Daily Planet, General Lee, and Conan the Barbarian. The mark . . . appears in over 80% of episodes, plays a prominent role in the SpongeBob films and musical, and is featured online, in video games, and on licensed merchandise. The Krusty Krab’s central role in the multi-billion dollar SpongeBob franchise is strong evidence that it is recognized in itself as an indication of origin for Viacom’s licensed goods and television services.

...

The Krusty Krab’s key role in “SpongeBob SquarePants” coupled with the consistent use of the mark on licensed products establishes ownership of the mark because of its immediate recognition as an identifier of the source for goods and services.

...

#### IV

[The court found it unnecessary to address the inherent distinctiveness of The Krusty Krab mark as it found plaintiff clearly established secondary meaning and thus owned a protectable mark].

#### V

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30. *DC Comics, Inc. v. Powers*, 465 F. Supp. 843, 847 (S.D.N.Y. 1978).

31. *DC Comics v. Kryptonite Corp.*, 336 F. Supp.2d 324, 332 (S.D.N.Y. 2004).

32. *See Processed Plastic Co. v. Warner Commc’ns, Inc.*, 675 F.2d 852 (7th Cir. 1982); *Warner Bros, Inc. v. Gay Toys, Inc.*, 658 F.2d 76 (2d Cir. 1981).

33. *See Conan Props., Inc. v. Conans Pizza, Inc.*, 752 F.2d 145, 150 (5th Cir. 1985) (the cartoon Conan the Barbarian).

Viacom must also prove that IJR's use of The Krusty Krab creates a likelihood of confusion as to source, affiliation, or sponsorship. It has met that burden.

To assess whether use of a mark creates a likelihood of confusion as to affiliation, sponsorship, or source, this court considers the so-called "digits of confusion." ... that includes the following seven factors:

(1) the type of mark allegedly infringed; (2) the similarity between the two marks; (3) the similarity of the products or services; (4) the identity of retail outlets and purchasers; (5) the identity of the advertising media used; (6) the defendant's intent; and (7) any evidence of actual confusion. [Citation.]

At times, our court has listed eight factors, the additional one being "the degree of care exercised by potential purchasers." [Citation.] However, neither of the parties in the present case, nor the district court, has discussed that factor. In any event, "[n]o single factor is dispositive, and a finding of a likelihood of confusion need not be supported by a majority of the factors." [Citation.]

...

. . . IJR has not yet opened its restaurant. However, IJR has filed an intent-to-use trademark application for the name "The Krusty Krab" in restaurant services. It has also taken steps towards opening the restaurant such as leasing property, procuring equipment, purchasing domain names, and developing a comprehensive business plan. ...

Strong marks are entitled to more protection because there is a greater likelihood "that consumers will confuse the junior user's use with that of the senior user." [Citation.] Viacom's mark is strong because it has acquired distinctiveness through secondary meaning. Therefore the first digit weighs in favor of a likelihood of confusion.

Assessing the similarity of the marks "requires consideration of the marks' appearance, sound, and meaning." [Citation.] Viacom's The Krusty Krab is a word mark, and IJR's mark has identical spelling and pronunciation, including the unconventional use of K's instead of C's. ... IJR's mark is verbatim the same and there is no genuine issue of material fact with respect to this digit of confusion. Logos for the two marks may differ, but the words themselves are indistinguishable and would likely confuse consumers as to the source, affiliation or sponsorship of IJR's The Krusty Krab restaurant.

... The more similar the products and services, the greater the likelihood of confusion. Viacom's The Krusty Krab has a distinct theme as a fictional hamburger restaurant, whereas IJR has not fully developed a theme for its planned seafood restaurant. Existing context suggests that the restaurants will have little thematic overlap. For example, IJR's business plan never references SpongeBob, and IJR's sample menu serves po-boys and boiled seafood, not fast food hamburgers. While there is little evidence of thematic overlap between the restaurants, IJR nevertheless plans to open a restaurant, and given the success of SpongeBob, that indicates a likelihood of confusion.

Furthermore, "[t]he danger of affiliation or sponsorship confusion increases when the junior user's services are in a market that is one into which the senior user would naturally expand." [Citation.] In *Conan Properties, Inc. v. Conans Pizza, Inc.*, this court recognized the logical extension of fictional characters to restaurants, explaining that "today's consumers expect [cartoon character] endorsements and

act favorably toward them” in the restaurant setting. Here, both marks already identify restaurants. Furthermore Viacom could naturally develop a real The Krusty Krab restaurant based on the fictional eatery, as its subsidiary did when it licensed Bubba Gump Shrimp Co., a fictional business in the movie “Forrest Gump,” to create a chain of real seafood restaurants. A reasonable jury would find that factor three favors a likelihood of confusion.

... The greater the overlap between retail outlets and purchasers, the greater the likelihood of confusion. [Citation.] IJR does not yet have a retail outlet or customers, but its business plan and Ramos’s testimony provide context. IJR plans to open restaurants in California and Texas, and it intends to target “the general public,” particularly “families, singles, and students . . . as well as the area’s work force.” At this general level of abstraction, Viacom also targets the general public, including residents of California and Texas. Based on this broad overlap, the district court found that factor four weighed in Viacom’s favor. However, there are substantial differences in the retail outlets and the predominant purchasers that mitigate the possibility of confusion.

The retail outlets have little overlap, as Viacom presumably targets television viewers, toy stores, and online retailers, whereas IJR’s services will only be available in brick-and-mortar restaurants. This court previously held that when a senior user distributes primarily through grocery stores and a junior user distributes exclusively through fast food outlets, there are basic differences in modes of distribution even if the senior user also distributes some of its product through fast food outlets. [Citation.] Likewise, Viacom and IJR would have different retail outlets even if there were marginal overlap.

There is some overlap in purchasers—IJR targets families, two-thirds of SpongeBob viewers are children, and one-third of viewers are technically adults—but the core consumers of each mark are dissimilar....[S]ubstantial dissimilarities existed when the junior user’s fast-food pizza patrons were “primarily young (85.6% under 35 years of age), single (61%) males (63.3%),” while the senior user’s purchasers of sugar in grocery stores were “predominately middle-aged housewives.”<sup>83</sup> There is no empirical data in the present case, and it is not clear how much the identity of consumers and purchasers would overlap. SpongeBob predominately targets children and young adults through mostly digital channels, whereas IJR’s retail outlets would be physical restaurants. However, it is reasonable to infer that some children who are SpongeBob fans would influence their parents’ or caretakers’ decision to eat at a Krusty Krab restaurant, and that adult SpongeBob fans might well dine at a Krusty Krab restaurant, at least once, due to the name. But the extent of the overlap between purchasers cannot be gauged adequately on the record before us.

... “The greater the similarity in the [advertising] campaigns, the greater the likelihood of confusion.” [Citation] Ramos has testified, and IJR’s business plan confirms, that IJR will advertise through traditional media such as television and print, as well as online media including social networks and “Google ads.” Viacom advertises “SpongeBob SquarePants” on television—and through it The Krusty Krab mark—and it also promotes the mark online.

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83. *Domino’s Pizza*, 615 F.2d at 262.

...Absent any existing advertising by IJR, it is difficult to assess the similarity between the campaigns. ... [W]hile there is substantial overlap in the abstract, without specific advertising content, digit five does not weigh in favor of a likelihood of confusion.

.... “Although not necessary to a finding of likelihood of confusion, a defendant’s intent to confuse may alone be sufficient to justify an inference that there is a likelihood of confusion.” [Citation.] The relevant inquiry is whether IJR intended to derive benefits from Viacom’s reputation by using The Krusty Krab mark. [Citation.] Evidence that a defendant intends to “pass off” its product as that of another can be found through imitation of packaging, similar distribution methods, and more. [Citation.]

The district court . . . held that IJR acted in bad faith because Murillo associated the phrase The Krusty Krab with “SpongeBob SquarePants” and Ramos was aware of Viacom’s use of the mark before he submitted his trademark application. Murillo’s word association, without more, does not establish bad faith at summary judgment. Furthermore ... this court has held that, “‘mere awareness’ of the senior user’s mark does not ‘establish[] . . . bad intent.’” [Citation.] Also, Murillo averred that he never mentioned SpongeBob during his discussions with Ramos, and IJR asserted that the original Crusted Crab name was created to reference seafood with a crust on it and that the spelling modification was a stylistic decision.

While a jury may disbelieve IJR, at the summary judgment stage there is a genuine issue of material fact as to whether IJR intended to derive benefits from Viacom’s The Krusty Krab. At summary judgment, this court must “disregard all evidence favorable to the moving party that the jury is not required to believe,” and “construe all the evidence and reasonable inferences ... in a light most favorable to [IJR].” [Citations.] The district court erred in inferring bad intent, as evidence of IJR’s malevolence is circumstantial. Accordingly, this digit does not support a finding of a likelihood of confusion.

The seventh digit is evidence of actual confusion. This is the “best evidence of a likelihood of confusion.”<sup>99</sup> Even if initial consumer confusion is quickly dispelled, this initial misunderstanding is evidence of confusion. “To show actual confusion, a plaintiff may rely on anecdotal instances of consumer confusion or consumer surveys.” Viacom commissioned Dr. Blair to perform a consumer survey, and it found that 30% of respondents indicated that a restaurant named The Krusty Krab was “operated by, affiliated or connected with, or approved or sponsored by Viacom” and that 35% of respondents associated such a restaurant with Viacom. There is also anecdotal evidence of confusion: Ivan Murillo admitted that The Krusty Krab calls to mind “SpongeBob SquarePants,” and an IJR investor mentioned SpongeBob “out of the blue” while discussing the restaurant.

The district court admitted Dr. Blair’s report over IJR’s objections... Construing all evidence in IJR’s favor, Blair’s survey has probative value and there is anecdotal evidence of actual confusion. We therefore conclude that this digit weighs in favor of a likelihood of confusion.

...The digits of confusion—particularly the strength of Viacom’s mark, the identical spelling and pronunciation of the marks, both marks’ identification of restaurants, and evidence of actual confusion—dictate that IJR’s use of the mark infringes on Viacom’s trademark. By creating a connection in the

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99. *Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188, 203-04 (5<sup>th</sup> Cir. 1998) (quoting *Domino’s Pizza*, 615 F.2d at 263).



consumer's mind between IJR's restaurant-in-development and The Krusty Krab from "SpongeBob SquarePants," there is an impermissible likelihood of confusion as to source, affiliation, or sponsorship.

...This case squarely falls within the protection of the Lanham Act and consumers would affiliate Viacom's legally protectable The Krusty Krab mark with IJR's seafood restaurant by the same name.

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

**Page 482. Delete Question 2, renumber Question 1 as Question 3 and Questions 3 and 4 as Questions 4 and 5 and insert new Questions 1 and 2.**

1. The *Viacom* court found plaintiff had secured both common law rights and protection under Section 43(a) of the Lanham Act for The Krusty Krab mark. These rights arose from Viacom's use of the name of its fictional restaurant in the SpongeBob SquarePants entertainment property as well from its use on a variety of licensed products. Did the court adequately distinguish these two types of uses in determining that plaintiff had protectable rights?

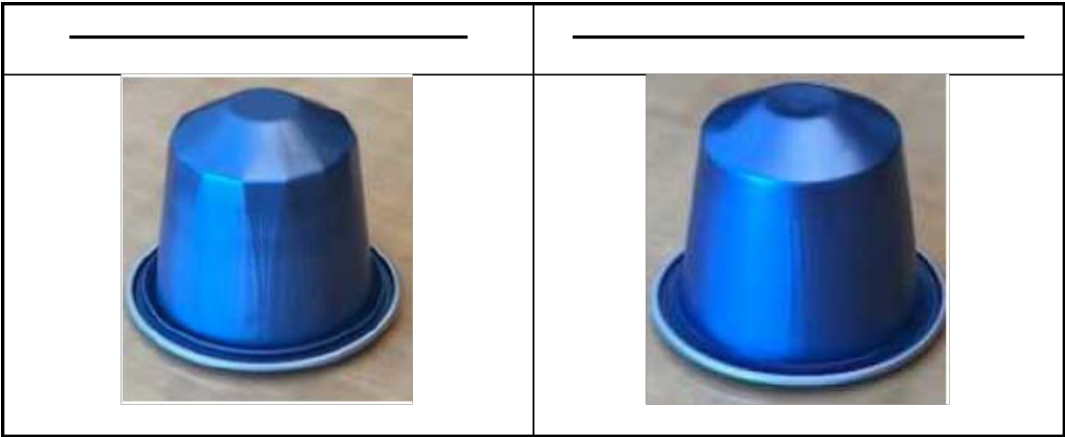
2. In the Batman movie *The Dark Knight Rises*, the character of Catwoman used a program called the "Clean Slate" to hack into computers to erase criminal history material. Fortres sells a CLEAN SLATE desktop management program and alleged that sales fell after the movie's release. It asserted a claim of reverse confusion, which was rejected by the court. Would the result have been different if Batman's licensed products, such as video games, used the "Clean Slate" term? See *Fortres Grand Corp. v. Warner Bros. Entertainment, Inc.*, 763 F.3d 696 (7<sup>th</sup> Cir. 2014), in the casebook Chapter 6.B.3.c at page 451.

**Page 505. Add Question 5.**

5. Nestlé owns the worldwide rights to the mark NESPRESSO for coffee, espresso and espresso machines and owns U.S. trademark registrations for NESPRESSO for these products and a trademark application for the shape of coffee capsules for the NESPRESSO coffee machine. Nespresso USA, Inc., the exclusive U.S. NESPRESSO licensee, has sued Williams-Sonoma ("W-S"), a high-end retail store chain that has sold NESPRESSO products for nearly 10 years. Nespresso USA alleges that the NESPRESSO coffee and coffee machine products have been sold for nearly 30 years, with very substantial advertising and promotion in a wide variety of media in the hundreds of millions of dollars worldwide and with U.S. sales in the hundreds of millions of dollars. Nespresso USA further alleges W-S, which has sold genuine NESPRESSO products for nearly 10 years, has now commenced selling and promoting its own WILLIAMS-SONOMA coffee capsules that mimic the shape and colors of the NESPRESSO capsules in packaging that also resembles Nespresso's. Further, Nespresso USA alleges that W-S promotes the compatibility of its coffee capsules with the NESPRESSO coffee machine in its advertising in which the disclaimer of affiliation is in small print at the bottom. The parties' respective capsules and packaging and sample W-S's compatibility advertising are shown below:

Williams-Sonoma Capsule

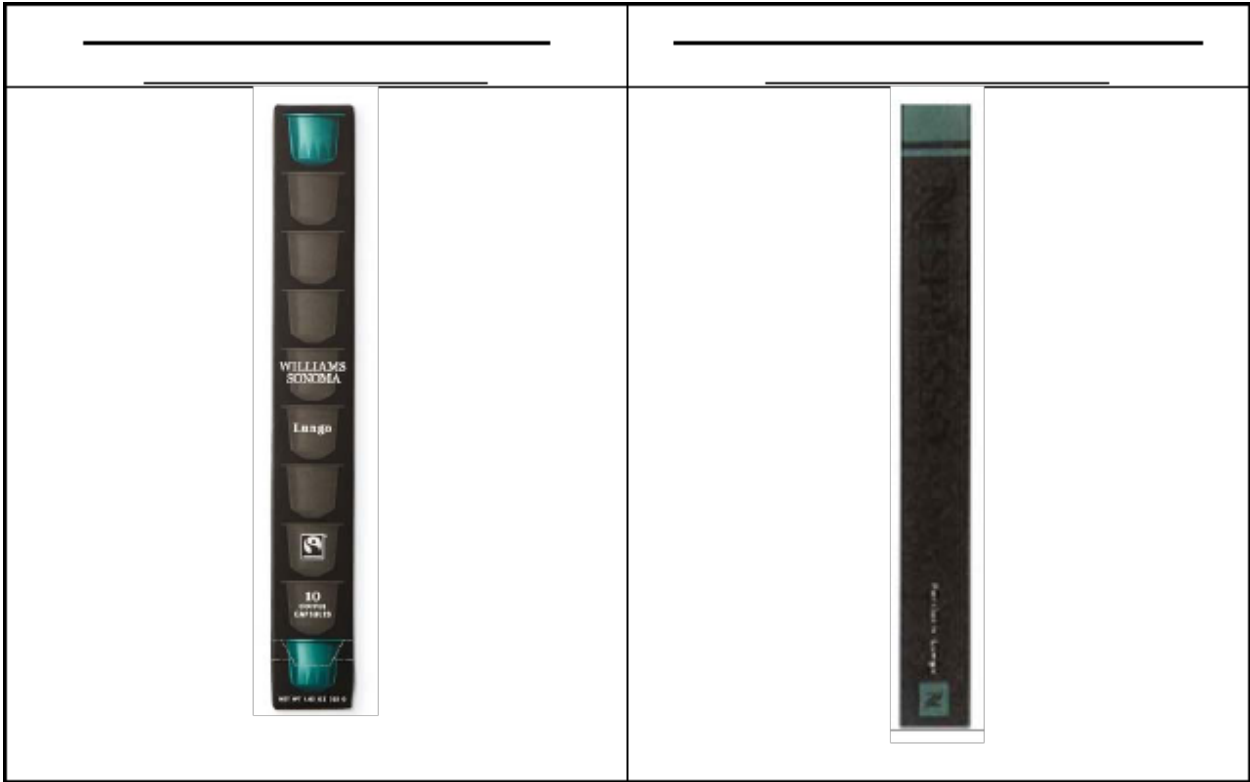
Nespresso Capsule



Nespresso USA claims the features: an opaque color; a conical top that has a dimple; sides that slope slightly downward from the conical top at an angle; sides then sloping downward at a straight, 180-degree angle until they merge into the bottom of the Capsule; and a circular bottom that is wider in diameter than the conical top.

Williams-Sonoma Packaging

Nespresso Packaging



Williams-Sonoma Compatibility Ad



What Lanham Act claims can Nespresso USA assert? What defenses and arguments do you expect W-S to assert? See *Nespresso USA, Inc. v. Williams-Sonoma, Inc.*, Complaint. Civ. Action 1:19-cv-04223 (S.D.N.Y. May 9, 2019).

## B. False Endorsement

**Page 536. Add new Question 5 below:**

5. An episode of the reality TV show “Shahs of Sunset” included a brief segment showing supermodel Janice Dickinson backstage at a charity fashion show. One of the reality show cast members exclaimed that the model was wearing the silver romper outfit that character was supposed to wear. Janice Dickinson claims that the filming of her was without her knowledge or consent and constituted false endorsement and unfair competition. Does she have a viable claim or claims? Would it matter if her unwilling “cameo” appearance is featured in promotion for the show? What would she need to establish in order to assert trademark rights in use of her appearance in the episode?

**Page 536. Insert the following excerpt after Questions.**

**Barton Beebe, *What Trademark Law is Learning from the Right of Publicity*, 42 Colum. J.L. & Arts 389 (2019).**

... [T]rademark law ... has increasingly taken on the characteristics of right of publicity law rather than the other way around.

Consider the requirement ... in trademark law that a plaintiff must show that the defendant’s mark creates a likelihood of consumer confusion. As many commentators have suggested, the likelihood of confusion test has arguably mutated into a mere likelihood of association test, which finds liability if consumers merely associate the

defendant's mark with the plaintiff, even if consumers are not ultimately confused as to the true source of the defendant's goods and even if consumers' association has no impact on their purchasing behavior. In its recent opinion in *Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ.*, the Second Circuit emphatically embraced this view: "The 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." [853 F.3d 153, 161 (2016)]. As the *Int'l Info.* court observed, the shift toward a mere association standard began at least with the 1962 amendment to Lanham Act § 32 that deleted from the section the limiting phrase "purchasers as to the source or origin of such goods or services." Formerly, conduct was actionable only when it confused "purchasers" and only when it confused them as to the source of the goods they were purchasing. With this language removed, explained the *Int'l Info.* court, "the Act's protection against infringement is not limited to any particular type of consumer confusion, much less exclusively to confusion as to source."

Subsequent developments have only quickened the shift toward a mere association standard for confusion. ...[T]he merchandising cases of the 1970s and '80s consolidated the principle that a defendant may be liable for merely invoking the plaintiff's identity and suggesting to consumers that the plaintiff has endorsed or merely acceded to the defendant's conduct. Making matters worse, the Trademark Law Revision Act of 1988 amended section 43(a) of the Lanham Act to include extraordinarily capacious language covering the kind of conduct that violates the act. The case law under section 43(a) now seems to suggest that anyone who does anything referential shall be liable to any entity that believes that it is "likely to be damaged" by that reference. ... In sum, what is conventionally recognized as one of the fundamental distinctions between trademark law and right of publicity law—that the former requires a showing of consumer confusion while the latter does not—has arguably become a distinction without a difference.

One objection to this characterization of the evolution of the likelihood of confusion test in trademark law may stem from the claim that only the strongest marks benefit from the shift toward a mere association test for confusion. But even if this claim is true, and it likely is not, it simply shows how trademark law has further followed—or at least paralleled—the example of right of publicity law. Both areas of law increasingly express the legal logic of the economics of superstars, in which superstars—be they the strongest marks or the most famous celebrities—dominate their markets and further enable themselves to do so by promoting legal rules designed to protect and enhance their superstar status. In both areas of law, the stronger benefit from broader protection.

But probably the best expression of the mutation of trademark law into a right of publicity law for persons both natural and corporate is antidilution protection. Here, the majority of courts interpret the anti-blurring provisions of the Lanham Act to require that the plaintiff show only that consumers associate the defendant's mark with the plaintiff's in order to trigger a finding of blurring. The leading survey method for dilution by blurring simply asks respondents what comes to their minds when they are exposed to the

defendant's mark; if respondents identify the plaintiff, then this is taken as evidence of blurring.

### *Questions*

1. Do you agree with Professor Beebe that the inclusion of association confusion in addition to source confusion is a troubling development in trademark law? Does it make sense to give greater protection to the strongest marks and to the most well-known personalities? Why/why not?
2. The actress and model Brooke Shields is known for the look of her bold eyebrows, which have attracted extensive publicity over the years.



In 2014, MAC cosmetics released a line of eyebrow products endorsed by Shields. Since then, she has not endorsed any other cosmetic products though she has been contemplating the possibility of coming out with her own line, focused on eyebrows. She discovered that Charlotte Tilbury's cosmetics company is selling a shade of eyebrow pencil labeled "Brooke S." in high-end retail stores. Tilbury's website promotes the product:

**BROW LIFT**

**BROOKE S**

Shape, Lift & Shade Eyebrow Pencil



Darlings, my Brow Lift eyebrow pencil in Brooke S is recommended for those with dark blonde to medium brown hair. This eyebrow pencil shapes, lifts & adds definition for the perfect arch and finished fine point.

Shields sued the cosmetics company and retailers in California state court for violation of her publicity rights. Would she also have a claim for the kind of association confusion that troubles Professor Beebe? *See Complaint*, 19ARCV16029 (Superior Ct., L.A. County, Calif. May 8, 2019).

## **C. False Designation of Origin**

**Page 550. Add New Question 6.**

6. Brantley and Nickens popularized a dance move that they named the “Running Man.” They used the move during breaks at U. Maryland basketball games and challenged others to imitate it and post it on social media. The pair also performed the move on the *Ellen DeGeneres Show*. The dance went viral with over 100 million views on YouTube, and thousands posted videos performing the dance. Epic Games’ video game *Fortnite* incorporated emotes, moves representing emotions that fans could purchase for their avatars to use while playing the game. It adopted an emote called “Running Man” that allegedly copied Brantley and Nickens dance move. The pair sued for false designation of origin under section 43(a). Should the claim survive a challenge based on *Dastar*? See *Brantley and Nickens v. Epic Games, Inc.*, 2020 U.S. Dist. LEXIS 95565 (D. Md. 2020).

**Page 554. Add the following case and excerpt after the Questions.**

**OTR Wheel Eng’g, Inc. v. West Worldwide Services.**, 897 F.3d 1008 (9<sup>th</sup> Cir. 2018). OTR, an industrial tire seller, sued its competitor West including for reverse passing off. West wanted to sell tires to OTR’s customer and asked OTR’s Chinese manufacturer Superhawk to make tires for testing by this potential customer. When Superhawk indicated it would take nearly two months to make molds for the tires, West asked whether Superhawk could let him have tires made for Solideal, [OTR’s partner]... The jury found West liable for reverse passing off and awarded damages. West appealed and argued under *Dastar* that this claim was precluded. The Ninth Circuit affirmed the judgment on this count, finding the evidence was sufficient to support that West did more than copy OTR’s OUTRIGGER tires in that it passed off genuine tires as its own to one of OTR’s customers and thus the court did not need to reach the question of whether *Dastar* would preclude a claim of mere copying.

“Passing off . . . occurs when a producer misrepresents his own goods or services as someone else’s. ‘Reverse passing off,’ as its name implies, is the opposite: The producer misrepresents someone else’s goods or services as his own.” *Dastar*, 539 U.S. at 27 n.1 (citation omitted).

...

West argues that the claim for reverse passing off was precluded by *Dastar*. In *Dastar*, the Supreme Court explained that the term “origin” in section 43 “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. Thus, a reverse passing off claim cannot be brought to prevent the copying of intellectual property. Copying is dealt with through the copyright and patent laws, not through trademark law. *Id.* at 33-34.

West argues that, at worst, by using OTR’s mold, he copied OTR’s tire instead of passing off a genuine Outrigger as his own. We do not need to determine, however, whether use of the OTR mold would create a mere copy or a genuine OTR product. There was evidence that West did pass off actual OTR tires. West asked Superhawk to make tires to fill an anticipated order for Solideal, OTR’s partner, in advance and to hold most of the tires until Solideal placed the order. West wanted to take ten of these OTR

tires to provide to Genie [the potential customer] as his own development tires.<sup>2</sup> The jury could therefore conclude that the development tires were taken from part of an anticipated OTR (Solideal) order and were genuine OTR products, not just copies.

... West cites the Sixth Circuit's opinion in *Kehoe Component Sales Inc. v. Best Lighting Products, Inc.*, 796 F.3d 576 (6th Cir. 2015). In *Kehoe*, a manufacturer produced goods for a customer. After filling the customer's order, the manufacturer continued to use the same molds to manufacture additional units that it could sell in competition with the customer. *Id.* at 580. The Sixth Circuit determined that the manufacturer's conduct constituted copying and that a reverse passing off claim was therefore precluded by *Dastar*. *Id.* at 587. In *Kehoe*, though, the manufacturer did not pass off products that had been produced as part of the customer's order. West did. "The right question, *Dastar* holds, is whether the consumer knows who has produced the finished product." *Bretford Mfg., Inc. v. Smith Sys. Mfg. Corp.*, 419 F.3d 576, 581 (7th Cir. 2005). Here, the product was produced for OTR, and West attributed it to himself.<sup>3</sup>

b. Removal of the Outrigger's identifying information

West argues that there was not substantial evidence to support the jury's conclusion that he removed the Outrigger identifying information from the sidewall of the development tire. We disagree.

West asked Superhawk for some tires for testing. Superhawk told West that it would take 50 days to make a mold for West's purposes. West responded, "I really need it much sooner. . . . Don't you make this size for Solideal? . . . Could you buff off the Solideal name on the sidewall or just remove the plate and let me get the tire tested?"

Superhawk told West that it would be "dangerous" to use Solideal's mold because Superhawk had an agreement with Solideal. West persevered in his request, however. He asked, "Will your mold be the same as the [S]olideal mold? If we take out the nameplate and all the sidewall information, nobody will know." He asked Superhawk to make 50 Solideal tires even though an order for those tires had not been placed yet by Solideal. Superhawk responded that the tires would be made "shortly."

At trial, West's expert identified a number of areas where spring plates had been used in the mold for West's development tire. Spring plates are put into molds for the purpose of imprinting information onto tires. OTR's expert testified that the spring plate indentations corresponded to the location of information that would, if it appeared on the tire, identify the tire as an OTR tire.

These emails and this testimony constituted substantial evidence that West used an Outrigger mold for his development tire and added blank spring plates over areas that

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2. In his email, West wrote: "Any chance you can risk making the 50 pcs and then sit on the 40 tires until they ask?"

3. Accordingly, we do not need to determine whether we agree with the holding in *Kehoe*.

would have imprinted the Outrigger’s identifying information onto the tires. West argues that he did not know that the tires were Outriggers when he asked Superhawk to remove the identifying information. But before West used the development tire, he had an email exchange with Superhawk confirming that the 355-size tire was “Solideal branded the OTR Outrigger.”

...

c. Likelihood of consumer confusion

...[I]n order to prevail on its claim for reverse passing off, OTR was required to prove that consumers would likely be confused as to the origin of Outrigger tires that had their identifying information removed. ... The jury was shown pictures of an OTR production tire and the West development tire. Comparing the two tires, a reasonable jury could conclude that consumers would be confused by tires that lack the identifying information.

West argues that Genie, the customer, was not actually confused. West’s argument fails...., [I]n his briefing for us, West argues that the development tire was not an Outrigger and that Genie “knew” the tire was not an Outrigger. Thus, West concedes that Genie thought the tire was not a genuine Outrigger. Given that the jury concluded that the tire was an Outrigger, West effectively concedes actual confusion....

### *Question*

If Superhawk was found to have used the OUTRIGGER mold for an order placed by West, instead of for OTR’s partner, would the court have reached a different result under *Dastar*? Should it matter?

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**Report of the Register of Copyrights, *Authors, Attribution, and Integrity: Examining Moral Rights in the United States*** (U.S. Copyright Office, April 2019).<sup>\*</sup> The Copyright Office examined possible changes in the law to bolster protection of authors’ moral rights to be “credited as the author of one’s works” and of the right to “prevent prejudicial distortions of one’s work.” As a result of the *Dastar* decision, the Report notes that these rights have been contracted. With respect to the Lanham Act, the Report recommends:

Lanham Act. While the Supreme Court’s *Dastar* decision narrowed the ability of authors

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\* Available at <https://www.copyright.gov/policy/moralrights/full-report.pdf>.



to bring moral rights type claims under section 43(a) of the Lanham Act, there are still several avenues left for successful Lanham Act claims. Specifically, the Office believes that the text of the Lanham Act and the reasoning of the *Dastar* decision leave open claims for mis- or non-attribution of creative works in the following cases: (i) claims for passing off or material distortions of a work; (ii) false advertising claims under section 43(a)(1)(B) and (iii) claims for repackaging of expressive works in a way that misattributes them. However, Congress may want to consider adopting an amendment to section 43(a) of the Lanham Act that would expand the unfair competition protections to include false representations regarding authorship of expressive works. Any such amendment should be narrowly crafted to protect only against consumer confusion or mistake as to authorship or attribution of such works, and not to provide copyright protection or afford the author any additional control over permissible uses of the work. A narrowly focused amendment would mitigate the *Dastar* court's policy concerns about overlapping IP doctrines generally, and limitations on public domain uses specifically.

With respect to right of publicity laws, the Report recommends a federal publicity right:

Right of Publicity. Congress may also wish to consider adoption of a federal right of publicity law as a means to reduce the uncertainty and ambiguity created by the diversity of state right of publicity laws. A federal right of publicity law, rather than preempting state laws, could serve as a floor for minimum protections for an individual's name, signature, image, and voice against commercial exploitation during their lifetime. Any such law, if adopted, should include an exception for First Amendment-protected activities and may require significantly more government analysis since this was not the sole focus of the current review.

Do you agree with these proposals? Do they comport with the language of *Dastar*? Recall Professor Beebe's article this Supplement, *supra*, Chapter 7.B. Would he favor these proposals?

## Chapter 8

# Defenses to Infringement

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### A. Statutory Defenses

#### 2. Particular Section 33(b) Defenses

##### *a. Fraud on the Trademark Office: §33(b)(1)*

**Page 565.** Add the following excerpt after the introductory note:

**Barton Beebe & Jeanne C. Fromer, *Fake Trademark Specimens: An Empirical Analysis*,**

121 COLUM. L. REV. FORUM (forthcoming), [papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3556121](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3556121)  
(footnotes omitted).

Although trademark law has operated on the assumption that there exists an inexhaustible supply of unclaimed trademarks, the empirical results we report in empirical work published in 2018 confirm the opposite: It is becoming increasingly difficult for new businesses to find a trademark that is competitively effective but that has not yet been claimed by another business. To give a sense of the state of depletion, now, nearly three-quarters of the time we speak we are using a word someone has already claimed as a trademark.

....

A surge in fraudulent trademark registrations originating from China is making the problem of trademark depletion significantly worse.... [S]ome regional Chinese governments are offering its citizens a financial subsidy of approximately \$800 for each U.S. trademark registration secured. With a filing fee of under \$300 for use-based applications, an applicant taking advantage of this subsidy would likely prefer to pocket the remainder of the subsidy rather than incur the additional cost of making actual use of the mark in U.S. commerce, which may lead applicants to submit false specimens of use.

....

[W]e seek to move beyond speculation as to the extent of fraudulent trademark applications from China by studying the issue empirically.... [T]o qualify for registration, trademark applicants must submit images showing their use of the applied-for mark in [U.S.] commerce. In an effort to satisfy this requirement, fraudulent applications typically include digitally-altered or otherwise improperly manipulated images.... In the study, we focus on use-based applications originating in China that were filed at the PTO in 2017 solely in Class 25 (apparel goods). We estimate that 66.9% of such applications included fraudulent specimens. The PTO issued refusals on the basis that the applications included fraudulent specimens of use to only 13.4% of these applications.

....

Specifically, 66.9% (or 244) of the applications in our sample included a specimen with a discontinuous image, a matching reverse image search image, a price displayed in foreign currency or delivery to a foreign address, the mark of another company, a nonsense word for a mark, tag irregularities, a misspelled mark, and/or a branding card not attached to the good. Many of these 244 applications raised multiple such red flags. Nonetheless, 59.8% proceeded to publication and then 38.9% proceeded to registration.

....

For example, shown below on the left is a specimen image that the applicant submitted in connection with Application Serial No. 87,289,826 for VANCOL. Below on the right is the image produced by a Google reverse image search query of the specimen image. The image on the right is used on numerous websites. The application did not receive any specimen-related refusals and registered as Registration No. 5,270,328.



....

Applicants submitting fraudulent specimens are not demonstrating the requisite use in commerce. Each such application that proceeds to registration contributes to trademark clutter by adding a mark not being used in commerce on the Principal Register. Trademark clutter in turn worsens trademark depletion by making fewer marks available for businesses that legitimately want to use one of these registered marks.... Moreover, recent reforms by the PTO are not sufficient to stem the tide of fraudulent specimens being filed. Recently, the PTO created a “streamlined protest procedure for reporting improper specimens.” Third parties can submit by email objective evidence showing that a submitted specimen identically matches an image used by others (without the applicant’s trademark), but they must do so “no later than the 30th day after publication for opposition.” .... [T]he PTO also implemented in August 2019 a requirement that all foreign-domiciled parties appearing before the Office be represented by a U.S.-licensed attorney. Media Reports suggest that the rule has reduced the number of fraudulent applications, but as a recent World Trademark Review article reports, the “scourge of suspicious specimens continues.” The article records numerous examples of fraudulent specimens filed after the effective date of the U.S.-licensed attorney rule.

....

To help diminish rates of trademark depletion and bolster the integrity of the register, we therefore support the provision of less expensive ex parte proceedings that are available more comprehensively to allow third parties to remove improperly registered trademarks from the register.... Under current law, the PTO has no authority after a registration has issued to demand further information from any registrant who submitted suspect specimen of use images. We therefore support reforms that would provide the PTO with this authority.

**b. Fair Use: §33(b)(4)**

**Page 576. Add the following case excerpt after *U.S. Shoe*:**

**SportFuel, Inc. v. PepsiCo**, 932 F.3d 589 (7th Cir. 2019). SportFuel provides personalized nutrition consulting services to professional and amateur athletes in the Chicago area. It holds federally registered trademarks for SPORTFUEL, one of which became incontestable in 2013. Also in 2013, Gatorade began to market certain products using “Gatorade The Sports Fuel Company,” which it registered as trademark; at the Examiner’s prompting, Gatorade disclaimed “The Sports Fuel Company.” SportFuel filed suit against Gatorade and its owner PepsiCo, alleging trademark infringement based on Gatorade’s use of “The Sports Fuel Company.” Gatorade argued the Lanham Act protected its use of “Sports Fuel” as fair use under section 33(b)(4).

[T]o raise the fair use defense successfully, Gatorade must show that (1) it did not use “Sports Fuel” as a trademark, (2) the use is descriptive of its goods, and (3) it used the mark fairly and in good faith.... [The court found the first two requirements were met, noting Gatorade used “Sports Fuel” descriptively instead of as an “attention-getting symbol.” To support its finding, the court noted that numerous other brands, like “Trident Sports’ ‘SPORTS FUEL,’” use the term descriptively, and that Gatorade used the term only as a descriptive subtitle.]

....

**C. Gatorade Uses “Sports Fuel” Fairly and in Good Faith.**

Courts determine defendants’ good faith by looking to the[] subjective purpose [of the party raising a fair use defense] in using a slogan. [Citation.]

....

SportFuel alleges that Gatorade’s bad faith is demonstrated by the fact that it began to use “Sports Fuel” even though it knew of SportFuel’s mark. But the defendant’s “mere knowledge” of the plaintiff’s mark, without other evidence of subjective bad faith, is insufficient. [Citation.] SportFuel also points to Gatorade’s continued use of “Sports Fuel,” even after SportFuel filed this suit. [But] Gatorade believed it had every right to use “Sports Fuel” in a descriptive sense, so its continued use after SportFuel filed suit also fails to justify an inference of bad faith.

....

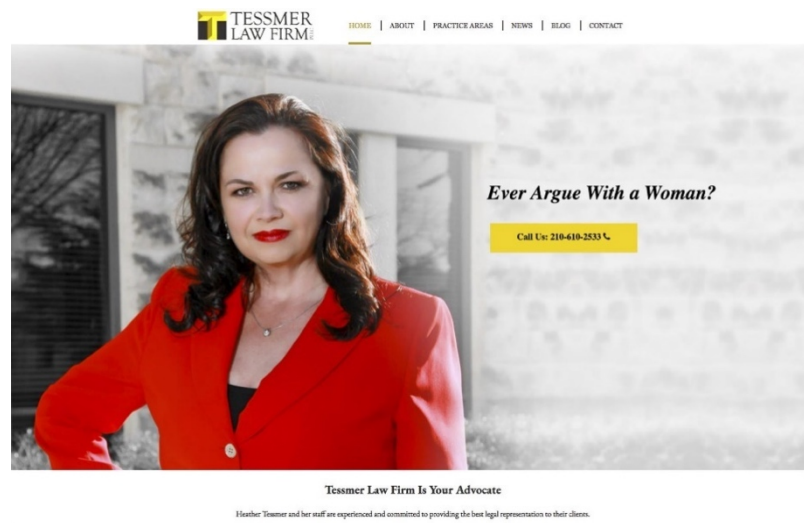
Third, SportFuel suggests that Gatorade failed to produce evidence in discovery that must have existed. Specifically, Gatorade's production included no documentation related to its approval of the slogan "Gatorade The Sports Fuel Company." SportFuel argues that a company as large as Gatorade certainly required high-level approval before adopting a nation-wide rebranding campaign. And presumably Gatorade would possess documentation of that approval. Yet, "[s]peculation will not suffice" to defeat summary judgment. [Citations.]

....

[Additionally, the court stated that the risk of reverse confusion does not demonstrate Gatorade's bad faith.] Intent is largely irrelevant in reverse confusion cases because "the defendant by definition is not palming off or otherwise attempting to create confusion as to the source of his product." [Citations.]

**Page 577. Add new Question 4.**

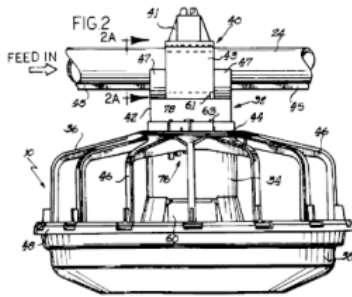
**4.** A Florida law firm has obtained a federal registration for the slogan "Ever Argued With a Woman?" A Texas law firm has begun using the slogan "Ever Argue With a Woman? Both firms advertise on the internet; screenshots (from Texas Lawyer) below. The Florida firm has brought a trademark infringement action. Would the Texas firm have a successful section 33(b)(4) defense?



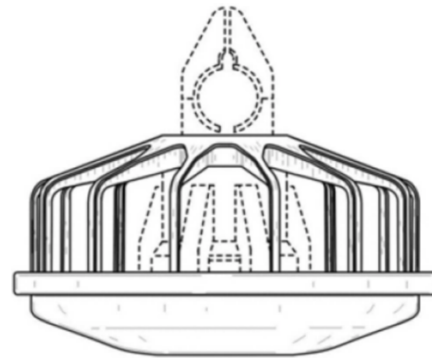
***c. Functionality: §33(b)(8)***

**Page 594. Renumber current Question as 1. Add new Question 2, immediately before *Louboutin*:**

2. CTB and Hog Slat both manufacture pan feeders for chicken farms. CTB obtained a patent for its pan feeder, which claimed a novel structure, functional for preventing chickens from becoming trapped in the feeder. When viewed from the side as a flattened, two-dimensional image, CTB's pan feeder presented as an octagon. CTB's patent did not claim the octagonal shape, but it did claim the configuration of the spokes and the pan that constituted the whole structure. After the patent expired, CTB obtained a trademark registration for the configuration trade dress protection for the octagonal shape of its pan feeder, as viewed from the side. (See diagrams accompanying patent and trademark registrations, below.) When CTB's patent expired, Defendant Hog Slat began making identical feeders (see photos below). CTB filed suit for infringement of its registered trade dress. It also sued for infringement of the unregistered red and gray color combination. Hog Slat claimed both trade dress elements were functional. In light of *Traffix*, how should the court rule on the registered trade dress claim? See *CTB v. Hog Slat*, 954 F.3d 647 (4th Cir. 2020).



United States Patent No. 5,092,274, fig.



U.S. Trademark Registration Number 4,116,988



On the right, CTB's feeder; on the left, Hog Slat's feeder.

**Page 599. Add Question after *Louboutin*:**

Recall *CTB v. Hog Slat*, discussed above, involving pan feeders for chickens. CTB also secured color trade dress protection, on the supplemental register, for the feeder’s red pan and gray spokes. It is established that chickens are attracted to the color red and are more likely to eat food from red pan feeders. Should the court find CTB’s color trade dress functional? *See CTB v. Hog Slat*, 954 F.3d 647 (4th Cir. 2020). What if a controlled study showed humans are innately attracted to bright red objects, regardless of the existence of the prestigious Louboutin brand? Would such a study render Louboutin’s trademark functional?

**Page 600. Add before the *Questions*.**

***Leapers v. SMTS***, 879 F.3d 731 (6th Cir 2018). The Sixth Circuit reversed a grant of summary judgment that the knurling design on plaintiff’s rifle scopes was functional.



Plaintiff introduced various testimonies to demonstrate that Plaintiff is unaware of any functional benefit of its design and that Plaintiff chose the design for a purely aesthetic purpose: to make the scopes “stand out from the competition.” If the jury finds these testimonies credible, it could conclude that Plaintiff did not achieve functionality where none was intended—so long as Plaintiff adequately rebuts the possibilities of incidental functionality and aesthetic functionality.

Plaintiff also provided evidence negating incidental functionality. Plaintiff showed that its competitors apply knurling to their rifle scopes’ adjustment knobs in a wide variety of patterns, many of which are more effective than Plaintiff’s design at making the knobs’ adjustment surfaces graspable. In other words, Plaintiff adorns its products with a knurling pattern that is not particularly effective at achieving knurling’s primary purpose. A jury could therefore conclude that Plaintiff’s design does not represent a technological advancement, even by accident, and that its claim need not be “channel[ed] . . . from the realm of trademark to that of patent.” [Citation.]

Finally, Plaintiff introduced evidence that its design lacks aesthetic functionality. The record indicates that competition in the rifle scope industry is not based on the visual appeal of knurling or of adjustment knobs more generally; instead, rifle scope manufacturers design their knobs “in ways that allow them to be better gripped to perform the function of adjustment.” Even so, Defendant argues that the range of

available knurling designs is limited by functional requirements, especially the requirement of making the surface of an adjustment knob more graspable without compromising the structural integrity of the knob. If the range of available designs is truly constrained, any claim of trade dress protection must fail due to competitive necessity. But Plaintiff introduced its own expert report, which . . . incorporates pictures of numerous knurling designs that are currently used in the market. These images cast doubt on Defendant's assertion of a design constraint and would allow a jury to find that the variety of knurling patterns that can be applied to an adjustment knob is effectively unlimited, much like the variety of colors that can be applied to a dry cleaning pad. [Citation.] Finding no "scarcity" or "depletion" of available designs, the jury could then conclude that exclusive use of Plaintiff's design would not put competitors at a significant, non-reputation related disadvantage. [Citation.]

**d. Laches: §33(b)(9)**

**Page 602. Add before *Harjo*.**

Section 15 of the Lanham Act permits a registrant to file an incontestability affidavit or declaration at any time after five years of continuous use of the mark in connection with the covered goods/services if there has also been no final decision adverse to the owner's claim of ownership of the mark for the goods/services or any pending proceedings challenging the claim. The registration then becomes incontestable and shields the owner from certain defenses, such as mere descriptiveness as set forth in the *Park N' Fly* decision in the casebook, Chapter 8.A.1. Section 14 of the Lanham Act governs what grounds may be asserted to petition to cancel a registration. For the first five years after registration, the statute allows any ground that could have been raised to challenge a registration in the first place. After five years, however, only the grounds set forth in Section 14 can be asserted to cancel a registration. Does it follow that the five-year period after a registration issues operates like a statute of limitations on the foreclosed grounds to petition to cancel a registration? But if courts were to treat the five-year cut-off of cancellation petition grounds as a statute of limitations, would it also follow, in the wake of the Supreme Court's decisions in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663 (2014), and *SCA Hygiene Products v. First Quality Baby Products, LLC*, 137 S. Ct. 954 (2017), that registrants may not advance a laches defense to cancellation or infringement claims brought during those five years? In *Petrella*, the Court ruled that the Copyright Act's statute of limitations precluded laches defenses; in *SCA Hygiene Products*, it reached the same conclusion regarding the Patent Act's statute of limitations. In ***Pinkette Clothing, Inc. v. Cosmetic Warriors, Ltd.***, 894 F.3d 1015 (9th Cir. 2018), the Ninth Circuit declined to equate the five-year cutoff with a statute of limitations:

**Availability of Laches as a Defense to CWL's Cancellation Claim**

The Lanham Act provides for the registration of trademarks. The owner of a registered mark is entitled to a presumption that the mark is valid, *id.* § 1057(b), and after five years, the registered mark ordinarily becomes incontestable, *id.* § 1065. The right to the mark, however, is subject to "equitable principles, including laches, estoppel, and acquiescence." *Id.* § 1115(b)(9); *see also id.* § 1069 ("In all inter partes proceedings



equitable principles of laches, estoppel, and acquiescence, where applicable may be considered and applied.”).

The Lanham Act also authorizes “any person who believes that he is or will be damaged . . . by the registration of a mark” to petition to cancel the registration. *Id.* § 1064. If a petition for cancellation is brought before the mark becomes incontestable, “any ground that would have prevented registration in the first place qualifies as a valid ground for cancellation,” including that there exists a “likelihood of confusion between the mark sought to be canceled and a mark for which the party seeking cancellation can establish either prior use or prior registration.” [Citations.]. Here, the jury found a likelihood of confusion between the parties’ marks, and absent Pinkette’s laches defense, CWL would have been entitled to judgment in its favor on its cancellation claim.

The Supreme Court has held that laches is not available as a defense to claims for copyright or patent infringement brought within the limitations periods prescribed under the Copyright and Patent Acts. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 959 (2017) (Patent Act); *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663 (2014) (Copyright Act). CWL argues that, because it filed its cancellation petition with the TTAB before Pinkette’s trademark registration became incontestable under 15 U.S.C. § 1064, laches is not available as a defense to its cancellation claim and that the district court therefore erred in applying laches here.

...

CWL does not argue that *Petrella* and *SCA Hygiene* preclude application of laches to its trademark infringement claim—presumably because the Lanham Act prescribes no statute of limitations for such a claim. [Citation.] Instead, CWL only argues that those cases preclude application of laches to its cancellation claim because it filed that claim before Pinkette’s mark became incontestable. Thus, from the outset, CWL’s argument presents an asymmetry found in neither *Petrella* nor *SCA Hygiene*: CWL would have us hold that, even where prejudicial delay otherwise precludes one party from enforcing its trademark rights against another party, the first party may still have the second party’s registration stricken from the register. This is not the result required by either the Lanham Act or the Supreme Court’s decisions.

“Unlike both Copyright law and Patent law, each of which has its own federal statute of limitations, the federal Lanham Act has no statute of limitations.” MCCARTHY § 31:33. Rather, the Lanham Act vests courts with the power to grant relief according “to the principles of equity.” 15 U.S.C. §§ 1116, 1117. Moreover, § 1069 expressly makes laches a potential defense “[i]n *all* inter partes proceedings” before the PTO, including cancellation proceedings. 15 U.S.C. § 1069 (emphasis added); see also MCCARTHY § 20:74. Importantly, § 1069 makes no distinction between proceedings against contestable versus incontestable marks.

Nothing in § 1064 alters the straightforward application of § 1069 to permit laches as a defense to cancellation. There is no question that § 1064 is not a statute of

limitations in the usual sense of barring an action entirely once a defined period expires. Incontestability merely limits the grounds on which cancellation may be sought. A petition brought within five years of registration (against a contestable mark) may assert any ground that would have prevented registration in the first place—most commonly that the registered mark creates a likelihood of confusion with the petitioner’s preexisting mark. 15 U.S.C. § 1064. By contrast, a petition brought five years after registration (against an incontestable mark) may only assert one of several enumerated grounds for cancellation, including genericism, functionality, abandonment, or fraudulent procurement. *Id.*

Moreover, § 1064 does not implicate the same concerns identified in *Petrella* and *SCA Hygiene*. The statutes of limitations at issue in those cases state categorically that “[n]o civil action shall be maintained,” 17 U.S.C. § 507(b), or “no recovery shall be had,” 35 U.S.C. § 286. Such language represents a clear directive from Congress and leaves no gap for laches to fill. The Lanham Act, on the other hand, provides that a petition for cancellation may be brought “[a]t any time” but affords different grounds for cancellation depending on whether the petition is brought within five years of registration.<sup>3</sup> 15 U.S.C. § 1064. Applying laches to a cancellation claim against a contestable mark neither overrides a clear directive from Congress nor fills a gap where there is none to fill. See *SCA Hygiene*, 137 S. Ct. at 960-61.

**Page 608. Add new Question 5.**

5. Lanham Act sec. 14(1) authorizes petitions for cancellation of any registered mark on any grounds within five years from registration of a trademark. More than four years after registration of TRAILERTRADERS on the Supplemental Register, Petitioner sought cancellation on grounds of likelihood of confusion with its TRADERS family of marks. The registrant responded that laches barred Petitioner’s claim because Petitioner’s delay was unreasonable in view of its awareness, since two years preceding the issuance of the registration, of the registrant’s activities, including a prior abandoned application for registration, and because the registrant suffered material prejudice as a result of the delay. Does the five-year cancellations period operate like a statute of limitations, so that the Board must hear any claim brought within five years from registration, or can laches nonetheless apply? See *TPI Holdings v. TrailerTrader.com, LLC*, 126 U.S.P.Q.2d 1409 (T.T.A.B. 2018).

On the relationship between laches and statutes of limitations more generally, see, e.g., *Eat Right Foods, Ltd. v. Whole Foods Mkt., Inc.*, 880 F.3d 1109 (9th Cir. 2018) (posing as a general rule “If the plaintiff filed within that [limitations] period, there is a strong presumption against laches. If the plaintiff filed outside that period, the presumption is reversed,” and vacating holding of laches and remanding for fact-finding as to whether plaintiff was attempting to pursue alternatives to litigation during the three years before it filed suit).

## **B. Judge-Made Defenses**

### **1. Nominative Fair Use**

**Page 623. Number current Question as 1. and add new Questions 2-4:**

2. Italic, a start-up members-only online fashion marketplace, designs luxury handbags. The bags are manufactured in the same factories that produce Prada, Givenchy, and other top brands. While Italic does not copy the leading brands' products, its advertising stresses that its goods come from the same factories (see example of online advertising below). How would Italic fare under the nominative fair use factors?

**Handbags made  
by the same  
factory as  
Prada.**

3. Old Taylor was a leading brand of Kentucky Bourbon whiskey. It ceased production in 1972, but in 2014 the Peristyle company purchased the distillery buildings and planned bourbon production under the "Castle and Key" trademark. Nonetheless, Peristyle regularly referred to its location as "the Former Old Taylor Distillery," or simply as "Old Taylor." A publicity flyer for Peristyle, for example, states: "The Historic Site of The Old Taylor Distillery" and "We are busy making history and restoring this bourbon ICON, the Historic Site of The Old Taylor Distillery." Peristyle has also preserved on its premises a four-hundred foot "Old Taylor Distillery" sign on the distillery's barrel storage warehouse and a twenty-foot "The Old Taylor Distillery Company" sign above the entrance to its main building. The Old Taylor trademark for bourbon whiskey, however, has been owned by the Sazerac company since 2009. Sazerac contends that Peristyle's use of the Old Taylor mark is likely to confuse the public as to the source or affiliation of Peristyle's activities. Peristyle rejoins that its use is a nominative fair use, or a section 33(b)(4) fair use. Is Peristyle's defense more likely to prevail than Italics? *See Sazerac Brands, LLC v. Peristyle, LLC*, 892 F.3d 853 (6th Cir. 2018).

4. Recall the "Little Trees" trade dress of the Car-Freshner automobile air fresheners (*supra*, main casebook page 578). The luxury fashion house Balenciaga is selling keychains that are highly evocative of the Little Trees shape and colors. Car-Freshner has sued for trademark infringement; would Balenciaga be likely to succeed in a nominative fair use defense? In a section 33(b)(4) defense?



## 2. Comparative Advertising

**Page 630. Insert new Question 3 following *Smith v. Chanel*; renumber current questions 3, 4, and 5 as 4, 5, and 6.**

3. In *Coty v. Excell Brands*, 277 F. Supp. 3d 425 (SDNY 2017), involving some of the same smell-alikes as those at issue in the cases referenced in Question 2, the district court held

[T]he manner in which Excell displays Coty’s source identifiers belies its argument that it is merely using the marks to inform consumers that it is not the manufacturer of the original fragrance. Excell’s fair use argument would be on firmer ground if it sold its fragrances in generic bottles and cartons, picked fragrance names that were unrelated to any of Coty’s, included its disclaimers without prominently displaying Coty’s typesetting or marks, and marketed its own brand on the packaging in a noticeable manner. But it did none of that. Instead, Excell sought to mirror Coty’s fragrances’ appearance in nearly every way possible, it chose product names that mimicked or evoked the names of Coty’s fragrances, it prominently displayed Coty’s house and fragrance marks under the guise of its “Our Version Of” and “Not Associated With” legends, and it hid its own brand name on top of the box where consumers were unlikely to see it. . . . In so doing, Excell has impermissibly signaled a “relationship between [its own] and [Coty’s]” fragrances that is non-existent. [Citation.] Accordingly, its fair use argument fails.

Below are some of the examples appended to the District Court’s opinion: do you agree that the defendant’s “imitation crossed the line from flattery to infringement, dilution, unfair competition, and false advertising”?









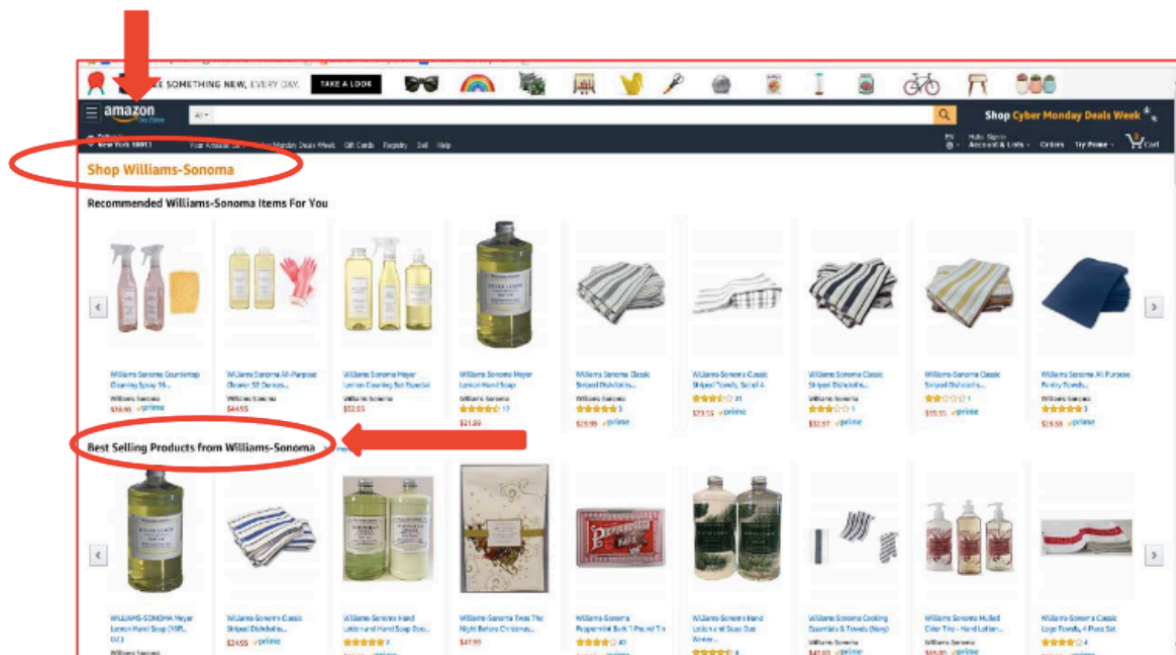
### 3. First Sale

Page 633. Add new Questions 3 and 4:

3. At the outset of the COVID-19 pandemic in March 2020, demand surged for 3M’s N95 respirator masks, worn to protect wearers from airborne particles carrying the virus. Performance Supply, which was never an authorized distributor, vendor, agent, or representative of 3M, sent a quote to New York City’s Office of Citywide Procurement offering to sell N95 masks for more than 500% of 3M’s list price. Performance Supply used the 3M trademark and slogan, “3M Science. Applied to Life,” in its quote. Concerned of reputational harm from being associated with price-gouging, 3M sued Performance Supply for trademark infringement. Assuming that Performance Supply purchased its masks from an

authorized distributor, does Performance Supply have a first sale defense? The U.S. District Court for the Southern District of New York granted a preliminary injunction against Performance Supply based on a likelihood of confusion and did not discuss the first sale doctrine. Do you think a reader of the Defendant re-seller's quote would really be confused about who—3M or the Defendant—was price-gouging? Would the court have given more weight to a first sale defense if Performance Supply did not price-gouge or if there were no pandemic? See *3M v. Performance Supply*, 2020 U.S. Dist. LEXIS 78479 (S.D.N.Y. May 4, 2020). See also *3M Co. v. KM Bros. Inc.*, C.D. Cal., No. 2:20-cv-05049, complaint filed 6/8/20 (complaint filed by 3M against Amazon.com seller for allegedly selling N95 masks for almost 20 times 3M's list price).

4. Williams-Sonoma is a retailer of high-end housewares. To maintain quality control, Williams-Sonoma does not license its trademark in connection with online retail services. Nonetheless, Amazon advertises and sells Williams-Sonoma products on its website. Specifically, Amazon maintains a “page that displays the phrase ‘Shop Williams-Sonoma’ in bright yellow at the top.” The page also features Williams-Sonoma's copyrighted product imagery and carries no disclaimer of an official relationship with Williams-Sonoma. Williams-Sonoma sued Amazon for trademark infringement, alleging the “page creates the impression that consumers are browsing a shop offered by, authorized by, or affiliated with Williams-Sonoma.” It additionally alleges that the Williams-Sonoma products Amazon sells are sometimes priced higher than those on Williams-Sonoma's own website or are of deficient quality—not matching the product description or being shipping with broken or missing parts. Does Amazon have a valid first sale defense? If not, how could Amazon redesign its webpages to ensure there is no confusion as to product origin? See *Williams-Sonoma v. Amazon.com*, 2019 U.S. Dist. LEXIS 226300 (N.D. Cal. May 2, 2019).





## C. Other Limitations on Trademark Protection: Expressive Use

### 1. Re-Weighing Likelihood of Confusion

**Page 651. Add a new Question 5.**

5. Empire Distribution, founded in 2010, is a successful record label that records and releases albums in the urban music genre, which includes hip hop, rap, and R&B. 20th Century Fox’s “Empire” television show premiered in 2015; it portrays a fictional New York-based hip hop music label named “Empire Enterprises”. The show features songs in every episode, including some original music. Under an agreement with Fox, Columbia Records releases music from the show after each episode airs, as well as soundtrack albums at the end of each season. Fox has also promoted the Empire show and its associated music through live musical performances, radio play, and consumer goods such as shirts and champagne glasses bearing the show’s “Empire” brand. Empire Distribution alleges trademark infringement, and seeks to distinguish the show from Fox’s promotional activities and consumer goods; it contends that that *Rogers* does not apply to any of the latter. Does/should *Rogers* apply equally to the television show as to its associated promotional activities and merchandizing properties? See *20th Century Fox v. Empire Distribution*, 875 F.3d 1192 (9th Cir. 2017)

**Page 655. Insert the following before Questions:**

**AM Gen. LLC v. Activision Blizzard, Inc.**, No. 17 CIV. 8644 (GBD), 2020 U.S. Dist. LEXIS 57121 (S.D.N.Y. Mar. 31, 2020). AM General (“AMG”) contracts with the U.S. Department of Defense to sell the High Mobility Multipurpose Wheeled Vehicle, known colloquially as the “Humvee.” Since the 1990s, AMG has granted licenses to other companies to use the HUMVEE trademark for toys and other media. Activision’s video game, *Call of Duty*, is a best-selling, realistic “first-person shooter” game, which both depicts and refers to Humvees throughout the game. Additionally, Activision sells *Call of Duty*-themed construction sets that include toy vehicles resembling Humvees. AMG filed suit against Activision for unauthorized use of the HUMVEE trademark and trade dress. Activision raised a First Amendment defense.

#### 3. *Rogers* Balancing Test

To the extent that any of the *Polaroid* factors are satisfied—such that a modicum of confusion might be present—Plaintiff nonetheless has failed to present sufficient evidence to defeat summary judgment. The *Rogers* balancing inquiry examines whether the contested user has offered a “persuasive explanation” regarding the use’s status as an “integral element” of the artistic expression. [Citation.] Defendants have offered a persuasive explanation: the uses of Humvees in the *Call of Duty* games enhance the games’ realism. Both parties agree that at least “some of the vehicles in the *Call of Duty* Games are representative of those that a real-life soldier would expect to see in the time and place depicted.” [Citation.] Both parties also agree that U.S. and foreign militaries use Humvees in operations around the world. [Citation.] If realism is an artistic goal, then the presence in modern warfare games of vehicles employed by actual

militaries undoubtedly furthers that goal. The inclusions of Humvees in the foreground or background of various scenes—including several instances of players using Humvees to advance to the next level—are integral elements of a video game because they “communicate ideas ... through features distinctive to the medium (such as the player's interaction with the virtual world).” [Citation.] Further, assuming *arguendo* that realism is the only artistic interest that Call of Duty games possess—an assumption potentially belied by the presence of narrative campaign modes in all of the challenged games—it is also true that realism can have artistic merit in itself. [Citation.]

....

Plaintiff challenges Defendants' claims of realism and artistic relevance only “to the extent that the proffered statement of fact is meant to suggest that [Defendants'] use of the [Humvee] was motivated by artistic rather than commercial considerations.” [Citation.] However, merely insinuating that a commercial motivation might exist is not enough—an artist can sell her art without the First Amendment abandoning her. *See City of Lakewood v. Plain Dealer Publ'g Co.*, 486 U.S. 750, 755–56 n.5 [] (1988) (“[T]he degree of First Amendment protection is not diminished merely because the newspaper or speech is sold rather than given away.”). Instead, Plaintiff must present admissible evidence that Defendants' invocation of the First Amendment was pretextual. *See Simon & Schuster*, 970 F. Supp. at 300 (finding that there is no First Amendment protection afforded when Defendant appears to have “reflexively invoked the First Amendment without offering a persuasive explanation of why free speech interests are seriously threatened by Lanham Act liability in this case”). Apart from innuendo and “unsubstantiated speculation,” [Citation.], Plaintiff has failed to present evidence that Defendants' sole interests were commercial.

Unable to offer anything more than “some metaphysical doubt as to the material facts” offered by Defendants, [Citation.], Plaintiff is unable to “overcome the presumption of *Rogers*.” [Citation.] Accordingly, Defendants' motion for summary judgment is granted dismissing trademark infringement claims under the Lanham Act.

### **Gordon v. Drape Creative, Inc.**

909 F.3d 257 (9th Cir. 2018)

BYBEE, CIRCUIT JUDGE:

Plaintiff Christopher Gordon is the creator of a popular YouTube video known for its catchphrases “Honey Badger Don’t Care” and “Honey Badger Don’t Give a S---.” Gordon has trademarked the former phrase for various classes of goods, including greeting cards. Defendants Drape Creative, Inc. (“DCI”), and Papyrus-Recycled Greetings, Inc. (“PRG”), designed and produced greeting cards using both phrases with slight variations. Gordon brought this suit for trademark infringement, and the district court granted summary judgment for defendants, holding that Gordon’s claims were barred by the test set forth in *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989).

We use the *Rogers* test to balance the competing interests at stake when a trademark owner claims that an expressive work infringes on its trademark rights. The test construes the Lanham Act to apply to expressive works “only where the public interest in avoiding consumer confusion outweighs the public interest in free expression.” *Id.* at 999. “[T]hat balance will normally not support application of the Act, unless the [use of the mark] has no artistic relevance to the underlying work whatsoever, or . . . explicitly misleads [consumers] as to the source or the content of the work.” *Id.*

The *Rogers* test is not an automatic safe harbor for any minimally expressive work that copies someone else’s mark. Although on every prior occasion in which we have applied the test, we have found that it barred an infringement claim as a matter of law, this case presents a triable issue of fact. Defendants have not used Gordon’s mark in the creation of a song, photograph, video game, or television show, but have largely just pasted Gordon’s mark into their greeting cards. A jury could determine that this use of Gordon’s mark is explicitly misleading as to the source or content of the cards. We therefore reverse the district court’s grant of summary judgment and remand for further proceedings on Gordon’s claims.

## I

Plaintiff Christopher Gordon is a comedian, writer, and actor, who commonly uses the name “Randall” as an alias on social media.<sup>1</sup> Defendant DCI is a greeting-card design studio. DCI works exclusively with American Greetings Corporation and its subsidiaries, which include the other defendant in this case, PRG. PRG is a greeting-card manufacturer and distributor.

## A

In January 2011, under the name Randall, Gordon posted a video on YouTube titled *The Crazy Nastyass Honey Badger*, featuring National Geographic footage of a honey badger overlaid with Gordon’s narration. In the video, Gordon repeats variations of the phrases “Honey Badger Don’t Care” and “Honey Badger Don’t Give a S---,” as a honey badger hunts and eats its prey. The parties refer to these phrases as “HBDC” and “HBDGS,” and we adopt their convention.

Gordon’s video quickly generated millions of views on YouTube and became the subject of numerous pop-culture references in television shows, magazines, and social media. As early as February 2011, Gordon began producing and selling goods with the HBDC or HBDGS phrases, such as books, wall calendars, t-shirts, costumes, plush toys, mouse pads, mugs, and decals. Some of the items were sold online; others were sold through national retailers such as Wal-Mart, Target, Urban Outfitters, and Hot Topic. In June 2011, Gordon copyrighted his video’s narration under the title *Honey Badger Don’t Care*, and in October 2011, he began filing trademark applications for the HBDC phrase for various classes of goods. The Patent and Trademark Office (“PTO”) eventually registered “Honey Badger Don’t Care” for International Classes 9 (audio books, etc.), 16 (greeting cards, etc.), 21 (mugs), 25 (clothing), and 28 (Christmas decorations, dolls, etc.). However, Gordon never registered the HBDGS phrase for any class of goods.

At the peak of his popularity, Gordon promoted his brand on television and radio shows and in interviews with national publications such as *Forbes*, *The Wall Street Journal*, and *The Huffington Post*. His brand was further boosted by celebrities like Taylor Swift and Anderson Cooper quoting his video

and by LSU football players tagging their teammate, Heisman Trophy finalist Tyrann Mathieu, with the moniker “Honey Badger” for his aggressive defensive play. In November 2011, Advertising Age referred to Gordon’s brand as one of “America’s Hottest Brands” in an article titled “Hot Brand? Honey Badger Don’t Care.”

## B

In January 2012, Gordon hired Paul Leonhardt to serve as his licensing agent. Soon thereafter, Leonhardt contacted Janice Ross at American Greetings—the parent company of defendant PRG—to discuss licensing honey-badger themed greeting cards. Leonhardt and Ross had multiple email exchanges and conversations over several weeks. Ross at one point expressed some interest in a licensing agreement, stating: “I think it’s a really fun and irreverent property and would love to see if there’s an opportunity on one of our distribution platforms. But in order to do that, I need to get some key colleagues of mine on board the Crazy Honey Badger Bandwagon.” Nevertheless, neither American Greetings nor defendants ever signed a licensing agreement with Gordon.

Leonhardt did eventually secure several licensing deals for Gordon. Between May and October 2012, Gordon’s company—Randall’s Honey Badger, LLC (“RHB”)—entered into licensing agreements with Zazzle, Inc., and The Duck Company for various honey-badger themed products, including greeting cards. RHB also entered into licensing agreements with other companies for honey-badger costumes, toys, t-shirts, sweatshirts, posters, and decals, among other things. HBDC and HBDGS were the two most common phrases used on these licensed products. For example, two of Zazzle’s best-selling honey-badger greeting cards stated on their front covers “Honey Badger Don’t Care About Your Birthday.”

At the same time that Gordon was negotiating licensing agreements with Zazzle and Duck, defendants began developing their own line of unlicensed honey-badger greeting cards. Beginning in June 2012, defendants sold seven different greeting cards using the HBDC or HBDGS phrases with small variations:

- The fronts of two “Election Cards” showed a picture of a honey badger wearing a patriotic hat and stated “The Election’s Coming.” The inside of one card said “Me and Honey Badger don’t give a \$#%@! Happy Birthday,” and the inside of the other said “Honey Badger and me just don’t care. Happy Birthday.”
- The fronts of two “Birthday Cards” featured different pictures of a honey badger and stated either “It’s Your Birthday!” or “Honey Badger Heard It’s Your Birthday.” The inside of both cards said “Honey Badger Don’t Give a S---.”

[Descriptions of other cards omitted]

In June 2015, Gordon filed this suit against DCI and PRG, alleging trademark infringement under the Lanham Act, among other claims. The district court granted summary judgment for defendants, holding that defendants’ greeting cards were expressive works, and applying the Rogers test to bar all of Gordon’s claims. Gordon timely appealed.

...

[W]e apply the [Lanham] Act to an expressive work only if the defendant’s use of the mark (1) is not artistically relevant to the work or (2) explicitly misleads consumers as to the source or the content of the work. Effectively, *Rogers* employs the First Amendment as a rule of construction to avoid conflict between the Constitution and the Lanham Act.

We pause here to clarify the burden of proof under the *Rogers* test. The *Rogers* test requires the defendant to make a threshold legal showing that its allegedly infringing use is part of an expressive work protected by the First Amendment. If the defendant successfully makes that threshold showing, then the plaintiff claiming trademark infringement bears a heightened burden—the plaintiff must satisfy not only the likelihood-of-confusion test but also at least one of *Rogers*’s two prongs. . . . That is, when the defendant demonstrates that First Amendment interests are at stake, the plaintiff claiming infringement must show (1) that it has a valid, protectable trademark, and (2) that the mark is either not artistically relevant to the underlying work *or* explicitly misleading as to the source or content of the work. If the plaintiff satisfies both elements, it still must prove that its trademark has been infringed by showing that the defendant’s use of the mark is likely to cause confusion.<sup>7</sup>

. . .

This case . . . demonstrates *Rogers*’s outer limits. Although defendants’ greeting cards are expressive works to which *Rogers* applies, there remains a genuine issue of material fact as to *Rogers*’ second prong—i.e., whether defendants’ use of Gordon’s mark in their greeting cards is explicitly misleading.

#### A

As a threshold matter, we have little difficulty determining that defendants have met their initial burden of demonstrating that their greeting cards are expressive works protected under the *First Amendment*. As we have previously observed, “[a greeting] card certainly evinces ‘[a]n intent to convey a particularized message . . . , and in the surrounding circumstances the likelihood was great that the message would be understood by those who viewed it.’” [Citations.] Each of defendants’ cards relies on graphics and text to convey a humorous message through the juxtaposition of an event of some significance—a birthday, Halloween, an election—with the honey badger’s aggressive assertion of apathy. Although the cards may not share the creative artistry of Charles Schulz or Sandra Boynton, the First Amendment protects expressive works “[e]ven if [they are] not the expressive equal of *Anna Karenina* or *Citizen Kane*.” Because defendants have met their initial burden, the burden shifts to Gordon to raise a triable issue of fact as to at least one of *Rogers*’s two prongs.

#### B

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<sup>7</sup> We have been careful not to “conflate[] the [‘explicitly misleading’] prong of the *Rogers* test with the general *Sleekcraft* likelihood-of-confusion test,” *Twentieth Century Fox*, 875 F. 3d at 1199, but it bears noting that *Twentieth Century Fox* made this distinction to ensure that the likelihood-of-confusion test did not dilute *Rogers*’s explicitly misleading prong. Other circuits have noted that *Rogers*’s second prong is essentially a more exacting version of the likelihood-of-confusion test. [Citations.] A plaintiff who satisfies the “explicitly misleading” portion of *Rogers* should therefore have little difficulty showing a likelihood of confusion.

*Rogers*'s first prong requires proof that defendants' use of Gordon's mark was not "artistically relevant" to defendants' greeting cards. We have said that "the level of artistic relevance of the trademark or other identifying material to the work merely must be above zero." Indeed, "even the slightest artistic relevance" will suffice; courts and juries should not have to engage in extensive "artistic analysis." [Citations.]

Gordon's mark is certainly relevant to defendants' greeting cards; the phrase is the punchline on which the cards' humor turns. In six of the seven cards, the front cover sets up an expectation that an event will be treated as important, and the inside of the card dispels that expectation with either the HBDC or HBDGS phrase. The last card, the "Critter Card," operates in reverse: the front cover uses variations of the HBDGS phrase to establish an apathetic tone, while the inside conveys that the card's sender actually cares about the recipient's birthday. We thus conclude that Gordon has not raised a triable issue of fact with respect to *Rogers*'s "artistic relevance" prong.

### C

Even if the use of the mark is artistically relevant to the work, the creator of the work can be liable under the *Lanham Act* if the creator's use of the mark is "explicitly misleading as to source or content." "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 [or created] by the trademark owner.'" The "key here [is] that the creator must *explicitly* mislead consumers," and we accordingly focus on "the nature of the [junior user's] behavior" rather than on "the impact of the use." [Citations.]

In applying this prong, however, we must remain mindful of the purpose of the *Rogers* test, which is to balance "the public interest in avoiding consumer confusion" against "the public interest in free expression." This is not a mechanical test— "all of the relevant facts and circumstances" must be considered. We therefore reject the district court's rigid requirement that, to be explicitly misleading, the defendant must make an "affirmative statement of the plaintiff's sponsorship or endorsement." Such a statement may be sufficient to show that the use of a mark is explicitly misleading, but it is not a prerequisite. . . . In some instances, the use of a mark alone may explicitly mislead consumers about a product's source if consumers would ordinarily identify the source by the mark itself. If an artist pastes Disney's trademark at the bottom corner of a painting that depicts Mickey Mouse, the use of Disney's mark, while arguably relevant to the subject of the painting, could explicitly mislead consumers that Disney created or authorized the painting, even if those words do not appear alongside the mark itself.

To be sure, we have repeatedly observed that "the mere use of a trademark alone cannot suffice to make such use explicitly misleading." But each time we have made this observation, it was clear that consumers would not view the mark alone as identifying the source of the artistic work. No one would think that a song or a photograph titled "Barbie" was created by Mattel, because consumers "do not expect [titles] to identify" the "origin" of the work. Nor would anyone "think a company that owns one strip club in East Los Angeles . . . also produces a technologically sophisticated video game." But this reasoning does not extend to instances in which consumers *would* expect the use of a mark alone to identify the source.

A more relevant consideration is the degree to which the junior user uses the mark in the same

way as the senior user. In the cases in which we have applied the *Rogers* test, the junior user has employed the mark in a different context—often in an entirely different market—than the senior user. In *MCA Records* and *Walking Mountain*, for example, Mattel’s Barbie mark was used in a song and a series of photos. In *E.S.S.*, the mark of a strip club was used in a video game. And in *Twentieth Century Fox*, the mark of a record label was used in a television show. In each of these cases, the senior user and junior user used the mark in different ways. This disparate use of the mark was at most “only suggestive” of the product’s source and therefore did not outweigh the junior user’s First Amendment interests.

But had the junior user in these cases used the mark in the same way as the senior user—had Twentieth Century Fox titled its new show *Law & Order: Special Hip-Hop Unit*—such identical usage could reflect the type of “explicitly misleading description” of source that *Rogers* condemns. *Rogers* itself makes this point by noting that “misleading titles that are confusingly similar to other titles” can be explicitly misleading, regardless of artistic relevance. *Id.* at 999 n.5 (emphasis added). Indeed, the potential for explicitly misleading usage is especially strong when the senior user and the junior user both use the mark in similar artistic expressions. Were we to reflexively apply *Rogers*’s second prong in this circumstance, an artist who uses a trademark to identify the source of his or her product would be at a significant disadvantage in warding off infringement by another artist, merely because the product being created by the other artist is also “art.” That would turn trademark law on its head.

A second consideration relevant to the “explicitly misleading” inquiry is the extent to which the junior user has added his or her own expressive content to the work beyond the mark itself. As *Rogers* explains, the concern that consumers will not be “misled as to the source of [a] product” is generally allayed when the mark is used as only one component of a junior user’s larger expressive creation, such that the use of the mark at most “implicitly suggest[s]” that the product is associated with the mark’s owner. But using a mark as the centerpiece of an expressive work itself, unadorned with any artistic contribution by the junior user, may reflect nothing more than an effort to “induce the sale of goods or services” by confusion or “lessen[] the distinctiveness and thus the commercial value of” a competitor’s mark. *S.F. Arts & Athletics, Inc. v. U.S. Olympic Comm.*, 483 U.S. 522, 539 (1987).

Our cases support this approach. In cases involving the use of a mark in the title of an expressive work—such as the title of a movie (*Rogers*), a song (*MCA Records*), a photograph (*Walking Mountain*), or a television show (*Twentieth Century Fox*)—the mark obviously served as only one “element of the [work] and the [junior user’s] artistic expressions.” *Rogers*, 875 F.2d at 1001. Likewise, in the cases extending *Rogers* to instances in which a mark was incorporated into the body of an expressive work, we made clear that the mark served as only one component of the larger expressive work. In *E.S.S.*, the use of the Pig Pen strip club was “quite incidental to the overall story” of the video game, such that it was not the game’s “main selling point.” And in *Brown*, Jim Brown was one of “thousands of current and former NFL players” appearing in the game, and nothing on the face of the game explicitly engendered consumer misunderstanding. Indeed, EA altered Brown’s likeness in certain versions of the game, an artistic spin that “made consumers less likely to believe that Brown was involved.”

In this case, we cannot decide as a matter of law that defendants’ use of Gordon’s mark was not explicitly misleading. There is at least a triable issue of fact as to whether defendants simply used Gordon’s mark with minimal artistic expression of their own, and used it in the same way that Gordon was using it—to identify the source of humorous greeting cards in which the bottom line is “Honey

Badger don't care." Gordon has introduced evidence that he sold greeting cards and other merchandise with his mark; that in at least some of defendants' cards, Gordon's mark was used without any other text; and that defendants used the mark knowing that consumers rely on marks on the inside of cards to identify their source. Gordon's evidence is not bulletproof; for example, defendants' cards generally use a slight variation of the HBDGS phrase, and they list defendants' website on the back cover. But a jury could conclude that defendants' use of Gordon's mark on one or more of their cards is "explicitly misleading as to [their] source."

Because we resolve the first *Rogers* prong against Gordon as a matter of law, a jury may find for Gordon only if he proves by a preponderance of the evidence that defendants' use of his mark is explicitly misleading as to the source or content of the cards.

**Page 655-56. Delete Question 2. Renumber current Questions 1, 3, and 4 as 2, 3, 4, and 5. Add new Questions 1 and 3:**

1. In *Gordon*, should the court have resolved the second *Rogers* prong—whether the defendant's use of the "Honey Badger" phrases was explicitly misleading as to source or content—as a matter of law? See *Stouffer v. Nat'l Geographic Partners, LLC*, No. 18-CV-3127-WJM-SKC, 2020 U.S. Dist. LEXIS 81383 (D. Colo. May 8, 2020) (finding National Geographic's use of "America the Wild" to be protected by the First Amendment, despite Stouffer's claim of infringement of his "Wild America" trademark). In *Stouffer*, the court criticized the *Rogers* test as an inadequate vehicle for dismissing cases before discovery—"Rogers's 'explicitly misleading' prong means what it says: the junior user must make 'overt claims or explicit references' to association with the senior user." In lieu of the *Rogers* test, the court proposed and applied a "Genuine Artistic Motive Test" based on six non-exclusive factors:

- Do the senior and junior users use the mark to identify the same kind, or a similar kind, of goods or services?
- To what extent has the junior user "added his or her own expressive content to the work beyond the mark itself[]"["?]
- Does the timing of the junior user's use in any way suggest a motive to capitalize on popularity of the senior user's mark?
- In what way is the mark artistically related to the underlying work, service, or product?
- Has the junior user made any statement to the public, or engaged in any conduct known to the public, that suggests a non-artistic motive? This would include "explicitly misleading" statements, . . . but is not confined to that definition.
- Has the junior user made any statement in *private*, or engaged in any conduct in *private*, that suggests a non-artistic motive? [emphasis in original]

Are all of these questions susceptible to resolution on a motion to dismiss?

3. Had Activision altered the appearance of the vehicles and not replicated the HUMVEE mark, would the inaccuracies it introduced have undermined its expressive use defense? A suit filed against Netflix in May 2020 for trademark infringement and misleading representation of fact may provide



guidance. The fictional Netflix Original Series, *Messiah*, features scenes of an immigrant detention facility, guards, and vehicles bearing the trademarks of GEO. The GEO Group operates facilities for U.S. Immigration and Customs Enforcement. GEO alleges that *Messiah*'s use of the GEO trademark "falsely accuses GEO of detaining immigrants in overcrowded overheated rooms with chain-link cages and depriving them of beds, bedding, sunshine, recreation, and educational opportunities." GEO alleges that, instead, it provides "safe, secure, and humane environments," including libraries, classrooms, and recreational facilities. (GEO's complaint includes photographs of pristine facilities, devoid of any occupants.) Does *Messiah*'s use of the GEO mark pass the test of having some artistic relevance? Complaint, *GEO Group v. Netflix*, No. 9:20-cv-80847-XXXX, 2020 WL 2770622 (S.D. Fla. filed May 27, 2020).

### 3. Trademarks as Speech

**Page 672.** *Gerlich v. Leath* was affirmed. 861 F.3d 697 (8th Cir. 2017).

## Chapter 9

# Dilution

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### B. Federal Dilution

#### 1. Evolution of the Statutory Standards

##### *a. Fame*

**Page 715. Before Questions, add the following:**

While dilution does not furnish a basis for an Examiner’s *sua sponte* refusal to register, famous mark owners may oppose or seek cancellation on that ground, Lanham Act sec. 2(f). In that context, in **TiVo Brands LLC v. Tivoli, LLC**, 129 U.S.P.Q.2d (BNA) 1097 (T.T.A.B. 2018), the TTAB considered both when a mark had become famous, and whether the statute further required proof that the mark had remained famous at the time of opposition. Applicant Tivoli had sought to register TIVOTAPE in 2014 and TIVOBAR in 2016 for a variety of lighting fixtures. The digital entertainment services company TiVo, best known for its remote DVR service, opposed on grounds of dilution. Applying the statutory factors, the Board easily found that TiVo had become a famous mark before Applicant’s use or application. The Board then turned to other temporal issues:

The statute clearly sets forth the requirement that a plaintiff’s mark must be famous prior to the date an allegedly dilutive mark is first used by the defendant. Trademark Act Section 43(c)(1); 15 U.S.C. § 1125(c)(1). The evidence of record demonstrates that public recognition of the mark from at least as early as 2002 was widespread and that by 2010, TIVO had become a “household term [with] which almost everyone is familiar.” *Toro Co.*, 61 USPQ2d at 1181. Applicant argues, however, that Opposer should be required to establish fame of its TIVO mark by August 11, 1972, because that was the date on which Applicant first began using its TIVOLI mark from which its later TIVO-formative marks are derived. Applicant relies, for its reading of the statutory requirement, on the Board’s decision in *Omega SA v. Alpha Phi Omega*, 118 USPQ2d 1289 (TTAB 2016), wherein the Board held that a plaintiff seeking relief under the dilution statute must establish that its mark “became famous prior to any established, continuous use of the defendant’s involved mark as a trademark or trade name, and not merely prior to use in association with the specific identified goods or services set forth in a defendant’s subject application or registration.” *Id.* at 1296. *Omega* recognizes that the statute did not limit the defendant’s use of its mark to any specific goods or services, as compared to other sections of the Trademark Act, and that the language in Section 43(c)(1) that provides for an injunction against another’s use of a mark that commenced after the owner’s mark has become famous is not focused on the nature of the defendant’s use for particular goods or services. In other words, the key date for determining whether

a plaintiff's mark became famous for dilution purposes is the date when a defendant's first use of the involved mark began, whether as a trademark on or in connection with any goods or services or as a trade name. But the "involved" mark may not change over time; in order for the defendant to "tack" on its earlier use, the mark must be essentially the same at the time it is first used as at the time when it is used in association with the goods or services identified in the subject application or registration. In *Omega*, the defendant's marks did not change over time, and we decline to expand the *Omega* holding to encompass use of a different mark, such as we have in each of these cases.

Even if we were to allow Applicant to rely on prior use of a mark other than TIVOTAPE or TIVOBAR, such mark would have to be essentially the same, or "legally equivalent" to these marks. However, none of Applicant's other TIVO-formative marks are legal equivalents to either TIVOTAPE or TIVOBAR, and for that reason alone, "tacking" would be denied. [Citations.]

We have also considered whether a plaintiff alleging dilution must further show that its mark is still famous at trial, when defendant's rights are being determined. Section 43(c)(1) of the statute provides relief to "the owner of a famous mark." We have encountered no precedent, and the parties have cited no precedent, addressing the additional inquiry of whether a plaintiff's mark must remain famous until trial in order for the plaintiff to prevail. In making our determination that such an additional requirement exists, we draw upon the language of the statute itself.

To establish fame for dilution purposes, a plaintiff must show that its mark "is widely recognized by the general consuming public in the United States." Trademark Act § 43(c)(2)(A); 15 U.S.C. § 1125(c)(2)(A) (emphasis supplied). In addition, Section 43(c)(1), 15 U.S.C. § 1125(c)(1), permits only the "owner of a famous mark that is distinctive, inherently or through acquired distinctiveness" to bring a claim. Accordingly, unless the plaintiff owns a famous mark at the time it brings the claim, and by extension, retains its fame through trial, this provision of the statute cannot be satisfied. Thus, a rational reading of the statute compels us to inquire into the continuing status of a mark asserted under a Section 43(c) claim and to hold that it is capable of being diluted within the meaning of the statute only if it is famous at the time the claim is adjudicated. To find otherwise would allow a mark that has lost its fame to continue to enjoy the widest penumbra of protection available accorded by the extraordinary protection of the dilution statute. This approach also accounts for any significant changes in the marketplace between the date of Applicant's first use of its mark and trial.

Our decision in *Research in Motion Ltd. v. Defining Presence Marketing Group Inc.*, 102 USPQ2d 1187, 1197 (TTAB 2012), suggests that a plaintiff asserting dilution must establish its fame at the time of trial. There, the Board first considered the opposer's Section 2(d) claim that its mark BLACKBERRY had become famous a decade after opposer had first used the mark [in 1999] for a handheld "smart phone." The Board found that the BLACKBERRY mark had become famous for likelihood of confusion purposes by "mid-decade" [i.e., 2006] and inferred that it remained so at trial [held in 2011]. *Id.* at

1193. Turning next to the issue of fame under opposer's dilution claim, the Board first noted the higher standard of fame "required in the analysis of likelihood of dilution than is the case with fame in terms of likelihood of confusion." *Id.* at 1197. Mindful of this higher standard, but perhaps also in light of Applicant's concession of the fame of opposer's mark, the Board found that "Opposer's consistent history and tremendous volume of U.S. advertising and sales figures, coupled with the additional factors discussed above, supports the finding that BLACKBERRY has become a 'household name' and *is* famous for dilution purposes." *Id.* (emphasis supplied). We now explicitly hold what we previously implicitly held in Research in Motion: that, in addition to proving that its mark became famous prior to the date when the defendant first used the challenged mark, a plaintiff asserting dilution must also prove that its mark remains famous at the time of trial.

Here, we find that Opposer's mark TIVO was, for dilution purposes, both famous as of 2010 and famous now. Public recognition of the TIVO mark from at least as early as 2002 was so widespread that by 2010, TIVO had become a "household term [with] which almost everyone is familiar." *Toro Co.*, 61 USPQ2d at 1181. While the majority of Opposer's evidence is from the years before 2010, in 2013, the online magazine "Celebitchy" posted an article about a celebrity marriage that playfully inquired whether "Kerry and Nnamdi spend weekends in bed, reading the New York Times and watching Tivo'd episodes of Frontline."<sup>70</sup> In 2014, the *Hollywood Reporter* identified the "top 5 TiVo Moments" from the Golden Globes that "had viewers grabbing the remote to find out what happened." As previously noted, from 2011 to 2015, the company generated worldwide revenues of \$526 million to \$690 million, its expected worldwide revenue for 2017 was approximately \$810 million to \$830 million, and subscribers numbered 6.8 million as of March 2016. The expansion of the DVR product line under the TIVO ROAMIO mark exemplifies continued commercial value of Opposer's primary TIVO mark.

Showing its enduring fame, in 2017 a columnist from the *New York Times* stated "[B]ut I'm still most loyal to my TiVo DVR – I've had one almost since they went on the market in 1999. . . . TiVo still has a far better interface than any cable company set-top box I've encountered." Also in 2017, several articles in major news sources reported that President Trump credits the TIVO DVR as "one of the great inventions of all time," and that he "has boasted to several advisers and friends about having 'the world's best TiVo.'" Accordingly, based on the evidence of intense media attention and public recognition of the mark across a wide demographic spectrum for nearly two decades, and corroborated by Opposer's advertising, publicity, and ownership of TIVO and TIVO ROAMIO registrations for DVR products, we find that TIVO was a famous mark within the meaning of Section 43(c) by the time Applicant began using its TIVOTAPE mark on May 30, 2010, and its TIVOBAR mark in 2015, and that it remained famous at the time of trial. [Citations.]

***b. Blurring***

**Page. 729. Add a new Question 4:**

4. Sony Pictures Television (SPT) produced the long-running series BREAKING BAD. SPT also engages in extensive licensing of a variety of BREAKING BAD merchandise. Microbrewery Knee Deep Brewing Company makes a beer it calls BREAKING BUD, whose label recalls the logo of the television show.



Source: <http://designtaxi.com/news/399294/Breaking-Bad-Creators-Sue-Breaking-Bud-Beer-Maker-For-Copying-Logo-Design/>

SPT has filed a Lanham Act action claiming trademark infringement and dilution. What guidance does *Starbucks* afford regarding Sony's claim that the beer's name blurs the distinctiveness of the television show's mark? The claim respecting the beer's label? If you represented Anheuser Busch, would you recommend a dilution claim on behalf of Budweiser Beer?

***c. Tarnishment***

**Page 734. Add new Question 6:**

6. Although marijuana remains a controlled substance whose general sale federal law prohibits, an increasing number of states are legalizing sales of marijuana for recreational use. Perceiving burgeoning opportunities, entrepreneurs have adopted and used trademarks, some of them highly evocative of established food and beverage brands. The practice apparently began informally in the underground marijuana trade before partial legalization; "Weetos evoked Cheetos and even featured a green version of the iconic Chester Cheetah. Froot Poofs evoked Fruit Loops and bore a stoned version of Toucan Sam. Kap'n Kronik was Cap'n Crunch's redeyed counterpart, high from the cereal that bore his name," Drew Wilson, *Cap'n Crunch v. Kap'n Kronik* (May 2, 2019),

<http://www.mondaq.com/unitedstates/x/802328/food+drugs+law/Capn+Crunch+vs+Kapn+Kronik>

The underground spirit apparently persists among some purveyors, who have emulated some famous brand names or trade dress. A recently settled trademark dilution action charged a Colorado medical marijuana manufacturer with selling products whose trade dress allegedly closely resembled the Hershey

company's Almond Joy, Reese's, Heath, and York Peppermint Patty brands.

Had the case gone to trial, what likelihood of success on the tarnishment claim?

*d. Parody*

**Page 742.** Insert following case and Question after the Questions following *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*

**VIP Prods., LLC v. Jack Daniel's Prods.,** 953 F.3d 1170 (9th Cir. 2020). Sold continuously in the U.S. since 1875 (except for during prohibition), Jack Daniel's Tennessee Whiskey holds federal registrations for its well-known black label design and square shape bottle container. Jack Daniel's has also long maintained an active brand licensing program.



Declaratory judgment plaintiff VIP Products, LLC, designs, manufactures, markets, and sells chew toys for dogs, including the “Silly Squeakers” line of durable rubber squeaky novelty toys. One of the “Silly Squeakers” chew toys, “Bad Spaniels” closely emulates the Jack Daniels trade dress, but with canine-referent product descriptions on the label, such as “43% POO BY VOL.” and “100% SMELLY,” and a disclaimer of affiliation with the Jack Daniel’s distillery.



The district court upheld Jack Daniel’s claim of tarnishment, but the Ninth Circuit reversed:

#### D. Trademark Dilution by Tarnishment

When the use of a mark is “noncommercial,” there can be no dilution by tarnishment. 15 U.S.C. §1125(c)(3)(C); *see* A.R.S. § 44-1448.01(C)(2). Speech is noncommercial “if it does more than propose a commercial transaction” [Citation.], and contains some “protected expression,” [Citation.] Thus, use of a mark may be “noncommercial” even if used to “sell” a product. [Citation.]

Although VIP used [Jack Daniel’s] trade dress and bottle design to sell Bad Spaniels, they were also used to convey a humorous message. That message, as set forth in Part II.C . . . , is protected by the First Amendment. VIP therefore was entitled to judgment in its favor on the federal and state law dilution claims. [Citation.]

In its first amendment analysis, referenced in its discussion of dilution, the Ninth Circuit stated:

#### [II.] C. First Amendment Defense

....

[T]he Bad Spaniels dog toy, although surely not the equivalent of the *Mona Lisa*, is an expressive work. [Citation.] The toy communicates a “humorous message,” [Citation.], using word play to alter the serious phrase that appears on a Jack Daniel’s bottle—“Old No. 7 Brand”—with a silly message—“The Old No. 2.” The effect is “a

simple” message conveyed by “juxtaposing the irreverent representation of the trademark with the idealized image created by the mark’s owner.” [*L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 34 (1st Cir. 1987)] (affording First Amendment protection to a message “that business and product images need not always be taken too seriously”). Unlike the book in *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir. 1997), which made “no effort to create a transformative work with ‘new expression, meaning, or message,’” Bad Spaniels comments humorously on precisely those elements that Jack Daniels seeks to enforce here. [Citation.] The fact that VIP chose to convey this humorous message through a dog toy is irrelevant. *See Hurley v. Irish-Am. Gay, Lesbian & Bisexual Grp. of Bos.*, 515 U.S. 557, 569, 115 S. Ct. 2338, 132 L. Ed. 2d 487 (1995) (“[T]he Constitution looks beyond written or spoken words as mediums of expression.”).

The Fourth Circuit’s decision in *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007), supports our conclusion. That opinion held that dog toys which “loosely resemble[d]” small Louis Vuitton handbags were “successful parodies of LVM handbags and the LVM marks and trade dress” and therefore did not infringe the LVM trademark. [Footnote.] *Id.* at 258, 260, 263. The Fourth Circuit reasoned that although “[t]he 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,” “no one can doubt . . . that the ‘Chewy Vuiton’ dog toy is not the ‘idealized image’ of the mark created by LVM.” *Id.* at 260. No different conclusion is possible here.

....

### ***Question***

The district court, whose decision the Ninth Circuit overturned, agreed with Jack Daniel’s experts: “Well documented empirical research supports that the negative associations of “Old No. 2” defecation and “poo by weight” creates disgust in the mind of the consumer when the consumer is evaluating Jack Daniel’s whiskey.” *VIP Prod., LLC v. Jack Daniel’s Properties, Inc.*, 291 F. Supp. 3d 891, 903 (D. Ariz. 2018). But even if the consumer’s disgust at VIP’s evocation of the of the Jack Daniels marks in connection with dog excrement might redound to Jack Daniels’ detriment, the Ninth Circuit’s interpretation of “noncommercial” use of a mark means, that even if the use might “tarnish” the Jack Daniels marks, it is not actionable.

Under the Ninth Circuit’s approach, a great deal turns on whether the use, albeit for profit, is “noncommercial.” The use must be “expressive,” which may mean that the would-be parodist must go to some “effort” to create “new meaning.” But how does one assess whether the parodist has sufficiently “transformed” the trademark owner’s message? Consider the court’s reference to “The Cat Not in the Hat,” retelling the story of the OJ Simpson trial in the style of and copied from the text and images of Dr. Seuss books, as having made “no effort” to transform the copied material. *See Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir. 1997), main Casebook, Chapter 8.C.2 at page 657. Does the contrast between “Bad Spaniels” and “The Cat Not in the Hat” provide any guidance?



**Page 742. Renumber Question 3 as 4, and insert new Question 3:**

3. “Happytimes Murders” is an R-rated movie about a group of puppets who perform in a children’s television show, and lead promiscuous off-camera lives. The movie studio has released a sexually explicit trailer with the tag line: “No Sesame. All Street.” The producers of Sesame Street file suit for dilution. How should the court rule? See <https://www.newsday.com/entertainment/movies/sesame-street-puppet-film-happytime-murders-1.18859367>

## Chapter 10

# False Advertising

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Page 764. Add before Questions:

**Rebecca Tushnet, *The False Advertising/Trademark Law Interface at Common Law***

IRENE CALBOLI & JANE C. GINSBURG, INTERNATIONAL AND COMPARATIVE TRADEMARK LAW (2020)  
(EXCERPTS)

### I. Introduction

Both trademark infringement and false advertising are understandable as species of unfair competition, related in that they operate to protect consumers and competitors against distortion in the market caused by misleading information. But they have differing subject matter and often different tests for liability for the same type of claim. In particular, advertisers often want to make comparative claims that identify a particular competitor, whether by name or by some other recognizable characteristic. If these claims are false, no separate principle of trademark law is required to conclude that they should be banned, even if they are neither confusing in the trademark sense nor disparaging: for example, if ads falsely claim that the advertiser's product is as good on some specific measure as the trademark owner's product while clearly indicating the separate source, false advertising law prohibits the claim. However, if claims such as "cheaper than Brand X, but just as effective" are not false or misleading, then general advertising law allows them—unless trademark law has some separate force in controlling advertising claims that aren't about the source or sponsorship of the advertiser's product.

...

### II. False Advertising Law and Comparative Advertising in the United States

General false advertising law regulates factual claims of all kinds in advertising, including comparative claims. The legal landscape in the U.S. allows many sources of potential liability: federal and state regulators can sue businesses for deceptive advertising under the Federal Trade Commission Act and similar state "little FTC" acts; businesses can sue other businesses under the federal Lanham Act, which covers both trademark infringement and general false advertising; and consumers can bring state-law claims under consumer protection laws specifically barring deceptive trade practices. This proliferation of laws has led to many doctrinal flourishes and epicycles. For example, in this chapter, I use "falsity" to encompass both literal falsity and misleadingness. Although both are actionable, U.S. courts in Lanham Act cases have distinguished the two by reasoning that "misleadingness" occurs when consumers receive a false factual message from a literally true or potentially ambiguous advertisement. When a message is not literally false (or "false by necessary implication," where a message is not practically ambiguous

despite the theoretical possibility of a truthful reading), a plaintiff in a Lanham Act case must provide extrinsic evidence to show that a misleading message has actually been received by consumers. Outside the U.S., and in non-Lanham Act U.S. cases, this distinction is not generally made: courts instead use common sense and other evidence to determine whether a claim is false or misleading and do not distinguish between the two concepts in imposing liability. Nor is the distinction particularly significant to the subject of this chapter. The core question of false advertising law is whether a false claim has been made to a substantial number of consumers, regardless of the semantic form in which it has been communicated.

In all its modern forms, false advertising is generally strict liability: as with trademark infringement, no showing of wrongful intent is required as long as consumers are likely to be deceived by a statement. As a result, if a comparative claim is factually false, it is wrongful and actionable regardless of trademark law and regardless of the related specialized branch of “unfair competition” law aimed at protecting non-trademark sales symbols against uses that confuse as to the source or sponsorship of a product. If a comparative claim is true, by contrast, it is encouraged by advertising law.

In the U.S, the Federal Trade Commission (FTC) regulates competition, both against monopolistic practices and false advertising that disrupts competition on the merits. For many decades, the FTC has explicitly promoted comparative advertising, and considers restrictions on such advertising to be anticompetitive restrictions on trade. Groups of advertisers or trade groups may violate antitrust law if they agree to avoid comparative advertising or even to avoid “disparaging” but non-false comparative advertising. Defending the integrity or reputation of a brand is no excuse for anticompetitive agreements that go beyond protection against confusion about source or sponsorship—and comparative advertising is rarely confusing in that sense.

So far, so good. But in some situations, comparative statements are neither true nor false. Such nonfactual claims are known in advertising law as “puffery”: vague statements that can’t be proven true or false or statements that are so unbelievable that reasonable consumers wouldn’t rely on them. In theory, no information would be lost to consumers from a ban on puffery. Yet false advertising law in common-law regimes has historically been uninterested in regulating puffery . . . By allowing puffery, the law provides advertisers with breathing space—they need not fear losing a false advertising case over claims that consumers wouldn’t take as making specific promises. Puffery also provides advertisers with an opportunity to attract consumers with clever or creative advertising, which among other things allows them to build brands—not just indicators of source, but repositories of meaning for consumers whose favorable associations can prompt sales even when product characteristics are interchangeable. Thus, it is not surprising that trademark owners want to be able to use puffery; self-interest means that proponents of strong trademark rights are also proponents of fairly limited advertising law.

Traditionally, the United States approach has not changed very much for trademark-specific claims. This is one manifestation of the extremely speech-protective orientation of U.S. law: the presence of a specific target, who might rather obviously be harmed by denigration by a competitor seeking to obtain business previously had by the target, triggers no special concern. When consumers are unlikely to be materially deceived, U.S. law prefers that the parties should fight their battles in the marketplace, not in the courts. The advertiser certainly has an incentive to cherry-pick comparisons, touting its price superiority where performance is not so much in its favor or vice versa, but consumers are presumed to

understand this, up to the point at which the comparison becomes affirmatively misleading or false.

Comparisons can also be particularly useful to smaller or newer competitors, who might otherwise have trouble letting consumers know about their competing offerings. An explicit comparison means that consumers don't have to remember lots of specific product details and statistics, which they are unlikely to do. Direct comparison can also be a uniquely effective sales tactic by drawing the attention of consumers, cutting through the clutter of other, less relevant advertising. Yet false advertising law doesn't care very much whether the competitor is identified or whether the claim is of superiority over all others and thus the competitor is only an implied target, except insofar as specificity contributes to making a claim sufficiently factual and verifiable to be falsifiable and not a mere puff.

In the U.S., then, companies generally can't interfere with the free play of competition merely to "protect their trademarks" in the absence of confusion. . . .

## **A. Commercial Advertising or Promotion**

**Page 770. Add before Questions:**

**In re Keurig Green Mt. Singleserve Coffee Antitrust Litig.**, 383 F. Supp.3d 187 (S.D.N.Y. 2019). Several competitors charged the Keurig Green Mountain company with engaging in anticompetitive practices that had the effect of excluding them from the market for cups or pods used in Keurig's single-server coffee brewer machines. Competitors alleged that some of Keurig's practices constituted false, deceptive, and/or misleading advertising and promotional efforts directed at consumers and retail customers regarding the key qualities and characteristics of its K-Cup Brewers, in violation of section 43(a).

Competitor Plaintiffs allege that, to discourage consumers from using Competitor Cups, Keurig warns customers that use of Competitor Cups may void their brewer warranties, even though Keurig honors brewer warranties when consumers use such cups, or stop the brewer from functioning. Furthermore, Keurig cites no case law, and I have found none, in which a court has held that warranty policies fall outside the scope of the Lanham Act as a matter of law. In fact, the Lanham Act does not define the metes and bounds of what qualifies as "commercial advertising or promotion."

Moreover, I note that certain of Keurig's statements were made to consumers by using Facebook and Amazon.com. Assuming, as Keurig asserts, that these statements were all made to consumers who had already purchased the brewer, they were made in the open. In other words, they were available to be viewed by not only consumers who owned brewers but also by consumers who were contemplating purchasing brewers. This type of communication is materially different from a one-on-one communication between a manufacturer and a consumer inquiring about the product owned by the consumer. Therefore, such statements are appropriately viewed as being made for consumption by a wider audience for the purpose of influencing other consumers to buy defendant's goods or services.

## B. Literal Falsehood

**Page 771. Coca-Cola Co. v. Tropicana Prods., Inc. 690 F.2d 312 (2d Cir. 1982):**

Bruce Jenner, who appeared in the contested advertisement, is now Caitlyn Jenner.

**Page 782. Add after *Autodesk*:**

**Davis v. Avvo, Inc.**, 345 F. Supp.3d 534 (S.D.N.Y. 2018). The Avvo website provides individual profiles of attorneys. Consumers can use the website to access information about, find, and vet attorneys. The individual attorney profiles often contain client and peer reviews, as well as a numerical “Avvo rating.” website includes profiles for attorneys who pay for advertising and related services and attorneys who do not. Plaintiff charges that Avvo engages in false advertising because its website gives higher ratings to attorneys who have paid for advertising and enhances their profiles by adding a “Pro” badge to the headshots of paying attorneys. The court dismissed the action, finding the ratings to be protected statements of opinion, and the “Pro” badges mere puffery.

The plaintiff contends that the “Pro” badge is nonetheless misleading because it insinuates that the attorney is of a higher quality than a non-“Pro” attorney, and because the website’s explanations of the badge’s actual meaning are not sufficiently conspicuous to dispel this misconception. The defendant counters by arguing that the term “Pro”, if viewed as a descriptor for an attorney’s quality, is mere puffery.

Puffery, which is nonactionable under the Lanham Act . . . , is a subjective statement or claim that cannot be proven true or false. [Citations.] Puffery might take the form of an overstatement expressed in broad and commendatory language, as opposed to a misleading description or false representation about an inherent characteristic of a good or service. [Citation.] Courts can determine that a statement is puffery as a matter of law when, the statement does not provide a concrete representation. [Citations.]

Taken literally, the term “Pro” indicates a professional. To the extent the plaintiff alleges that “Pro” badges convey that an attorney is a professional, the plaintiff has failed to plead sufficiently that the badges constitute false representations. The plaintiff does not allege that “Pro” badges are found in the profiles of individuals not in the profession - that is, individuals who are not attorneys.

To the extent the plaintiff alleges that the term “Pro” is received more colloquially by consumers, conveying that an attorney is especially experienced or skilled, id., the term is mere puffery. Taken in this context, “Pro” constitutes a broad commendation relaying a view of an attorney’s level of experience or skill that can only be subjective. The plaintiff cannot prove that the attorneys marked “Pro” are decidedly undeserving of the status, because in context the term has no definite meaning or defining factors. This is especially so given that the “Pro” badges appear on the defendant’s

website, where one would presume that the attorneys are pros in the opinion of the defendant, determined by the defendant's criteria.

...

In short, the defendant's use of the "Pro" badges . . . [is] nonactionable puffery.

## C. Misleading Representations

### Page 803. Add question after *Coors Brewing*:

In a later feud between these beer companies, Anheuser-Busch advertised that its beer, Bud Light, is brewed with "no corn syrup," unlike its competitor's brands, Miller Lite and Coors Light. Indeed, Molson Coors included "corn syrup" in its published ingredients lists for these beers. However, Molson Coors "insist[ed] that a list of 'ingredients' differs from what the finished products 'contain.'" Additionally, Molson Coors stated the corn syrup it uses to brew beers "differs from the high-fructose corn syrup used to sweeten soft drinks and other consumer products." Did Anheuser-Busch violate section 43 of the Lanham Act, 15 U.S.C. §1125, "by implying that a product made *from* corn syrup also *contains* corn syrup"? it is not "false or misleading" for a seller to say or imply, of a business rival, something that the rival says about itself. See *Molson Coors Bev. Co. USA LLC v. Anheuser-Busch Cos., LLC*, 957 F.3d 837 (7th Cir. 2020) ("made using corn syrup" does not falsely imply that the beer contains corn syrup when plaintiff lists its beer's "ingredients" to include corn syrup). How does this case differ from *Chobani v. Dannon*, 157 F.Supp.3d 190 (N.D.N.Y. 2016), main Casebook at 788, where the court ruled "false by necessary implication" a Chobani advertisement stating that Dannon yogurt contained "chlorine" and showing a swimming pool in the background (swimming pool "chlorine" is in fact a different substance, and is not contained in the Sucralose sweetener used by Dannon)?

## D. Standing

### Page 828. Add new Question 3:

3. Savvy Rest, Inc. and Sleeping Organic, LLC compete in the mattress market. Savvy Rest claimed that Sleeping Organic violated the Lanham Act by falsely advertising on its commercial website that Sleeping Organic's mattresses are free of chemicals and certified to meet the requirements of the Global Organic Textile Standard ("GOTS"). Savvy Rest argued that Sleeping Organic can sell its mattresses for much lower prices because it does not incur expenses which are required to manufacture and sell genuine GOTS-Certified Mattresses, and that Sleeping Organic's false statements harm Savvy Rest's reputation and goodwill because they have a tendency to make consumers believe that Savvy Rest overcharges for its own organic mattresses that are GOTS-certified. Do these alleged harms meet the *Lexmark* criteria for injuries and causation? See *Savvy Rest, Inc. v. Sleeping Organic, LLC*, 2019 U.S. Dist. LEXIS 64604 (W.D.Va., April 15, 2019).

## Chapter 11

# Internet Domain Names

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### B. Anticybersquatting Consumer Protection Act

**Page 839. Add new Questions following text of ACPA (number current Question as 1 and add new Questions 2 and 3):**

2. Must the “mark” to whose owner the ACPA grants a right of action be registered or used in the U.S.? Suppose a foreign mark owner claims that a U.S. entrepreneur has registered the foreign mark as a domain name in the U.S. and is diverting the mark owner’s customers to its website, does the ACPA provide a claim? See, e.g., *Klumba.UA, LLC v. Klumba.com*, 320 F. Supp. 3d 772 (E.D. Va. 2018) (Ukrainian claimant of klumba trademark had no common law trademark rights in the US when its klumba.ua website had no English language content; goods and services advertised on the site were priced in the Ukrainian currency; no U.S. customers were registered in plaintiff’s customer databases, and no goods hosted on plaintiff’s klumba.ua have been sold to U.S. customers. There have been 1.5 million page views of the klumba.ua website in the United States, but there is no evidence that any of those page views came from U.S. citizens). Does unavailability of an ACPA action mean that the Ukrainian claimant must go without a remedy? See *infra*, section C, Uniform Dispute Resolution Policy.

3. Recall *USPTO v. Booking.com*, *supra* this Supplement, Chapter 5.A.2. Justice Breyer’s dissent details the competitive advantages a domain name registration for a generic.com term confers. What further advantages would come with federal registration? Without a federal registration, could Booking.com bring an ACPA claim against the domain name registration of such domain names as ibooking.com or mybooking.com or yourbooking.com?

## 1. Bad Faith

**Page 844. Add new Questions 3 and 4:**

3. ZP and ILM compete in the market for student housing. ZP adopted the name “One Ten” for its student housing facility and began using the “One Ten” mark in interstate commerce in 2015. ZP’s federal registration of the mark issued in 2017. ZP also registered the domain name liveonetten.com in 2015, and began using the domain name for its website in 2016. ILM registered several domain names in 2016, including “onettenlive.com” “liveontenmobile.com” “liveone10.com” “onettenstudentliving.com”

and “onetenliving. com” and reregistered the domains in 2018. All these domains redirected to ILA’s site for its competing student housing, “campusquarters.com”. Has ILA registered its domain names with a bad faith intent to profit? See *ZP No. 314, LLC v. ILM Capital, LLC*, 335 F. Supp. 3d 1242 (S.D. Al. 2018).

4. Is there bad faith intent to profit when one acquires a domain name containing a competitor’s mark, but for the purpose of experimenting with various web-marketing techniques? ServPro and Emergency Services LLC, which is owned by Jacob Blanton, compete in the market for cleaning and remediation services. ServPro has federal trademark registrations for the SERVPRO mark. *ServPro Intellectual Prop., Inc. v. Blanton*, No. 3:18-cv-00121-RGJ-CHL, 2020 U.S. Dist. LEXIS 59130 (W.D. Ky. Apr. 3, 2020) (citations omitted) The court denied plaintiff’s motion for summary judgment, finding a “genuine dispute about whether Blanton bought ServPro.click with bad faith intent to profit.”

Blanton asserts that he bought Servpro.click along with several other domain names on November 15, 2017. He attached these domain names, including Servpro.click, to websites that went live on December 8, 2017. Blanton used ServPro, in advertisements on Google, and “the Google Adword ‘Servpro.click’ ads were technically available from December 8, 2017 (the date the Servpro.click website went live) and January 3, 2018 (the last date the ads ran).” Yet, Blanton claims that “the ads were only actually run for approximately six (6) days because of the expense and because the true purpose was merely to obtain data to explore ways to expand [Emergency Services]’s business through the use of various domains in conjunction with lead generator platforms and generic web pages.”

....

[T]here is genuine dispute regarding factor V [of the ACPA—]“the person’s [bad faith] intent to divert consumers...either for commercial gain or with the intent to tarnish or disparage the mark....”]. Blanton asserts that he did not “purchase the ‘servpro.click’ domain name with the intent to divert customer[s] away from Servpro for its own commercial gain.” He alleges instead that he did so in order “to collect information and perform analytical research on the domain names with an eye towards testing consumer responses to various domain names in conjunction with specific key word searches when running Google AdWords advertisements.” He also alleges that the website the domain name pointed to did not advertise that it was ServPro, and the contact information on the website pointed to his personal cellphone. Blanton alleges that when answering calls made to that number, he identified himself as affiliated with Emergency Services and never identified himself as affiliated with ServPro.

Would the analysis of Blanton’s bad faith intent depend on whether his purchase and use of AdWords would be likely to confuse?



#### 4. §43(d)(2) and *in rem* Jurisdiction

Page 884. Add after Questions

**Jacqueline D. Lipton, *Legal Regulation of Internet Domain Names in North America*, IRENE CALBOLI & JANE C. GINSBURG, INTERNATIONAL AND COMPARATIVE TRADEMARK LAW (2020) (EXCERPT)**

One of the ways in which Congress attempted to address early jurisdictional concerns with respect to Internet domain name disputes and the limitations of turning to trademark law was to incorporate a specific provision in the ACPA to enable proceedings to be commenced *in rem* against a domain name as a species of intangible property. The objective was to avoid challenging problems that could be faced by an American trademark holder attempting to assert personal jurisdiction over an often foreign defendant.

The *in rem* provisions effectively gave a home field advantage to American plaintiffs at the time the ACPA was enacted because it not only allowed for the *in rem* action, but placed the situs of the domain name at the place of registration. At the time the law was enacted, most domain names were, in effect, registered in Herndon, Virginia (U.S.A.), because that was the location of Network Solutions which, at the time, hosted the main domain name registry. Consequently, in cases where the *in rem* provisions applied, American plaintiffs were effectively entitled to proceed in Virginia courts. This was much easier than having to attempt to assert personal jurisdiction over far-flung defendants.

As with the substantive provisions of the ACPA, the *in rem* provisions have not been particularly well-tested in domestic courts. Not only did most Internet domain name disputes go to UDRP arbitrators from 1999 onwards, but Herndon fairly quickly ceased to be the main place where domain names were registered as ICANN decentralized the registration system. Despite the congressional aims to help American trademark holders pursue claims against foreign cybersquatters, these *in rem* provisions were more or less outdated as soon as they were enacted.

### C. ICANN and the Uniform Trademark Domain Name Dispute Resolution Policy

Page 888. Following Froomkin excerpt, add the following two excerpts:

**Annemarie Bridy, *Addressing Infringement: Developments in Content Regulation in the US and the DNS*, THE OXFORD HANDBOOK OF ONLINE INTERMEDIARY LIABILITY 631 (Giancarlo Frosio, ed., 2020) (footnotes omitted)**

#### *2. The History of Intellectual Property Enforcement in the DNS*

Historically speaking, intellectual property rights have been enforced in the DNS in a very tightly circumscribed way—only in the field of trademarks, and only to address the practice known as cybersquatting, which is defined as bad faith registration and use of a domain name. In the early days of the Internet, cybersquatters preemptively registered domain names containing famous trademarks and then offered to transfer the registrations to later-arriving trademark holders for exorbitant prices. Under

tremendous pressure from trademark rightholders, a perennially powerful force within ICANN's universe of stakeholders, ICANN in 1999 adopted a binding policy requiring all domain name registrars to contractually require all domain name registrants to participate in an alternative dispute resolution system designed specifically to adjudicate disputes involving alleged cases of cybersquatting. The system, which applies to all registrants in all gTLDs, is called the Uniform Dispute Resolution Policy (UDRP). Trademark infringement, counterfeiting, and dilution claims fall outside the UDRP's subject matter scope. The UDRP's remedial scope is also narrow; its only available remedy is cancellation or transfer of the disputed domain name from the registrant to the complainant.

### *2.1 The UDRP*

Under the UDRP, ICANN-accredited arbitrators decide cybersquatting disputes via a streamlined, web-delivered process. Once a UDRP complaint is filed by a complainant (who can choose from a list of ICANN-approved providers), a registrant must participate in the UDRP process until its conclusion. If either party to a UDRP proceeding is dissatisfied with the result, that party can file a claim contesting the result in a court of competent jurisdiction. A registrant seeking judicial recourse following an adverse UDRP decision has ten business days to file a claim in court and produce evidence that she has done so to the registrar. If the registrant timely files a lawsuit, the prevailing complainant's remedy is stayed pending the outcome of the litigation. If the losing registrant fails to file suit within the ten-day window, the domain name is cancelled or transferred.

UDRP outcomes have historically skewed heavily in favor of complainants. WIPO reports that for all years the UDRP has been active, 89% of disputes have resulted in cancellation or transfer of the domain name to the complainant. Registrants have prevailed in only 11% of cases. Critics of the process point to these numbers and to the fact that a small number of providers handle the vast majority of UDRP complaints as evidence that the system has created strong structural incentives for providers to rule in favor of complainants. A provider whose results don't demonstrably favor complainants can easily find itself without any customers—as happened to eResolution, an accredited provider that went out of business in the early years of the UDRP for lack of a sustainable case load.

### *3. ICANN's new gTLD Program and IP Stakeholder Demands*

Beginning in 2013, in a long-anticipated and much-ballyhooed move, ICANN created over 1,200 new gTLDs in the DNS. In the rollout of the new gTLD program, rightholders saw an opportunity to lobby within ICANN to extend the reach of IP enforcement in the DNS beyond the UDRP and cybersquatting. The MPAA, which represents Hollywood movie studios, and the RIAA, which represents major record labels, demanded that ICANN and its new gTLD contractors promote a 'safe internet ecosystem' by enforcing their members' copyrights in films and music. Their appeal to 'safety' conflates copyright piracy with the distribution of malware, strategically blurring an otherwise clear line between the protection of physical network integrity—a classic IANA concern—and the protection of intellectual property rights. From rightholders' perspective, a 'safe Internet ecosystem' is one in which ICANN's contracts with DNS intermediaries are revised to require registrars to block domain names upon notice of infringement. Rightholders also want ICANN, through its formal contractual compliance process, to discipline any registrar that demands a court order before taking action against a registrant accused of infringing copyrights. All registrars, they argued, should be compelled to implement notice-based domain blocking for copyright infringement on pain of losing their accreditation and, consequently, their ability to

do business.

There was considerable opposition to these demands within ICANN's multistakeholder community—most notably from domain name registrars and civil society groups. They opposed expanding ICANN's historically limited authority over the DNS into the field of website content regulation, for IP enforcement or any other purpose. Such an expansion, they correctly argued, is incompatible with ICANN's limited technical role as the manager of the IANA functions. Most registrars understandably do not want to be in the law enforcement and claim adjudication business.

#### *4. Expanding IP Enforcement in the DNS: Within and Without ICANN*

Rightholders achieved a partial victory in the battle within ICANN over domain blocking in the new gTLDs: a legal scaffolding within ICANN's new gTLD registry contracts for a notice-and-takedown program that can function, with the aid of willing registry operators, as a workaround in cases where registrars refuse to block domains without a court order. ICANN would not leverage its contractual compliance process to compel registrars to play ball with rightholders, but it did provide a means for rightholders to strike private deals with registry operators to bypass or override recalcitrant registrars. The key to this workaround is a provision in the 2013 ICANN-Registry Agreement known as Specification 11—Public Interest Commitments.

Specification 11 is a pass-along or flow-down provision requiring registry operators to include in their contracts with registrars a provision requiring registrars to include in their contracts with registrants 'a provision prohibiting Registered Name Holders from . . . piracy, trademark or copyright infringement, . . . and providing (consistent with applicable law and any related procedures) consequences for such activities including suspension of the domain name.' Through this provision, an express prohibition on copyright infringement and the identification of (unspecified) consequences for it are pushed down the DNS hierarchy from ICANN to registry operators to registrars. This is the same legal mechanism that makes the UDRP binding on all gTLD registrants.

The endpoint in this cascade of contractual obligations is of course the registrant, whose registration is conditioned on her acceptance of the prospect that her domain name may be suspended if she is found to have engaged in copyright or trademark infringement. Notably, Specification 11 does not condition suspension of a registrant's domain name on receipt of a court order or other valid legal process. The elegance of the flow-down provision from a rightholder's perspective is that it need not be enforced by registrars at all. It can also be enforced by registry operators that are willing to act on rightholders' notices without any prior adjudication. As keepers of the DNS zone files for the gTLDs they control, registry operators can block or otherwise disable any domain name within their zones.

New gTLD registry operators supportive of Specification 11 explain their willingness to cooperate with rightholders in terms of defensive or pre-emptive self-regulation. If we don't regulate ourselves, they say, the government will step in and impose onerous obligations on us. This self-regulatory rhetoric obscures the plain fact that the real regulatory targets of intellectual property enforcement within the DNS are domain name registrants and the websites they operate. Registry operators that partner with rightholders to block domains are acting not as regulators of *their own* content but as regulators of *third-party* content, without benefit of judicial process. They appear to regard the websites underlying domain names as their own premises to police. It courts dishonesty, however, to

characterize Specification 11 as the foundation for a self-regulatory framework. It is equally questionable to hang the imprimatur of ‘public interest’ on the privately ordered enforcement of private property rights through the DNS.

**Rebecca Tushnet, *Content Moderation in an Age of Extremes*, 10 CASE W. RES. J.L. TECH. & INTERNET 1, 6-7 (2019) (footnotes omitted)**

More recently, ICANN introduced a large number of new global top level domains— .london and .bike and hundreds of others. In order for trademark owners to accede to this expansion, which would also expand the potential number of domain names that could use their marks, trademark owners secured the Uniform Rapid Suspension (“URS”) process—which is supposed to be faster and cheaper than the UDRP, for no-brainer cases of infringing use. Complainants and respondents get fewer words and less time for their submissions than they would for a UDRP claim.

The URS has now been in place for several years. Roughly 900 claims have been adjudicated, but it’s still hard to say whether the game is worth the candle. Most of the domain name registrants defaulted; those cases don’t seem to be decided noticeably faster than UDRP default cases. Though trademark owners were opposed to looking at individual cases to see if they truly were no-brainers, I asked my research assistants to code the cases to look at some of the more obvious questions. It seems that the URS is used by a relatively small number of trademark owners, even compared to the universe of trademark owners who have resort to the UDRP. Most cases do seem to involve simple infringing or at least non-bona fide uses, but a significant minority don’t provide enough information to figure out what the basis for the arbitrator’s decision was—which means that no one else can be sure what the rationale was, or evaluate whether it made sense.

Trademark owners’ representatives are currently proposing to shorten response times and eliminate the ability for a domain registrant to cure a default, as well as to make the URS a “consensus policy,” exposing millions of domain names registered in “legacy” domains such as .com to potential challenge under the URS, with its lesser procedural protections compared to those of the UDRP. Likewise they are proposing to expand something known as the “claims” system to allow trademark owners broader rights to block or threaten potential registrants—even though the current system has been extensively used to make claims on common words like “cloud” and “hotel.”

The broader point is that rightsholders don’t stop when they lose a public battle. Big trademark owners, like big copyright owners, can afford to be persistent, and they often believe they can’t afford not to be. As a result, when they don’t get remedies in national law, they often try to get more through international treaties, or in this case, through private policymaking at the chokepoints of internet connectivity. And, because the entities administering the system—domain name registries and registrars—don’t have much skin in the game for any given domain name, they may not fully take into account individual domain name registrants’ interests in their practices. For example, some registries and registrars are now selling extra services to trademark owners to allow them to block any registrations using their names, regardless of whether the use would be barred by the URS, UDRP, or trademark law—so Apple could block apple.farm for an apple farming operation, if .farm is operated by one of these registries. The carefully negotiated balance between registrant and free speech interests versus trademark

interests that was supposed to result from the ICANN policies has been replaced by these private mechanisms, just as Content ID has replaced copyright and fair use rules on YouTube.

**Page 904. Add the following case after *Plan.Net v. Yikilmaz*:**

**Feev Holding B.V. v. Firas Dabboussi, FeeV**, WIPO Arbitration and Mediation Center Case No. D2019-2683 (December 30, 2019). Complainant Feev Holding, a cryptocurrency business incorporated in the Netherlands, registered the Benelux<sup>2</sup> trademark, FEEV, in 2019. U.S. Respondent Firas Dabboussi, self-represented, registered “feev.com” in 2002, “based on his nickname ‘fee’ and his wife’s initial ‘v.’” The complaint alleged the Respondent reneged on a contract to sell feev.com to the Complainant. The complaint also stated that “‘Since 2002, Respondent registered [feev.com] in the hope of selling it off for a small fortune’ and hence it registered [feev.com] in bad faith.” Additionally, the Complainant accused the Respondent of criminal identity theft based on his purported use of Feev Holding employees’ names in email addresses. In fact, the Respondent was merely the unintended recipient of emails that were addressed to Feev Holding Employees using “[EmployeeName]@feev.com” email addresses. The Respondent only received these emails because he may have had set up his “feev.com” domain name in such a way that all emails addressed to “@feev.com were directed to him.” The Panel found the Complainant’s behavior to constitute Reverse Domain Name Hijacking:

In the view of the Panel this is a Complaint which should never have been launched. The Complainant should have appreciated that establishing registration and use in bad faith in respect of a domain name which had first been registered many years previously was likely to be impossible. The Complainant appears to have ignored any such considerations. It adopted an entirely unwarranted and misconceived approach based on a supposed contractual entitlement which even if it was well founded (which the Panel doubts) should have been brought to a different forum. The Complainant also threatened the Respondent with costs liability if an UDRP complaint was brought when no such liability exists under the UDRP. Finally it then introduced a completely misconceived allegation of criminal conduct against the Respondent which had no factual foundation whatsoever.

Given the relevant facts, the nature of the Policy and the fact that the Complainant was legally represented this was a case which should never have been brought nor should it have been presented in the manner it was. The Panel therefore finds that the Complaint was brought in bad faith and constitutes an abuse of the administrative proceeding.

***Question***

The UDRP does not provide for a remedy for reverse domain name hijacking. Should the UDRP provide for a remedy in cases like this? What remedy(ies) would deter other domain name registrants or trademark owners from this kind of bullying?

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<sup>2</sup> *Editors’ Note:* Benelux is an intergovernmental economic organization. Its name is a portmanteau of its members’ names: **B**elgium, the **N**etherlands, and **L**uxembourg.

## Chapter 12

# Remedies

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### A. Injunctive Relief

#### 1. Injunctions

**Page 940. Add the following text at the end of the Note on Presumption of Irreparable Harm:**

Recall *Adidas Am., Inc. v. Skechers USA, Inc.* in the casebook Chapter 2.B.2.b and in the casebook and this Supplement, *infra* Chapter 6.B.3.b. The Ninth Circuit clarified, in a 2-1 decision, that its earlier *Herb Reed* decision requires concrete evidence of irreparable harm to justify a preliminary injunction, 890 F.3d 747 (9th Cir. 2018), and described the kind of evidence that could suffice. The appellate court majority affirmed the preliminary injunction against the Stan Smith shoe, finding the evidence of irreparable harm sufficient.

In *Herb Reed Enterprises, LLC v. Florida Entertainment Management, Inc.*, we reaffirmed that “[e]vidence of loss of control over business reputation and damage to goodwill [can] constitute irreparable harm,” so long as there is concrete evidence in the record of those things. [Citation.] ... adidas’s Director of Sport Style Brand Marketing testified to the significant efforts his team invested in promoting the Stan Smith through specific and controlled avenues such as social media campaigns and product placement, and he stated that the Stan Smith earned significant media from various sources that was not initiated or solicited by adidas. adidas also presented evidence regarding its efforts to carefully control the supply of Stan Smith shoes and its concerns about damage to the Stan Smith’s reputation if the marketplace were flooded with similar shoes. Finally, adidas produced customer surveys showing that approximately twenty percent of surveyed consumers believed Skechers’ Onix was made by, approved by, or affiliated with adidas.

The extensive and targeted advertising and unsolicited media, along with tight control of the supply of Stan Smiths, demonstrate that adidas has built a specific reputation around the Stan Smith with “intangible benefits.” [Citation.] And, the customer surveys demonstrate that those intangible benefits will be harmed if the Onix stays on the market because consumers will be confused about the source of the shoes. We find that the district court’s finding of irreparable harm is not clearly erroneous. See *Herb Reed*, 736 F.3d at 1250; *Rent-A-Ctr., Inc. v. Canyon Television & Appliance Rental, Inc.*, 944 F.2d 597, 603 (9th Cir. 1991) (noting that harm to advertising efforts and goodwill constitute “intangible injuries” that warrant injunctive protection).

By contrast, with respect to the adidas 3-Stripe Mark and Skechers' Cross Court shoe, the majority reversed the preliminary injunction, finding a lack of such concrete evidence:

... adidas advanced only a narrow argument of irreparable harm as to the Cross Court: that Skechers harmed adidas's ability to control its brand image because consumers who see 00001/520/3472441.1 00001/520/3472441.1 others wearing Cross Court shoes associate the allegedly lesser-quality Cross Courts with adidas and its Three-Stripe mark. Yet we find no evidence in the record that could support a finding of irreparable harm based on this loss of control theory.

... adidas's theory of harm relies on the notion that adidas is viewed by consumers as a premium brand while Skechers is viewed as a lower-quality, discount brand. But even if adidas presented evidence sufficient to show its efforts to cultivate a supposedly premium brand image for itself, adidas did not set forth evidence probative of Skechers's allegedly less favorable reputation. The only evidence in the record regarding Skechers's reputation was testimony from adidas employees. First, adidas claimed that "Skechers generally sells its footwear at prices lower than adidas's"—how much lower, and for what of any number of possible reasons other than the quality of its products, we do not know. This generalized statement regarding Skechers's price point does not indicate that consumers view Skechers as a value brand. Second, one adidas employee noted that within adidas, Skechers is viewed as inferior to adidas. Again, Skechers's reputation among the ranks of adidas employees does not indicate how the general consumer views it. Thus, the district court's finding that Skechers is viewed as a "value brand" is an "unsupported and conclusory statement[]" that is not "grounded in any evidence or showing offered by [adidas]." *See Herb Reed*, 736 F.3d at 1250 (internal quotation marks omitted).

... adidas presented specific evidence that its reputation and goodwill were likely to be irreparably harmed by Skechers's Onix shoe based on adidas's extensive marketing efforts for the Stan Smith and its careful control of the supply of Stan Smiths available for purchase. Thus, even post-sale confusion of consumers from afar threatens to harm the value adidas derives from the scarcity and exclusivity of the Stan Smith brand. But there was no comparable argument or evidence for the Cross Court.

Because adidas failed to produce evidence that it will suffer irreparable harm due to the Cross Court, we conclude that the district court abused its discretion by issuing a preliminary injunction for the Cross Court. *See Herb Reed*, 736 F.3d at 1250.\*

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\* *Editors' Note* – the parties settled after this.

**Page 943. Add the following Question after “The Safe Distance Rule” Note.**

***Question***

The 5-HOUR ENERGY case enforced an injunction with a contempt sanction. In a civil litigation matter, what if the party found in contempt continues to ignore the court’s order(s)? *See, e.g., Waterkeeper Alliance, Inc. v. Spirit of Utah Wilderness, Inc.*, 2019 U.S. Dist. LEXIS 59786 (S.D.N.Y. 2019) (after defendant failed to comply with the original and second contempt orders, the court stated that in the event the defendant continued to fail to comply with those orders and the court’s third order, the plaintiff could move to have defendant’s principal imprisoned and for other appropriate relief).

### **3. Recalls and Destruction**

**Page 963. Renumber Question 5 as Question 6 and insert new Question 5.**

5. After a jury found defendants guilty of infringing plaintiff’s COMICOM, COMI-CON and COMI CON marks for comic or popular arts conventions, plaintiff contended that defendants, in addition to being enjoined from using those terms or their phonetic equivalents as the mark for their events, should also be ordered to destroy all merchandise and marketing materials bearing those terms. Defendants countered that they should be allowed to keep their “historical archive” of promotional materials and merchandise from their past shows. How should the district court rule? *See San Diego Comic Convention v. Dan Farr Prods.*, 336 F. Supp.3d 1191 (S.D. Cal. 2018).

### **4. Declaratory Relief: Defendants’ Counterpart to Injunctive Relief**

**Page 968. Add the following text and citation at the end of the Question.**

Normally courts follow the first-to-file rule. If a party files a declaratory judgment action before an infringement action is brought, that party’s suit receives a presumption of priority. However, if the declaratory plaintiff is found to have engaged in procedural gamesmanship in order to forum shop, such a finding can overcome the presumption. *See, e.g., J.M. Smucker Co. v. Promotion in Motion, Inc.*, 420 F. Supp.3d 646 (N.D. OH 2019) (Ohio declaratory plaintiff requested additional time to respond to New Jersey defendant’s cease and desist letter, purportedly to consult outside counsel prior to responding, but instead filed declaratory action in its home forum in Ohio without notifying opposing counsel. Action was dismissed, and defendant’s later-filed infringement suit in New Jersey was allowed to proceed).

## **B. Monetary Relief**

### **1. Assessing Profits and/or Damages**



**Page 974. Delete the Federal Circuit decision in *Romag* and substitute the Supreme Court’s decision, followed by a Question and the *Tiffany v. Costco* case.**

**Romag Fasteners, Inc. v. Fossil Grp., Inc.**

140 S. Ct. 1492 (2020)

JUSTICE GORSUCH delivered the opinion of the Court.

When it comes to remedies for trademark infringement, the [Lanham Act](#) authorizes many. A district court may award a winning plaintiff injunctive relief, damages, or the defendant’s ill-gotten profits. Without question, a defendant’s state of mind may have a bearing on what relief a plaintiff should receive. An innocent trademark violator often stands in very different shoes than an intentional one. But some circuits have gone further. These courts hold a plaintiff can win a profits remedy, in particular, only after showing the defendant willfully infringed its trademark. The question before us is whether that categorical rule can be reconciled with the statute’s plain language.

The question comes to us in a case involving handbag fasteners. Romag sells magnetic snap fasteners for use in leather goods. Fossil designs, markets, and distributes a wide range of fashion accessories. Years ago, the pair signed an agreement allowing Fossil to use Romag’s fasteners in Fossil’s handbags and other products.... But in time Romag discovered that the factories Fossil hired in China to make its products were using counterfeit Romag fasteners—and that Fossil was doing little to guard against the practice. Unable to resolve its concerns amicably, Romag sued. The company alleged that Fossil had infringed its trademark and falsely represented that its fasteners came from Romag. After trial, a jury agreed with Romag, and found that Fossil had acted “in callous disregard” of Romag’s rights. At the same time, however, the jury rejected Romag’s accusation that Fossil had acted willfully, as that term was defined by the district court.

... By way of relief for Fossil’s trademark violation, Romag sought (among other things) an order requiring Fossil to hand over the profits it had earned thanks to its trademark violation. But the district court refused this request ... and pointed out that controlling Second Circuit precedent requires a plaintiff seeking a profits award to prove that the defendant’s violation was willful. Not all circuits, however, agree with the Second Circuit’s rule. We took this case to resolve that dispute over the law’s demands. [Citation].

... The relevant section of the Lanham Act governing remedies for trademark violations, § 35, 60 Stat. 439-440, as amended, [15 U.S.C. § 1117\(a\)](#), says this:

“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 . . . , the plaintiff shall be entitled, subject to the provisions of [sections 1111](#) and [1114](#) 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.”

Immediately, this language spells trouble for Fossil and the circuit precedent on which it relies. The statute does make a showing of willfulness a precondition to a profits award when the plaintiff proceeds under [§ 1125\(c\)](#). That section, added to the Lanham Act some years after its initial adoption, creates a cause of action for trademark dilution—conduct that lessens the association consumers have with a trademark. But Romag alleged and proved a violation of [§ 1125\(a\)](#), a provision establishing a cause of action for the false or misleading use of trademarks. And in cases like that, the statutory language has never required a showing of willfulness to win a defendant’s profits. Yes, the law tells us that a profits award is subject to limitations found in [§§ 1111](#) and [1114](#). But no one suggests those cross-referenced sections contain the rule Fossil seeks. Nor does this Court usually read into statutes words that aren’t there. It’s a temptation we are doubly careful to avoid when Congress has (as here) included the term in question elsewhere in the very same statutory provision.

A wider look at the statute’s structure gives us even more reason for pause. The Lanham Act speaks often and expressly about mental states. [Section 1117\(b\)](#) requires courts to treble profits or damages and award attorney’s fees when a defendant engages in certain acts intentionally and with specified knowledge. [Section 1117\(c\)](#) increases the cap on statutory damages from \$200,000 to \$2,000,000 for certain willful violations. [Section 1118](#) permits courts to order the infringing items be destroyed if a plaintiff proves any violation of [§ 1125\(a\)](#) or a willful violation of [§ 1125\(c\)](#). [Section 1114](#) makes certain innocent infringers subject only to injunctions. Elsewhere, the statute specifies certain mens rea standards needed to establish liability, before even getting to the question of remedies. *See, e.g., §§ 1125(d)(1)(A)(i), (B)(i)* (prohibiting certain conduct only if undertaken with “bad faith intent” and listing nine factors relevant to ascertaining bad faith intent). Without doubt, the Lanham Act exhibits considerable care with mens rea standards. The absence of any such standard in the provision before us, thus, seems all the more telling.

... [Fossil] points to the language indicating that a violation under [§ 1125\(a\)](#) can trigger an award of the defendant’s profits “subject to the principles of equity.” In Fossil’s telling, equity courts historically required a showing of willfulness before authorizing a profits remedy in trademark disputes. Admittedly, equity courts didn’t require so much in patent infringement cases and other arguably analogous suits. *See, e.g., Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U. S. 641, 644, 650-651, 35 S. Ct. 221, 59 L. Ed. 398, 1915 Dec. Comm’r Pat. 320 (1915). But, Fossil says, trademark is different. There alone, willfulness requirement was so long and universally recognized that today it rises to the level of a “principle of equity” the Lanham Act carries forward.

... Fossil’s contention that the term “principles of equity” includes a willfulness requirement would not directly contradict the statute’s other, express mens rea provisions or render them wholly superfluous. But it would require us to assume that Congress intended to incorporate a willfulness requirement here obliquely while it prescribed mens rea conditions expressly elsewhere throughout the Lanham Act. That might be possible, but on first blush it isn’t exactly an obvious construction of the statute.

Nor do matters improve with a second look. The phrase “principles of equity” doesn’t readily bring to mind a substantive rule about mens rea from a discrete domain like trademark law. In the context of this statute, it more naturally suggests fundamental rules that apply more systematically across claims and practice areas. A principle is a “fundamental truth or doctrine, as of law; a comprehensive rule or

doctrine which furnishes a basis or origin for others.” Black’s Law Dictionary 1417 (3d ed. 1933); Black’s Law Dictionary 1357 (4th ed. 1951). And treatises and handbooks on the “principles of equity” generally contain transsubstantive guidance on broad and fundamental questions about matters like parties, modes of proof, defenses, and remedies. [Citations.] Our precedent, too, has used the term “principles of equity” to refer to just such transsubstantive topics. *See, e.g., eBay Inc. v. MercExchange, L. L. C.*, 547 U.S. 388, 391, 393, 126 S. Ct. 1837, 164 L. Ed. 2d 641 (2006); *Holmberg v. Armbrrecht*, 327 U. S. 392, 395, 66 S. Ct. 582, 90 L. Ed. 743 (1946). Congress itself has elsewhere used “equitable principles” in just this way: An amendment to a different section of the Lanham Act lists “laches, estoppel, and acquiescence” as examples of “equitable principles.” 15 U.S.C. § 1069. Given all this, it seems a little unlikely Congress meant “principles of equity” to direct us to a narrow rule about a profits remedy within trademark law.

But even if we were to spot Fossil that first essential premise of its argument, the next has problems too. From the record the parties have put before us, it’s far from clear whether trademark law historically required a showing of willfulness before allowing a profits remedy. The Trademark Act of 1905—the Lanham Act’s statutory predecessor which many earlier cases interpreted and applied—did not mention such a requirement. It’s true, as Fossil notes, that some courts proceeding before the 1905 Act, and even some later cases following that Act, did treat willfulness or something like it as a prerequisite for a profits award and rarely authorized profits for purely good-faith infringement. *See, e.g., Horlick’s Malted Milk Corp. v. Horluck’s, Inc.*, 51 F.2d 357, 359 (WD Wash. 1931) (explaining that the plaintiff “cannot recover defendant’s profits unless it has been shown beyond a reasonable doubt that defendant was guilty of willful fraud in the use of the enjoined trade-name”); *see also Saxlehner v. Siegel-Cooper Co.*, 179 U.S. 42, 42-43, 21 S. Ct. 16, 45 L. Ed. 77, 1900 Dec. Comm’r Pat. 379 (1900) (holding that one defendant “should not be required to account for gains and profits” when it “appear[ed] to have acted in good faith”). But Romag cites other cases that expressly rejected any such rule. *See, e.g., Oakes v. Tonsmierre*, 49 F. 447, 453 (CC SD Ala. 1883); *see also Stonebraker v. Stonebraker*, 33 Md. 252, 268 (1870); *Lawrence-Williams Co. v. Societe Enfants Gombault et Cie*, 52 F.2d 774, 778 (CA6 1931).

The confusion doesn’t end there. Other authorities advanced still different understandings about the relationship between mens rea and profits awards in trademark cases. *See, e.g., H. Nims, Law of Unfair Competition and Trade-Marks* § 424 (2d ed. 1917) (“An accounting will not be ordered where the infringing party acted innocently and in ignorance of the plaintiff’s rights”); N. Hesselstine, *Digest of the Law of Trade-Marks and Unfair Trade* 305 (1906) (contrasting a case holding “[n]o account as to profits allowed except as to user after knowledge of plaintiff’s right to trademark” and one permitting profits “although defendant did not know of infringement” (emphasis added)). And the vast majority of the cases both Romag and Fossil cite simply failed to speak clearly to the issue one way or another. [Citations.]

At the end of it all, the most we can say with certainty is this. Mens rea figured as an important consideration in awarding profits in pre-Lanham Act cases. This reflects the ordinary, transsubstantive principle that a defendant’s mental state is relevant to assigning an appropriate remedy. That principle arises not only in equity, but across many legal contexts. [Citations.] It’s a principle reflected in the Lanham Act’s text, too, which permits greater statutory damages for certain willful violations than for other violations. 15 U.S.C. § 1117(c). And it is a principle long reflected in equity practice where district courts have often considered a defendant’s mental state, among other factors, when exercising their discretion in choosing a fitting remedy. [Citations.] Given these traditional principles, we do not doubt

that a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate. But acknowledging that much is a far cry from insisting on the inflexible precondition to recovery Fossil advances.

With little to work with in the statute's language, structure, and history, Fossil ultimately rests on an appeal to policy. The company tells us that stouter restraints on profits awards are needed to deter "baseless" trademark suits. Meanwhile, Romag insists that its reading of the statute will promote greater respect for trademarks in the "modern global economy." ... Maybe ... each side has a point. But the place for reconciling competing and incommensurable policy goals like these is before policymakers. This Court's limited role to read and apply the law those policymakers have ordained.... The judgment of the court of appeals is vacated, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

JUSTICE ALITO, with whom Justice Breyer and Justice Kagan join, concurring.

We took this case to decide whether willful infringement is a prerequisite to an award of profits under [15 U.S.C. § 1117\(a\)](#). The decision below held that willfulness is such a prerequisite. That is incorrect. The relevant authorities, particularly pre-Lanham Act case law, show that willfulness is a highly important consideration in awarding profits under [§ 1117\(a\)](#), but not an absolute precondition. I would so hold and concur on that ground.

JUSTICE SOTOMAYOR, concurring in the judgment.

I agree that [15 U.S.C. § 1117\(a\)](#) does not impose a "willfulness" prerequisite for awarding profits in trademark infringement actions. Courts of equity, however, defined "willfulness" to encompass a range of culpable mental states—including the equivalent of recklessness, but excluding "good faith" or negligence. See 5 McCarthy on Trademarks and Unfair Competition § 30:62 (5th ed. 2019) (explaining that "willfulness" ranged from fraudulent and knowing to reckless and indifferent behavior); [citation].

The majority suggests that courts of equity were just as likely to award profits for such "willful" infringement as they were for "innocent" infringement. But that does not reflect the weight of authority, which indicates that profits were hardly, if ever, awarded for innocent infringement. [Citations.] Nor would doing so seem to be consistent with longstanding equitable principles which, after all, seek to deprive only wrongdoers of their gains from misconduct. [Citation.] Thus, a district court's award of profits for innocent or good-faith trademark infringement would not be consonant with the "principles of equity" referenced in [§ 1117\(a\)](#) and reflected in the cases the majority cites.

Because the majority is agnostic about awarding profits for both "willful" and innocent infringement as those terms have been understood, I concur in the judgment only.

### *Question*

Do you agree with Fossil that not requiring willfulness for a profits award will lead to "'baseless'

trademark suits”? Should Justice Gorsuch’s statement: “we do not doubt that a trademark defendant’s mental state is a highly important consideration in determining whether an award of profits is appropriate,” and Justice Alito’s statement: “willfulness is a highly important consideration in awarding profits” allay such fears?

### **Tiffany & Co. v. Costco Wholesale Corp.**

274 F. Supp.3d 216 (S.D.N.Y. 2017)



LAURA TAYLOR SWAIN, DISTRICT COURT JUDGE

[T]he Court granted summary judgment in favor of Plaintiffs (collectively, “Tiffany”), holding Costco liable for trademark infringement and trademark counterfeiting under the Lanham Act with respect to engagement rings sold under certain signage that referenced the mark “Tiffany” as a standalone term. ... A jury trial on Tiffany’s claims for monetary recovery in the form of profits and statutory damages pursuant to 15 U.S.C. Section 1117, and punitive damages pursuant to New York state law, was held from September 19, 2016, to October 5, 2016. The jury rendered unanimous verdicts that Costco’s relevant profits — those derived from sales of rings “using display case signage that included the ‘Tiffany’ mark as a standalone term, not combined with any immediately following modifier such as ‘setting,’ ‘set’ or ‘style’” — totaled \$3,700,000, that such profits are inadequate to compensate Tiffany, that \$5,500,000 would be a just award of profits, and that Tiffany is entitled to an award of statutory damages for the same conduct in the amount of \$2,000,000 and punitive damages for such conduct in the amount of \$8,250,000.

...

As explained below, Tiffany is entitled to recover \$3.7 million as profits for trademark infringement, trebled, if it does not instead elect to recover statutory damages. Tiffany is also entitled to recover the jury’s punitive damages award of \$8.25 million.

### *I. Whether the Jury Verdict as to Profits is Advisory*

...Although the Second Circuit has not explicitly ruled on the issue, in *Gucci America, Inc. v. Weixing Li*, a trademark infringement action under 15 U.S.C. Section 1117(a), the court characterized the accounting of profits sought by the plaintiff as an “equitable remedy.” 768 F.3d 122, 130 (2d Cir. 2014). The Court will treat the jury verdict as to accounting of profits as advisory and make its own findings.

... [I]n its Summary Judgment Opinion, the Court found that Tiffany had proven its federal and state law claims that, by displaying solitaire diamond rings in Costco stores next to signage that included the word “Tiffany” as a standalone term not combined with an immediately following modifying word such as “setting,” “set,” or “style” (“Standalone Signage”), Costco infringed Tiffany’s trademark and engaged in unfair competition under state and federal law and that Costco counterfeited the Tiffany trademark under federal law. ... Among the monetary relief categories was an accounting for profits, as to which the jury was instructed that “Tiffany is entitled to an award of all profits earned by Costco that are attributable to Costco’s misuse of Tiffany’s trademark through infringement and/or counterfeiting from February 14, 2007, to the present time.” The jury was also instructed that it was to determine whether “one sign, which used the word ‘Tiffany’ on one line and the word ‘set’ at the beginning of the following line[,] was a use of ‘Tiffany’ as a standalone term or a use of ‘Tiffany set’ as a combined term in describing the merchandise.”

...

Costco presented credible evidence, and the Court finds that, “Tiffany” is used within the jewelry industry in the context of the combined term “Tiffany setting” to denote a certain type of multipronged solitaire ring setting. Costco used the terms “Tiffany style” and “Tiffany setting,” as to which Tiffany did not assert trademark infringement or counterfeiting claims in this case, in a large proportion of its diamond ring signage. Costco also used the infringing Standalone signage to a significant degree.

Costco’s proffered explanations for the Standalone usage — that clerical workers merely copied language from jewelry suppliers’ invoices as shorthand for Tiffany settings and that Costco therefore was not engaging in intentional infringement or counterfeiting — were not credible in light of trial evidence that showed that displays of fine jewelry are an integral part of Costco’s marketing strategy, Costco made frequent internal and external references to Tiffany as a quality and style benchmark, and Costco display of rings with “Tiffany” Standalone Signage in proximity to displays of name-brand luxury watches. Costco’s salespeople described such rings as “Tiffany” rings in response to customer inquiries, and were not perturbed when customers who then realized that the rings were not actually manufactured by Tiffany expressed anger or upset. Costco’s upper management, in their testimony at trial and in their actions in the years prior to the trial, displayed at best a cavalier attitude toward Costco’s use of the Tiffany name in conjunction with ring sales and marketing. Additional evidence supporting the conclusion that Costco engaged in culpable standalone use of the mark “Tiffany” included Costco’s use of purported valuations identical to prices that Tiffany had actually charged for similar rings, in certificates that Costco provided to buyers of rings sold under the infringing signage.

...[T]he Court finds that Tiffany is entitled to recover Costco’s profits derived not only from sales of rings under signage in which “set,” “setting” or “style” did not follow “Tiffany” on the same line of a given sign, but also those in which “set” was the first word of the line below one ending with the word

“Tiffany.” The Court finds that Costco used Tiffany’s trademark to attract customer attention to the fine jewelry items by indicating that the items accompanied by such signage were Plaintiffs’ products although they were in actuality generic items. The fact that some sort of marking other than Tiffany’s actual marking appeared inside of the generic rings is insufficient to indicate that Costco’s use of the Tiffany mark was not an intentionally deceptive marketing ploy, as the inside markings were not visible by customers looking into the case displays and both Costco’s signage and Costco’s salespeople referred to the rings as “Tiffany.” The advisory jury verdict as to profits, which appears to have taken into account all sales associated with signage that used the “Tiffany” without a following modifier on a single line, is consistent with these findings.

It is not possible to determine from Costco’s records precisely which form of signage was used with each ring sale. The evidence presented at trial consisted principally of Costco’s records of item serial numbers and inventory units for the period within the statute of limitations, sales and returns of items with such serial numbers within that period, records of the signage information associated with the items during that time period, and cash register sales information from that period showing the item numbers and sales prices of rings purchased. Because the data did not reflect how long any given item had been on display in a store as of the time of purchase, the signage data that Costco utilized to purportedly match to sales at particular points in time was not definitive.

The data as to numbers of units and signage iterations produced by Costco in the course of the litigation varied somewhat from time to time. Costco also proffered vendor invoices purportedly associated with the relevant periods. Some, but not all, of the signage correlated to descriptions used on the invoices. The trial evidence also included a list of ring sales from February 14, 2007, to August 13, 2013, showing a total of 4,053 units sold under signage that included the word “Tiffany” for a total dollar amount of \$17.1 million, and testimony of Costco’s Chief Merchandising Officer, Douglas Schutt, in which he estimated that Costco had sent approximately 11,000 letters to persons who had purchased rings during the period where the signage “had ‘Tiffany’ anywhere in the description of that particular diamond ring.” Schutt did not, however, testify to independent knowledge of the figure.

At trial, Costco presented exhibit DTX 806, which purported to show “Gross Sales and Net Sales of Subject Rings” from February 14, 2007, through December 16, 2012, and which was color-coded and included columns showing “gross sales,” “net sales,” and “profits” associated with different item numbered rings associated with various iterations of signage. Items color-coded red in that chart were characterized as associated with signage reading “PLATINUM TIFFANY VS2.1 SET or PLATINUM TIFFANY VS2, 1 without SET”; the item color-coded yellow was characterized as associated with signage reading “SOLITAIRE TIFFANY” on the second line; and items color-coded dark green were characterized as associated with signage reading either “TIFFANY SET or TIFFANY SETTING,” and those color-coded light green as associated with signage reading “TIFFANY on Line 1 and SET on Line 2 with nothing in between.” Gross and net sales/units figures for rings from the relevant time period were also presented, with item number and signage record information, in DTX 139. The Court finds, based on the credible information included in trial record as a whole, that Tiffany carried its burden of proving that sales, net of returns, of approximately \$7.2 million were derived by Costco during the relevant period from Standalone Signage, including such signage in which the second line of the sign began with the word “set.”



Once the plaintiff seeking to recover an infringer's profits under 15 U.S.C. section 1117(a) has proven the defendant's sales, the defendant has the burden of proving "all elements of cost or deduction claimed" for purposes of determining the profits associated with the sales. 15 U.S.C.S. § 1117(a). At trial, Costco proffered vendor invoices associated with ring sales, but principally relied in presenting its evidence of profits on a percentage figure calculated by its expert witness, Brad Cornell, who testified that he "interpreted Costco's margin to be the price the warehouse charges the customer minus the total cost that they paid to acquire the inventory and [Cornell explained that he had] calculated that as a percentage for every single order that Costco had . . . I just took the average across all their purchases and it was 10.31." Costco's Chief Merchandising Officer acknowledged, however, that "run of the mill" jewelry stores charge an estimated markup of 50-100% on their merchandise. Tiffany's expert witness, Brad Kaczmarek, used a multiplier of 13% in computing Costco's profits, based on a deposition testimony by Costco's CEO that Costco generally uses a 13% margin for jewelry sales.

Tiffany also presented credible evidence that Costco's profits are not limited to the margin between product costs and sales, but also include very substantial sums derived from warehouse membership fees. Douglas Schutt, Costco's Chief Merchandising Officer, acknowledged that Costco's "business model of charging the membership fee . . . is one of the things that enables [Costco] to charge less of a markup on the individual products [Costco] sell[s]." Costco uses a "treasure hunt" marketing concept - creating "buzz" among members by offering "brand name merchandise at exceptional values" to drive frequent member visits and renewals. Kaczmarek, Tiffany's expert, testified credibly that even the 13% markup figure that he had used in his analysis is very low, and that Costco is "able to survive with that low markup because they charge membership fees annually. So they make most of their money on the membership fees and so that's how they can actually make such small profits on the items. That's what attracts customers to want to go to Costco."

The Lanham Act provides that "[i]n assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed." 15 U.S.C.S. § 1117(a). [Citations.] Furthermore, where, as here, the Court has determined that the infringer acted willfully, the Court must analyze the claimed cost set-offs "with particular rigor," requiring the court to "give extra scrutiny to the categories of overhead expenses claimed by the infringer to insure that each category is directly and validly connected to the sale and production of the infringing product." *Audemars Piguet Holding S.A. v. Swiss Watch Int'l, Inc.*, 42 F. Supp. 3d 540, 544 (S.D.N.Y. 2014) (internal quotation marks and citations omitted). In addition, 15 U.S.C. Section 1117(a) provides, "[i]f the court shall find the amount of recovery based on 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."

The Court finds that Costco has failed to prove that its profits on sales of rings under Standalone Signage were limited to the 10.31% margin computed by Costco's damages expert. That margin is artificially small, and was made possible chiefly by the subsidizing impact of membership fees, which are themselves enhanced by the pull of the "treasure hunt" tactic in which Costco uses extraordinary bargains on brand-name merchandise to pull customers into its stores. Fine jewelry is the first display case customers encounter in Costco's standard store layout, along with name-branded luxury watches. In light of the role of the membership fees in Costco's business model and of its use of Tiffany's mark in selling fine jewelry, which is prominently displayed at the entrance of the stores to catch the eye of the



customer, the Court finds it necessary and appropriate as an equitable matter to impute a sufficient portion of the membership revenue to the sale of these rings to bring the recoverable profit margin on the rings into the profit margin range of a typical run-of-the-mill jewelry store, which is approximately 50-100%. The Court further finds that the advisory jury's award of \$3.7 million in profits on the Standalone Signage sales, a figure that is slightly more than 50% of the sales revenue proven in connection with those sales, constitutes a just and appropriate award of Costco's profits attributable to the infringing sales.

The Court does not, however, concur in the jury's further finding that the \$3.7 million figure is inadequate, such that an additional award of \$1.8 million, raising the profit recovery figure to \$5.5 million, is necessary. Tiffany is therefore entitled to \$3.7 million as its award of Costco's profits from infringing sales of the diamond rings under Standalone Signage.

## *II. Trebling of the Profits Award*

Pursuant to 15 U.S.C. Section 1117(b) (LexisNexis 2006), "the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages [calculated under 1117(a)], whichever is greater, together with a reasonable attorney's fee . . . ." *Id.*; see also *Fendi S.A.S. Di. Paola Fendi E Sorelle v. Cosmetic World, Ltd.*, 642 F. Supp. 1143, 1147 (S.D.N.Y. 1986). Costco, essentially reiterating its rejected trial and summary judgment arguments that its standalone use of "Tiffany" was a shorthand reference to alleged jewelry industry "generic" usage of "Tiffany" as the name for a style of ring setting, argues that extenuating circumstances render inappropriate trebling of the profits award as damages for its counterfeiting of Tiffany's mark. Extenuating circumstances will be present only in "a rare case," such as in the case of "an unsophisticated individual, operating on a small scale, for whom the imposition of treble damages would mean that he or she would be unable to support his or her family." *Koon Chun Hing Kee Soy & Sauce Factory, Ltd v. Star Mark Mgmt., Inc.*, 628 F. Supp. 2d 312, 325 (E.D.N.Y. 2009) (internal quotation marks and citations omitted).

Costco has not established that any "extenuating circumstances" warrant denial of a treble award. Costco is a large corporation with billions of dollars in annual sales and profits. Its arguments draw on good faith and genericism positions that were clearly rejected by the jury, which found Costco liable for substantial punitive damages, and are also rejected by this Court based on its own evaluation of the evidence. Accordingly, the Court finds that there are no "extenuating circumstances" warranting the denial of treble damages and that Tiffany is entitled to recover awarded \$11.1 million, or three times the amount of Costco's profits of \$3.7 million, under 15 U.S.C. Section 1117. For the same reasons, the Court further finds that Tiffany is entitled to recover its reasonable attorney's fees. See 15 U.S.C. § 1117(b).

## *III. Punitive Damages Award*

[The court went on to uphold the jury award of \$8.5 million in punitive damages under N.Y. State law and also entered a permanent injunction.]

...

## *CONCLUSION*

Treating the jury's verdict as advisory only as to the recovery of profits, the Court finds that Plaintiffs are entitled to recover trebled profits of \$11.1 million, and judgment will be entered in their favor in that amount, plus prejudgment interest at the annual rate set under 26 U.S.C. § 6621(a)(2) for the period from February 15, 2013, through the date of judgment and punitive damages of \$8.25 million, unless Plaintiffs file within seven (7) days from the date hereof a written election to instead recover the \$2 million in statutory and \$8.25 million in punitive damages awarded by the jury.

Costco is permanently enjoined from using the mark TIFFANY as a standalone term, not combined with any immediately following modifiers such as "setting," "set" or "style," in connection with its advisement and/or sale of any products that were not manufactured by Plaintiffs or their affiliates....

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The appeal in *Tiffany* to the Second Circuit was paused to allow the district court to decide post-judgment motions. In its subsequent decision, **Tiffany & Co. v. Costco Wholesale Corp.**, 2019 U.S. Dist. LEXIS 2844 (S.D.N.Y. Jan. 7, 2019), the district court largely denied defendant's motions for amendment, for judgment as a matter of law and for a new trial, primarily for the reasons stated in its prior decision. The court also granted plaintiff's motion for reasonable attorney's fees. The court rejected Costco's argument that it was improper to consider the *Polaroid* factors in a counterfeiting case.

Defendant correctly points out that "[w]hen counterfeit marks are involved, it is not necessary to consider the factors set out in [*Polaroid*], which are used to determine whether a mark is a colorable imitation of a registered mark that creates a likelihood of confusion about its source, because counterfeit marks are inherently confusing." *Colgate-Palmolive Co. v. J.M.D. All-Star Imp. & Exp. Inc.*, 486 F. Supp. 2d 286, 289 (S.D.N.Y. 2007) (internal quotation marks omitted). This Court did not, however, rely on the selected *Polaroid* factors simply to equate its finding of infringement to counterfeiting, but rather invoked them in aid of its analysis of the elements of a counterfeiting claim. In examining whether the marks were substantially indistinguishable and spurious, the Court referred to its previous analysis of: (1) the similarity of the two marks, to address whether they were identical or substantially indistinguishable and whether the use of the Tiffany mark deceptively suggested a false origin and thus was spurious; (2) the finding of actual confusion to address the requirement that the counterfeit "cause confusion, . . . cause mistake, or . . . deceive," [citation]; and (3) Defendant's bad faith, with respect to the issue of intent to confuse customers. [Citation].

The district court also rejected Costco's contention that it was incorrect in calculating profits to rely on a profit margin of an average, traditional jewelry store that has a different business model from Costco's.

As the Court previously noted, equity requires that where, as here, the sale of the jewelry is subsidized by the revenue derived from membership sales, which are themselves driven by the lure of discounted jewelry and other products, awarding only the profits

earned directly from the sale of the infringing rings would be insufficient. [Citation]; 15 U.S.C.S. § 1117(a) (“If the court shall find that the amount of the recovery based on 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.”). To hold otherwise would essentially sanction trademark infringement so long as a defendant could shift profits to a different incoming revenue stream. Furthermore, once a plaintiff proves a defendant’s sales, the burden shifts to the defendant to “prove all elements of cost or deduction claimed.” 15 U.S.C.S. § 1117(a). Accordingly, Defendant bore the burden of proving the proper profit margin, taking into account any unique features of its business plan, including the impact of its membership fees on its pricing and profits for sales of the infringing rings at issue here. Defendant’s proffer of general figures derived only from its own acquisition and selling price differentials was insufficient to carry this burden, and the Court’s equitable determination, which imputed a profit margin at the low end of the relevant regular retail range, was supported by the trial record.

With respect to attorney’s fees, the court refused to apportion fees due to the counterfeiting claim and to exclude fees incurred in pursuing the federal trademark infringement as well as the state claims. The court reasoned:

... [T]he broad, plain language of Section 1117(b), which authorizes treble Lanham Act damages for violations of 15 U.S.C. § 1114(a)(1) and attorneys’ fees in “case[s] involving [the] use of a counterfeit mark” where the violation consists of intentional use of the mark in connection with the sale of goods, indicates that awards in cases of counterfeiting are not limited strictly to fees incurred in prosecuting claims charging counterfeiting. 15 U.S.C.S. § 1117(b) (emphasis added). This broad language, including the statute’s reference to the general Lanham Act liability provision, clearly suggests that the Court should award attorneys’ fees incurred in prosecuting the Lanham Act infringement claim, not just the counterfeiting claim itself. This interpretation of the statute is pragmatic as well as logical and consistent with the plain language of the statute. Counterfeiting is an elevated form of infringement and an evaluation of both causes of action, as previously discussed, requires an examination of overlapping and interrelated factors.<sup>9</sup> See *Gucci Am.*, 868 F. Supp. 2d at 242 (describing counterfeiting as the “‘hard core’ or ‘first degree’ of trademark infringement that seeks to trick the consumer into believing he or she is getting the genuine article”); Summary Judgment Opinion, 127 F. Supp. 3d at 254-56 (utilizing the *Polaroid* infringement factors to inform the Court’s counterfeiting analysis). The analogous state-law claims are almost entirely congruent with the Lanham Act infringement claim, thus making it impossible for the

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<sup>9</sup> The specific factors examined in connection with both causes of action included bad faith, degree of similarity, and actual confusion. Summary Judgment Opinion, 127 F. Supp. 3d at 255. Plaintiffs’ state-law infringement claims were subject to substantially the same analysis as their federal counterparts and are thus also impossible to apportion. See *Lopez v. Gap, Inc.*, 883 F. Supp. 2d 400, 430 (S.D.N.Y. 2012) (quoting *Lorillard Tobacco Co. v. Jamelis Grocery, Inc.*, 378 F. Supp. 2d 448, 456 (S.D.N.Y.2005)).

Court to apportion fees among them as to the litigation of the merits of the substantive claims.<sup>10</sup> <sup>11</sup> [Citation]. Fees incurred to defend the validity of the trademark against Defendant's counterclaim that it was generic must be also be awarded because it was necessary for Plaintiffs to preserve their trademark in order to use it as the basis for their counterfeiting claim.

The court accordingly approved all the attorney's fees except those incurred in litigating the punitive damages claim, which is a matter solely of state law. The appeal before the Second Circuit has now resumed.

**Page 977. Delete Question 1 and substitute the following Question 1.**

1. Do you agree with Judge Swain in *Tiffany* that it was appropriate to treat Costco's signage with the notation "style" or "setting" in the line underneath Tiffany the same as when the signage has no such notation? Or that it was appropriate to factor in Costco's membership fees as an element in the profit calculation for the sale of its rings? Was it reasonable for the court not to apportion attorney's fees in the manner Costco advocated? Why/why not? How should the Second Circuit rule?

**Page 978. Add the following case after the Questions.**

The Fifth Circuit recently considered the issue of disgorgement of profits in the context of a false advertising case. In **Retractable Techs, Inc. v. Becton Dickinson & Co**, 919 F.3d 869 (5<sup>th</sup> Cir. 2019). RTI and Becton are competitors in the market for safety syringes that are designed to minimize accidental needlesticks. Becton had been found liable for false advertising based on claims that it had the "world's sharpest needle" and that its retractable syringes had seven times less "waste space" than RTI's. The district court had previously refused to stay injunctive relief pending the first appeal. The injunction required Becton to cease the ads, to put a notice on its website, to notify various entities of the false claims and to implement a training program for employees and distributors. In the first appeal, the circuit

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<sup>10</sup> Plaintiffs' state-law infringement claims were subject to substantially the same analysis as their federal counterparts and are thus also impossible to apportion. *See Lopez v. Gap, Inc.*, 883 F. Supp. 2d 400, 430 (S.D.N.Y. 2012) [citation].

<sup>11</sup> The Second Circuit has, in dicta, expressed skepticism regarding awards of attorneys' fees under Section 1117(a) for non-Lanham Act claims, even where such claims are intertwined with Lanham Act claims, because the practice could permit large fee awards in cases with very small Lanham Act components. *Sleepy's LLC v. Select Comfort Wholesale Corp.*, 909 F.3d 519, 532 (2d Cir. 2018). Indeed, in *Sleepy's*, the sole Lanham Act claim in an "all-but-the-kitchen-sink" complaint appeared to the appellate court to have been peripheral to the lawsuit. *Id.* at 533. The Court finds little if any basis for such concerns in this case, because the state-law claims here are almost entirely congruent with their Lanham Act counterparts in terms of both the scope of discovery and the legal analysis. Any apportionment would, therefore, be entirely arbitrary, reducing Plaintiffs' fee award simply because Plaintiffs elected to articulate their claims as ones under New York law as well as under the Lanham Act.

court vacated liability under antitrust and, as the injunction was based on that finding, vacated the injunction. However, during the two years before the decision on the first appeal, Becton had been acting on the injunction. The district court on remand found that these actions were sufficient to remedy the harm from the false advertising. After weighing the *Pebble Beach* factors, the majority decision on appeal determined that a disgorgement of profits was not appropriate. It affirmed and outlined the relevant non-exclusive factors as follows:

Our caselaw establishes two distinct considerations in assessing whether disgorgement is appropriate. The first is whether disgorgement is equitable under the six factors set forth in *Pebble Beach Co. v. Tour 18 I Ltd.* [155 F.3d 526 (5<sup>th</sup> Cir. 1998)]:

(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.

The *Pebble Beach* factors are non-mandatory and non-exclusive: the district court is free to consider other facts in assessing whether disgorgement of profits would be equitable, just as it may exercise discretion in weighing the individual factors.

The second consideration is whether the defendant's profits are attributable to the Lanham Act violation. In short, "where a plaintiff who has brought a Lanham Act claim for false advertising has failed to present evidence that the defendant benefited from the alleged false advertising, the plaintiff will not be permitted to recover any of the defendant's profits," even where the *Pebble Beach* test favors disgorgement.

The majority opinion also agreed that the district court correctly found at least some of defendant's profits were attributable to the false advertising and that the intent, unreasonable delay and public interest factors favored disgorgement. However, because RTI had not shown diverted sales, palming off or that injunctive relief was inadequate, the district court's denial of profits was not an abuse of discretion. With respect to diversion of sales, the court noted:

The district court found that the diversion factor did not favor disgorgement because the only evidence RTI had presented ... was "speculative and attenuated"; the best evidence ... produced was internal BD correspondence boasting about the commercial impact of its "needle sharpness" and "waste space" claims, and the trial court was persuaded that this correspondence did not actually prove that RTI's customers or potential customers chose to purchase from BD instead of RTI as a result of the false advertising. Notably, RTI had not produced "a single witness or reliable study or data to prove a single example of a diverted sale," nor did it produce evidence that any potential customer "ever saw the waste space comparison or relied on it in making purchasing decisions." At least some customers expanded their purchases from RTI after the dates they were allegedly presented with the deceptive waste space comparisons. In contrast, BD had difficulty selling its retractable syringes during the same period.

...[In the prior appeal] [w]e observed the sophisticated nature of the parties' customers, not one of which testified to a purchase motivated by either of BD's false claims about needle sharpness or waste space, but several of which testified that they were *not* impacted by advertisements. We further observed that "RTI produced no evidence of customers being misled or confused and purchasing BD's syringes instead of RTI's because of the advertisements"—noting RTI's 67% share of the retractable syringe sub-market, RTI's own experts' recognition that they could not substantiate a causal connection between the false advertising and BD's sales, evidence that certain customers *increased* their purchases of RTI syringes after potentially being exposed to BD's false statements, and evidence that factors other than BD's advertising predominantly impacted its sales. In sum, we concluded that "RTI's evidence consisted mostly of boastful e-mail exchanges between BD sales representatives recounting what they believed were successful sales pitches, but notably there was no testimony from the customers themselves."

The panel majority found it unnecessary to consider the appropriateness of a presumption of diversion applied by some other courts when a defendant intentionally engages in deceptive advertising because the plaintiff and defendant were not the only competitors in the relevant market. It also found that the district court's conclusion that injunctive relief was adequate was reasonable:

Nor has RTI shown that the district court clearly erred in finding that the steps BD already took—including notifying over 750 distributors and Group Purchase Organizations—were adequate to remedy any harm RTI had experienced as a result of BD's actions, especially since RTI ultimately offered only "speculative and attenuated" evidence of harm to its business as a result of the false advertising.

The majority opinion acknowledged that the palming off factor would normally not be implicated in a false advertising case, but noted:

If a false advertising plaintiff has otherwise shown concrete harm due to the false advertising, such as diverted sales, a court should not heavily weigh the absence of palming off against disgorgement. Here, however, the district court appropriately considered the absence of palming off as another way in which RTI could have demonstrated concrete harm as a result of BD's false advertising, but did not. The district court concluded that since RTI demonstrated neither diversion of sales nor palming off, disgorgement of BD's profits would grant RTI an unjustifiable windfall.

Although agreeing that a loss of goodwill might justify a profits award even if diverted sales and palming off were absent, the court concluded that plaintiff's evidence on this point was too speculative, especially since RTI's market share increased and its sales nearly doubled during the relevant period. Accordingly, the majority opinion affirmed the district court's decision.

### 3. Attorney's Fees

**Page 983. Delete *Nightingale Home* and substitute the following later 7<sup>th</sup> Circuit decision.**

#### **LHO Chicago River, L.L.C. v. Perillo**

942 F.3d 384 (7<sup>th</sup> Cir. 2019)

MANION, CIRCUIT JUDGE

Defendants appeal the denial of their request for Lanham Act attorney fees following the plaintiff's voluntary dismissal of its trademark infringement suit. The lone question here is whether the Supreme Court's decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545 (2014), 134 S. Ct. 1749, 188 L. Ed. 2d 816—a *patent* case—should guide district courts faced with Lanham Act attorney fees applications. Most of our sister circuits have answered that question in the affirmative, but we have never addressed the issue. The opportunity now presents itself, and for all the reasons herein, we join our sister circuits in holding that *Octane* controls and remand for further consideration.

#### I. Background

LHO Chicago River, L.L.C., owns an upscale, downtown Chicago hotel that underwent a branding change in February 2014 when the establishment became “Hotel Chicago,” a signature Marriott venue. Around May 2016, Joseph Perillo and his three associated entities—Rosemoor Suites, LLC, Portfolio Hotels & Resorts, LLC, and Chicago Hotel, LLC—opened their own “Hotel Chicago” only three miles from LHO's site. LHO then sued Defendants for trademark infringement and unfair competition under the Lanham Act, 15 U.S.C. § 1125(a), and for trademark infringement and deceptive trade practices under Illinois state law. The litigation dragged on for more than a year until LHO moved to voluntarily dismiss its claims, with prejudice. The district judge granted LHO's motion and entered judgment on February 21, 2018.

Defendants made a post-judgment request for attorney fees pursuant to 15 U.S.C. § 1117(a), which permits the district court to award reasonable fees to the prevailing party in “exceptional cases.” In their attorney fees briefing, the parties identified two distinct standards for determining such exceptionality: (1) this Circuit's prevailing standard, that a case is exceptional under § 1117(a) if the decision to bring the claim constitutes an “abuse of process”; and (2) the more relaxed totality-of-the-circumstances approach under the Patent Act that the Supreme Court announced in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 134 S. Ct. 1749, 188 L. Ed. 2d 816 (2014). When Defendants moved for attorney fees, we had not yet provided guidance on *Octane*'s applicability in this context, though several of our sister circuits had extended *Octane* to the Lanham Act. It comes as no surprise then, that when the district judge ruled on Defendants' request, he acknowledged *Octane* but nevertheless adhered to our “abuse-of-process” standard. The judge found LHO had not brought an exceptional case warranting attorney fees. Defendants appeal.

#### II. Discussion

The Lanham Act contains the following fee-shifting language: “The court in exceptional cases may award reasonable attorney fees to the prevailing party.” 15 U.S.C. § 1117(a). Our current standard

for identifying “exceptional” trademark cases comes from *Burford v. Accounting Practice Sales, Inc.*, 786 F.3d 582, 588 (7th Cir. 2015), and *Nightingale Home Healthcare, Inc. v. Anodyne Therapy, LLC*, 626 F.3d 958, 963-66 (7th Cir. 2010). *Burford* and *Nightingale* hold a case “exceptional” under § 1117(a) if it amounts to an “abuse of process.” *Burford*, 786 F.3d at 588 (citing *Nightingale*, 626 F.3d at 963-64). An abuse of process occurs when a claim is: (1) “objectively unreasonable because it is one a rational litigant would pursue only because it would impose disproportionate costs on his opponent” (in other words, extortionate in nature); or (2) when a party brings a frivolous claim with the purpose of obtaining an advantage external to the litigation, “unrelated to obtaining a favorable judgment.” *Id.* (quoting *Nightingale*, 626 F.3d at 966).

The Patent Act contains an identical provision: “The court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. Addressing § 285 in 2014, the Supreme Court determined:

[A]n “exceptional” case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is “exceptional” in the case-by-case exercise of their discretion, considering the totality of the circumstances.

*Octane*, 572 U.S. at 554. Among the circumstances for consideration, the Court pointed to a nonexclusive set of factors it identified earlier when addressing the Copyright Act’s similar fee-shifting provision. *See id.* at 554 n.6 (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19, 114 S. Ct. 1023, 127 L. Ed. 2d 455 (1994)). Those factors include “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* (internal quotation marks and citation omitted).

The Court reached this holding by construing the term “exceptional” in accordance with the word’s ordinary meaning. *Octane*, 572 U.S. at 553-54. In particular, while highlighting the identical language shared by the Patent and Lanham Acts, the Court relied on *Noxell Corp. v. Firehouse No. 1 Bar-B-Que Rest.*, a trademark case in which the D.C. Circuit interpreted the term “exceptional” in § 1117(a) to mean “uncommon” or “not run-of-the-mill.” *Octane*, 572 U.S. at 554 (citing 771 F.2d 521, 526, 248 U.S. App. D.C. 329 (D.C. Cir. 1985)).

*Octane* also abrogated the Federal Circuit’s exceptionality standard contained in *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005). Under *Brooks*, a district court could find a case exceptional either where the parties had engaged in material, sanctionable litigation misconduct, or where the litigation had been *both* brought in bad faith *and* objectively baseless. 393 F.3d at 1381. The Court deemed this approach “overly rigid” because it allowed certain litigants to escape attorney fees. *Octane*, 572 U.S. at 545-55. For example, while *Brooks* permitted attorney fees against a party engaging in sanctionable litigation tactics, such a heightened level of misconduct is not always present in a substantively weak case or a case in which a litigant acts simply “unreasonably.” The same is true for *Brooks*’s second prong, which requires subjective bad faith *and* objective baselessness: a case that “stands out from others” with respect to the party’s legal position or strategy need not carry both traits. As *Octane* observed, again looking to *Noxell*, “a case presenting *either* subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee



award.” *Id.* at 555 (emphasis added) (citing *Noxell*, 771 F.2d at 526 (“[W]e think it fair to assume that Congress did not intend rigidly to limit recovery of fees by a [Lanham Act] defendant to the rare case in which a court finds that the plaintiff acted in bad faith, vexatiously, wantonly, or for oppressive reasons ... . Something less than ‘bad faith,’ we believe, suffices to mark a case as ‘exceptional.’”) (internal quotation marks and citations omitted; alteration supplied by *Octane*)).

Our *Burford/Nightingale* standard suffers from similar inflexibility. ...[A]n abuse of process occurs *only* when a litigant pursues an objectively unreasonable claim to extort or inflict disproportionate costs on his opponent, or when a party brings a frivolous claim for external gain. Under either of these prongs, a fee applicant must show that his opponent acted essentially with ill motive, but this conflicts with *Octane*’s holding that “‘there is no precise rule or formula for making [exceptionality] determinations ... .’” 572 U.S. at 554 (quoting *Fogerty*, 510 U.S. at 534). For example, based on our current caselaw, a party’s substantively weak position or strategy might make a case “stand out from others,” but without extortionate or external motives fueling the litigation, the case cannot be deemed exceptional under § 1117(a). We think it fair that such a scenario should not render a case unexceptional and prevent recovery of fees so automatically.

Given *Octane*’s rejection of a similarly rigid standard for an identical fee-shifting provision, and considering the Court’s reliance on trademark law therein, we agree with Defendants that *Octane*’s standard should apply in the present context of the Lanham Act. “[F]ee-shifting statutes’ similar language is a strong indication that they are to be interpreted alike.” *Indep. Fed’n of Flight Attendants v. Zipes*, 491 U.S. 754, 758 n.2, 109 S. Ct. 2732, 105 L. Ed. 2d 639 (1989) (internal quotation marks and citation omitted). Furthermore, Congress expressly referenced the Patent Act’s attorney fees provision when justifying § 1117(a)’s passage:

In appropriate circumstances, a successful party should be entitled to full compensation for the injuries sustained and expenses incurred, since these were necessitated by the acts of the opposing party. The federal patent and copyright statutes expressly provide for reasonable attorney fees, as do a number of other federal acts.

S. Rep. No. 93-1400, at 5, as reprinted in 1974 U.S.C.C.A.N. 7132, 7135; *see also Romag Fasteners, Inc. v. Fossil, Inc.*, 866 F.3d 1330, 1335-36 (Fed. Cir. 2017), and *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303, 315, 61 V.I. 797 (3d Cir. 2014) (both opinions recognizing the same).

...

Most circuits—many of them since *Burford*—have extended *Octane* to the Lanham Act’s fee-shifting provision, relying on legislative history, the Patent Act’s identical language, and the Supreme Court’s use of trademark law in *Octane*. *See Evoqua Water Techs., LLC v. M.W. Watermark, LLC*, 940 F.3d 222, 235 (6th Cir. 2019); *Sleepy’s LLC v. Select Comfort Wholesale Corp.*, 909 F.3d 519, 530-31 (2d Cir. 2018); *Scholz v. Goudreau*, 901 F.3d 37, 49-50 (1st Cir. 2018); *Tobinick v. Novella*, 884 F.3d 1110, 1117-18 (11th Cir. 2018); *Romag*, 866 F.3d at 1334-36; *SunEarth, Inc. v. Sun Earth Solar Power Co.*, 839 F.3d 1179, 1180-81 (9th Cir. 2016) (en banc); *Baker v. DeShong*, 821 F.3d 620, 624-25 (5th Cir. 2016); *Slep-Tone Entm’t Corp. v. Karaoke Kandy Store, Inc.*, 782 F.3d 313, 318 (6th Cir. 2015); *Georgia-Pacific*

*Consumer Prods. LP v. Von Drehle Corp.*, 781 F.3d 710, 721 (4th Cir. 2015); *Fair Wind Sailing*, 764 F.3d at 314-15.<sup>5</sup> These opinions both instruct and confirm our analysis here.

Therefore, we join our sister circuits and adopt *Octane*’s “exceptional case” standard as the governing framework for attorney fees requests under § 1117(a) of the Lanham Act. This does not require us to invent a new formula ... Instead, we simply instruct district courts analyzing such requests to examine the “totality of the circumstances” and exercise their “equitable discretion” in light of the factors and considerations identified in *Octane* and, by reference, *Fogerty*. *Octane*, 572 U.S. at 554 n.6.III.

#### Conclusion

Because the district judge here did not address the parties’ fee dispute under *Octane*, we VACATE the attorney fees order and REMAND so he may do so.

**Page 990. Delete Questions 3, 4, and 4, renumber Question 6 as 3 and add Question 4 below.**

**4.** In *Romag v. Fossil*, this Supplement 12.B.1, *supra*, recall Fossil’s prediction that not requiring willfulness to secure a profits award will lead to “‘baseless’ trademark suits.” Will the addition of *Octane*’s “totality of circumstances” standard for evaluating exceptionalism in awarding attorney’s fees potentially fuel more plaintiffs to pursue trademark suits through contingency arrangements? Or, will the exceptionalism standard “promote greater respect for trademarks in the ‘modern global economy’”?

**Page 990. Insert the following Note after the Questions.**

#### ***Note: Attorney’s Fees in Ex Parte TTAB Appeals***

Attorney’s fees are not awarded in TTAB contested proceedings. However, the Fourth Circuit affirmed the availability of attorney’s fees when an *ex parte* appeal to the TTAB is then further appealed to a district court rather than to the Federal Circuit pursuant to section 21(b)(3). That section provides that “all expenses” of an *ex parte* appeal shall be paid by the applicant whether or not the appeal is successful. *Shammas v. Focarino*, 990 F.Supp.2d 587 (E.D. Va 2014), *aff’d*, 784 F.3d 219 (4th Cir. 2015), held that “expenses” include attorney’s fees.

An *en banc* Federal Circuit examined similar language in the patent statute. A 7-to-4 decision concluded that the “all expenses” language in the patent statute does not vary the normal American Rule that each party pays its own attorney’s fees “absent a ‘specific and explicit’ directive from Congress.” *NantKwest Inc. v. Matal*, 898 F.3d 1177 (Fed. Cir. 2018). The Supreme Court granted certiorari and

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<sup>5</sup> The Tenth and D.C. Circuits have yet to address *Octane*’s applicability to Lanham Act attorney fees. And the Eighth Circuit has adopted a hybrid approach instructing district courts to consider both the totality of the circumstances under *Octane* and whether the plaintiff brought an action that “was groundless, unreasonable, vexatious, or was pursued in bad faith.” *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 912 F.3d 445, 454 (8th Cir. 2018) (internal quotation marks and citation omitted). In any event, from what we can gather, no circuit has considered and rejected *Octane*’s extension to the Lanham Act.

agreed with this conclusion in *Peter v. NantKwest, Inc.*, 140 S. Ct. 365 (2019). In a unanimous decision authored by Justice Sotomayor, the Court noted:

This Court’s “‘basic point of reference’ when considering the award of attorney’s fees is the bedrock principle known as the ‘American Rule’: Each litigant pays his own attorney’s fees, win or lose, unless a statute or contract provides otherwise.” *Hardt v. Reliance Standard Life Ins. Co.*, 560 U. S. 242, 252-253, 130 S. Ct. 2149, 176 L. Ed. 2d 998 (2010) (quoting *Ruckelshaus v. Sierra Club*, 463 U. S. 680, 683, 103 S. Ct. 3274, 77 L. Ed. 2d 938 (1983)). The American Rule has “roots in our common law reaching back to at least the 18th century.” *Baker Botts*, 576 U. S., at \_\_\_, 135 S. Ct. 2158, 192 L. Ed. 2d 208, at 214 (citing *Arcambel v. Wiseman*, 3 U.S. 306, 3 Dall. 306, 1 L. Ed. 613 (1796)); [citations]. The Government does not dispute this principle or its pedigree, but argues instead that it does not apply at all. Because the American Rule presumption is most often overcome when a statute awards fees to a “prevailing party,” the Government maintains, the presumption applies only to prevailing-party statutes. And because §145 requires one party to pay all expenses regardless of outcome, the argument goes, it is not a statute subject to the presumption.

That view is incorrect. This Court has never suggested that any statute is exempt from the presumption against fee shifting. Nor has it limited its American Rule inquiries to prevailing-party statutes. Indeed, the Court has developed a “line of precedents” “addressing statutory deviations from the American Rule that do not limit attorney’s fees awards to the ‘prevailing party.’” *Hardt*, 560 U. S., at 254, 130 S. Ct. 2149, 176 L. Ed. 2d 998; see also *Baker Botts*, 576 U. S., at \_\_\_-\_\_\_, 135 S. Ct. 2158, 192 L. Ed. 2d 208 (slip op., at 5-7) (analyzing a bankruptcy provision that did not mention prevailing parties under the American Rule’s presumption against fee shifting).

*Sebelius v. Cloer*, 569 U. S. 369, 133 S. Ct. 1886, 185 L. Ed. 2d 1003 (2013), confirms that the presumption against fee shifting applies to all statutes—even those like §145 that do not explicitly award attorney’s fees to “prevailing parties.” In *Cloer*, the Court interpreted a provision of the National Childhood Vaccine Injury Act that permitted courts to “award attorney’s fees . . . ‘incurred [by a claimant] in any proceeding on’ an unsuccessful vaccine-injury ‘petition . . . brought in good faith [with] a reasonable basis for the claim.’” 569 U. S., at 371, 133 S. Ct. 1886, 185 L. Ed. 2d 1003 (quoting 42 U. S. C. §300aa-15(e)(1)). The Court held that the provision’s clear language authorized attorney’s fees, even though the statute exclusively applied to unsuccessful litigants. 569 U. S., at 372, 133 S. Ct. 1886, 185 L. Ed. 2d 1003.

*Cloer* establishes two points: First, contrary to the Government’s suggestion, Congress has indeed enacted fee-shifting statutes that apply to nonprevailing parties. Second, and again contrary to the Government’s view, the American Rule applies to such statutes.

The dissenting en banc Federal Circuit Judges also doubted that the American Rule could apply to a §145 action. They characterized the proceeding as an intermediate step in obtaining a patent and the payment of legal fees as a portion of the application

costs. 898 F. 3d, at 1200 (opinion of Prost, J.). Yet §145 has all the marks of the kind of adversarial litigation in which fee shifting, and the presumption against it, is common; the statute authorizes filing a separate civil action where new evidence can be introduced for *de novo* review by a district judge. Thus, the presumption against fee shifting not only applies, but is particularly important because §145 permits an unsuccessful government agency to recover its expenses from a prevailing party. Reading §145 to award attorney's fees in that circumstance "would be a radical departure from longstanding fee-shifting principles adhered to in a wide range of contexts." *Ruckelshaus*, 463 U. S., at 683, 103 S. Ct. 3274, 77 L. Ed. 2d 938.

"The record of statutory usage" also illustrates how the term "expenses" alone does not authorize recovery of attorney's fees. See *West Virginia Univ. Hospitals, Inc. v. Casey*, 499 U. S. 83, 88, 111 S. Ct. 1138, 113 L. Ed. 2d 68 (1991) (looking to statutory usage to determine whether attorney's fees and expert fees were distinct expenses in the fee-shifting context).

That "expenses" and "attorney's fees" appear in tandem across various statutes shifting litigation costs indicates that Congress understands the two terms to be distinct and not inclusive of each other. See, e.g., 898 F. 3d, at 1188 (quoting 11 U. S. C. §363(n) (allowing trustee to recover "any costs, attorneys' fees, or expenses incurred"); 12 U. S. C. §1786(p) (permitting courts to "allow to any such party such reasonable expenses and attorneys' fees as it deems just and proper"); 25 U. S. C. §1401(a) (allowing distribution of funds after payment of "attorney fees and litigation expenses"); 26 U. S. C. §6673(a)(2)(A) (authorizing recovery of "costs, expenses, and attorneys' fees" against an attorney who "unreasonably and vexatiously" multiplies proceedings); 31 U. S. C. §3730(d)(1) (permitting recovery of "reasonable expenses . . . plus reasonable attorneys' fees and costs"); 38 U. S. C. §4323(h)(2) (allowing courts to award "reasonable attorney fees, expert witness fees, and other litigation expenses") (all internal quotation marks omitted)).

While some other statutes refer to attorney's fees as a subset of expenses, they show only that "expenses" can include attorney's fees when so defined. See, e.g., 28 U. S. C. §361 (authorizing "reasonable expenses, including attorneys' fees"); §1447(c) ("An order remanding the case may require payment of just costs and any actual expenses, including attorney fees, incurred as a result of the removal"); 29 U. S. C. §1370(e)(1) ("[T]he court in its discretion may award all or a portion of the costs and expenses incurred in connection with such action including reasonable attorney's fees"); 42 U. S. C. §247d-6d(e)(9) (allowing a party to recover "reasonable expenses incurred . . . , including a reasonable attorney's fee").

Simply put, in common statutory usage, the term "expenses" alone has never been considered to authorize an award of attorney's fees with sufficient clarity to overcome the American Rule presumption.

There is no evidence that the Patent Office, the PTO's predecessor, originally paid its personnel from sums collected from adverse parties in litigation, or that the

Office initially even employed attorneys. See Act of July 4, 1836, §9, 5 Stat. 121 (“[T]he moneys received into the Treasury under this act shall constitute a fund for the payment of the salaries of the officers and clerks herein provided for, and all other expenses of the Patent Office, and to be called the patent fund”). That salaries of PTO employees might have qualified as an “expense” of the agency, however, does not mean that they are an “expense” of a §145 proceeding. Neither has the PTO, until this litigation, sought its attorney’s fees under §145. That the agency has managed to pay its attorneys consistently suggests that financial necessity does not require reading §145 to shift fees, either.

In later years, when Congress intended to provide for attorney’s fees in the Patent Act, it stated so explicitly. See, *e.g.*, 35 U. S. C. §285 (“The court in exceptional cases may award reasonable attorney fees to the prevailing party”); [citations]....

Because Congress failed to make its intention similarly clear in §145, the Court will not read the statute to “contravene fundamental precepts of the common law.” *United States v. Rodgers*, 461 U. S. 677, 716, 103 S. Ct. 2132, 76 L. Ed. 2d 236 (1983).

The history of the Patent Act thus reaffirms the Court’s view that the statute does not specifically or explicitly authorize the PTO to recoup its lawyers’ or paralegals’ pro rata salaries in §145 civil actions.

Before the Supreme Court’s decision in *Nantkwest*, the Fourth Circuit followed *Shammas* somewhat reluctantly in light of the Federal Circuit’s en banc decision in *NantKwest*. In *Booking.com v. USPTO*, 915 F.3d 171 (4<sup>th</sup> Cir. 2019), the court observed that *Shammas* was still good law in the circuit:

Whether the American Rule applies to § 1071(b)(3), however, has since been called into question.... [the] Federal Circuit en banc, squarely reject[ed] our reasoning in *Shammas*; it now holds that attorneys fees are not covered under that provision [citation]. Moreover, the year after we decided *Shammas*, the Supreme Court applied the American Rule to a bankruptcy statute that did not mention a prevailing party. See *Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2165, 192 L. Ed. 2d 208 (2015).

These subsequent developments suggest that the American Rule’s requirement that Congress “clearly and directly” express an intent to deviate from that rule may apply to § 1071(b)(3)--a statute that, if read to include attorneys fees, anomalously requires an appealing party to pay the prorated salaries of government attorneys.

Nonetheless, *Shammas* remains the law in this circuit, and as long as we continue to be bound by that precedent we must affirm the district court’s grant of attorneys fees.

After a request for an en banc hearing in *Booking.com* was denied on April 5, 2019, a petition for certiorari was granted. The Supreme Court issued an order vacating the Fourth Circuit’s judgment and remanded the case “for further consideration in light of *Peter v. NantKwest, Inc.*, 589 U.S. \_\_\_ (2019).” [https://www.supremecourt.gov/orders/courtorders/070220zor\\_apl1.pdf](https://www.supremecourt.gov/orders/courtorders/070220zor_apl1.pdf). Perhaps the Fourth Circuit will hear the matter *en banc* this time around and adopt the Supreme Court’s reasoning in *NantKwest*.