

Trademark and Unfair Competition Law Cases and Materials, Sixth Edition

2018 Letter Update

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CHAPTER 2: WHAT IS A TRADEMARK?

A. Subject Matter of Trademark Protection

1. Word Marks

Page 71. Insert new Question 3.

3. 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?

2. Trade Dress

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.



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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.

3. Other Identifying Indicia

Page 87. Add the following question after the Note.

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

2. Secondary Meaning

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

The Court of Appeals for the 9th 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 (9th 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.

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 USPQ2d 1477 (T.T.A.B. 2017).

CHAPTER 3: USE AND OWNERSHIP

B. Ownership

Page 135. Replace *Commodores Entertainment v. McClary* with the following, more recent, 11th 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 11th 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 own pleadings 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.

D. "Use in Commerce"

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 advertises 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 has 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*, No. 17-cv-07249-RS (N.D. Cal. April 24, 2018), *infra* this Supplement 7.A.1.

G. 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 (5th 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 ((9th Cir. 2017) (there is no good faith if junior user knew of the senior user’s use).

CHAPTER 4: REGISTRATION OF TRADEMARKS

A. 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:

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 omitted.] 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)).¹

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 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

¹ 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.

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.⁹ It is unashamedly endorsing a vast array of commercial products and services. And it is providing Delphic advice to the consuming public.

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).

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 *Summum* 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 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.¹⁷ 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

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.

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 ex-pression 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.

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.]

Note: Implications of Matal v. Tam?

The Supreme Court's 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 decision thus 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 was 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 have admitted defeat in light of *Tam* in letters addressed to the Fourth Circuit.

The decision also had an immediate impact on USPTO practice. While the Supreme Court was considering the case, the USPTO suspended all applications in which a disparaging refusal had issued. 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>.

What is less clear is the impact the decision will have on other provisions in the Lanham Act. Although all the Justices found that the disparagement clause violates the First Amendment and that trademarks do not come within the government speech exception, they did not agree 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 agrees 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?

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* has declared the disparagement prong 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 any statutory provisions present constitutional issues. For example, the tarnishment and blurring prongs of dilution considered 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., infra*, Chapter 9.B. Was Professor Tushnet correct to raise concerns about "a real application of heightened scrutiny, to no good end"?

The provision most vulnerable to an attack after *Tam* is the immoral and scandalous prong of Section 2(a). The test requires establishing that a mark is "vulgar," "shocking to the conscience" or "offensive" in connection with the applied-for goods or services "in the context of contemporary attitudes" "from the standpoint of not necessarily a majority, but a substantial composite of the general public." The Federal Circuit recently decided this issue in the case below.

IN RE BRUNETTI*

877 F.3d 1330 (Fed. Cir. Dec. 15, 2017)

Opinion for the court filed by Circuit Judge MOORE. Concurring opinion filed by Circuit Judge DYK.

MOORE, CIRCUIT JUDGE.

Erik Brunetti appeals from the decision of the Trademark Trial and Appeal Board ("Board") affirming the examining attorney's refusal to register the mark FUCT because it comprises immoral or scandalous matter under 15 U.S.C. § 1052(a) ("§ 2(a)"). We hold substantial evidence supports the Board's findings and it did not err concluding the mark comprises immoral or scandalous matter. We conclude, however, that § 2(a)'s bar on registering immoral or scandalous marks is an unconstitutional restriction of free speech. We therefore reverse the Board's holding that Mr. Brunetti's mark is unregistrable.

BACKGROUND

I.

Section 2(a)'s Bar on Registration of Immoral or Scandalous Marks

Section 2(a) of the Lanham Act provides that the Patent and Trademark Office ("PTO") may refuse to register a trademark that "[c]onsists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute" 15 U.S.C. § 1052(a). While § 2(a) identifies "immoral" and "scandalous" subject matter as separate bases to refuse to register a trademark—and are provisions separated by the "deceptive" provision—the PTO generally applies the bar on immoral or scandalous marks as a unitary provision ("the immoral or scandalous provision"). [Citations.] The bar on immoral or scandalous marks was first codified in 1905, *see* Act of Feb. 20, 1905, ch. 592, § 5(a),

* *Editors' Note.* The deadline for the government to seek certiorari is July 12, 2018.

33 Stat. 724, 725, and reenacted in the Lanham Act in 1946, Pub. L. 79-489, § 2(a), 60 Stat. 427, 428 (codified at 15 U.S.C. § 1052(a)).

To determine whether a mark should be disqualified under § 2(a), the PTO asks whether a "substantial composite of the general public" would find the mark scandalous, defined as "shocking to the sense of truth, decency, or propriety; disgraceful; offensive; disreputable; . . . giving offense to the conscience or moral feelings; . . . or calling out for condemnation." *In re Fox*, 702 F.3d 633, 635 (Fed. Cir. 2012) (citations omitted) (*quoting In re Mavety Media Grp. Ltd.*, 33 F.3d 1367, 1371 (Fed. Cir. 1994)). Alternatively, "the PTO may prove scandalousness by establishing that a mark is 'vulgar.'" *Id.* (*quoting In re Boulevard Entm't, Inc.*, 334 F.3d 1336, 1340 (Fed. Cir. 2003)). Vulgar marks are "lacking in taste, indelicate, [and] morally crude" *See McGinley*, 660 F.2d at 486 (*quoting In re Runsdorf*, 171 U.S.P.Q. 443, 443-44 (1971)). The PTO makes a determination as to whether a mark is scandalous "in the context of contemporary attitudes" and "in the context of the marketplace as applied to only the goods described in the application." *Fox*, 702 F.3d at 635 (internal quotation marks and alterations omitted) (*quoting Mavety*, 33 F.3d at 1371).

Because the scandalousness determination is made in the context of contemporary attitudes, the concept of what is actually immoral or scandalous changes over time. Early cases often, but not always, focused on religious words or symbols. *See, e.g., In re Riverbank Canning Co.*, 95 F.2d 327, 329, 25 C.C.P.A. 1028, 1938 Dec. Comm'r Pat. 442 (CCPA 1938) (MADONNA for wine); *Ex parte Martha Maid Mfg. Co.*, 37 U.S.P.Q. 156 (Comm'r Pat. 1938) (QUEEN MARY for women's underwear); *Ex Parte Summit Brass & Bronze Works, Inc.*, 59 U.S.P.Q. 22 (Comm'r Pat. 1943) (AGNUS DEI for safes); *In re P. J. Valckenberg, GmbH*, 122 U.S.P.Q. 334 (T.T.A.B. 1959) (MADONNA for wine); *In re Reemtsma Cigarettenfabriken G.M.B.H.*, 122 U.S.P.Q. 339 (T.T.A.B. 1959) (SENUSSI (a Muslim sect that forbids smoking) for cigarettes); *In re Sociedade Agricola E. Comerical Dos Vinhos Messias, S.A.R.L.*, 159 U.S.P.Q. 275 (T.T.A.B. 1968) (MESSIAS for wine and brandy). In later cases, the PTO rejected a wider variety of marks as scandalous. *See, e.g., Runsdorf*, 171 U.S.P.Q. at 443 (BUBBY TRAP for brassieres); *McGinley*, 660 F.2d at 482 (mark consisting of "a photograph of a nude man and woman kissing and embracing in a manner appearing to expose the male genitalia" for a swingers newsletter); *In re Tinseltown, Inc.*, 212 U.S.P.Q. 863 (T.T.A.B. 1981) (BULLSHIT on handbags, purses, and other personal accessories); *Greyhound Corp. v. Both Worlds, Inc.*, 6 U.S.P.Q.2d 1635 (T.T.A.B. 1988) (mark depicting a defecating dog); *Mavety*, 33 F.3d 1367 (BLACK TAIL for adult entertainment magazines).

II.

Facts of This Case

Mr. Brunetti owns the clothing brand "fuct" ... for various items of apparel.... The examining attorney refused to register the mark under § 2(a) of the Lanham Act, finding it comprised immoral or scandalous matter. The examining attorney reasoned that FUCT is the past tense of the verb "fuck," a vulgar word, and is therefore scandalous.

Mr. Brunetti ... appealed to the Board. ..., and the Board affirmed. ...[T]he Board stated the dictionary definitions in the record uniformly characterize the word "fuck" as offensive, profane, or vulgar. The Board noted that the word "fuct" is defined by Urban Dictionary as the past tense of the verb "fuck" and pronounced the same as the word "fucked," and therefore found it is "recognized as a slang and literal equivalent of the word 'fucked,'" with "the same vulgar meaning." Based on the examining attorney's Google Images search results, the Board stated Mr. Brunetti used the mark in the context of "strong, and often explicit, sexual imagery that objectifies women and offers degrading examples of extreme misogyny," with a theme "of extreme nihilism—displaying an unending succession of anti-social imagery of executions, despair, violent and bloody scenes including dismemberment, hellacious or apocalyptic events, and dozens of examples of other imagery lacking in taste." The Board explained that Mr. Brunetti's use of the mark "will be perceived by his targeted market segment as the phonetic equivalent of the wor[d] 'fucked.'" In light of the record, it found Mr. Brunetti's assertion that the mark "was

chosen as an invented or coined term stretches credulity." Id. It concluded that the mark is vulgar and therefore unregistrable under § 2(a) of the Lanham Act. Mr. Brunetti appealed. We have jurisdiction under 28 U.S.C. § 1295(a)(4).

DISCUSSION

...

I.

The Mark FUCT is Vulgar and Therefore Scandalous

...

It is undisputed that the word "fuck" is vulgar. Dictionaries in the record characterize the word as "taboo," "one of the most offensive" English words, "almost universally considered vulgar," and an "extremely offensive expression." [Citations]...

Substantial evidence supports the Board's finding that "fuct" is a "phonetic twin" of "fucked," the past tense of the word "fuck." Urban Dictionary defines "fuct" as the "past tense of the verb fuck." MacMillan Dictionary indicates that the word "fucked" is pronounced phonetically as /fʌkt/, which the Board found sounds like "fukt" or "fuct." This evidence linking the two terms is sufficient to render the vulgarity of the word "fuck" relevant to the vulgarity of Mr. Brunetti's mark.

Evidence of the use of Mr. Brunetti's mark in the marketplace further buttresses the Board's finding of a link between the mark and the word "fuck." The Board found the term "fuct" is used on products containing sexual imagery and that consumers perceive the mark as having "an unmistakable aura of negative sexual connotations." One T-shirt—captioned the "FUCT Orgy" shirt—depicts a group sex scene. Another T-shirt contains the word "FUCK" in yellow letters, with a "T" superimposed over the "K" such that the word FUCT is still visible. A third T-shirt has the brand name FUCT depicted above the slogan "1970 smokin dope & fucking in the streets." Because one meaning of "fuck" is "to have sex with someone," the placement of the mark on products containing sexual imagery makes it more likely that the mark will be perceived as the phonetic equivalent of the word "fucked."

...

... The Board explicitly considered Mr. Brunetti's declaration and found it "stretch[ed] credulity" that "fuct" was chosen as an invented or coined term for "Friends yoU Can't Trust," given the contradictory record evidence. Mr. Brunetti's unverifiable claim about the number of customer complaints may demonstrate that the mark is not offensive to a certain segment of the market. That does not satisfy his burden on appeal, however, to establish that the Board lacked substantial evidence for its determination that a "substantial composite" of the American public would find the mark vulgar....

...

... Substantial evidence supports the Board's finding the mark FUCT is vulgar and therefore the Board did not err in concluding the mark is not registrable under § 2(a).

II.

Section 2(a)'s Bar on Immoral or Scandalous Marks is Unconstitutional Under the *First Amendment*

...

On June 19, 2017, the Supreme Court unanimously affirmed our en banc decision in *Tam. Matal v. Tam*, 137 S. Ct. 1744, 198 L. Ed. 2d 366 (2017).... Pursuant to two opinions authored by Justice Alito and Justice Kennedy, it concluded that § 2(a)'s bar on the registration of disparaging marks discriminated based on viewpoint. *Id.* at 1763 (Alito, J.); *id.* at 1765 (Kennedy, J.). The Court explained the disparagement provision "offends a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend." *Id.* at 1751 (Alito, J.); *accord id.* at 1766 (Kennedy, J.). The plurality opinion ... further concluded that the constitutionality of the disparagement provision could not be sustained by analyzing trademark registration as either a federal subsidy or a federal program. [Citation.] The remaining four participating Justices opined, in a concurring opinion ..., that "the viewpoint discrimination rationale renders unnecessary any extended treatment of other questions raised by the parties." [Citation.]

Both opinions held the disparagement provision unconstitutionally restricted free speech, left open was "the question of whether *Central Hudson* provides the appropriate test for deciding free speech challenges to provisions of the Lanham Act." [Citations.] Justice Alito's opinion concluded the disparagement provision failed even the intermediate test under *Central Hudson* because the prohibition was not narrowly drawn to a substantial government interest. *Id.* at 1764-65 (Alito, J.). Justice Kennedy's opinion concluded that, because the disparagement provision discriminates based on viewpoint, it was subject to heightened scrutiny, which it did not withstand. *Id.* at 1767-68 (Kennedy, J.). Neither opinion reached the constitutionality of other provisions of § 2 of the Lanham Act. *See, e.g., id.* at 1768 (Kennedy, J.).

... The government contends *Tam* does not resolve the constitutionality of § 2(a)'s bar on registering immoral or scandalous marks because the disparagement provision implicates viewpoint discrimination, whereas the immoral or scandalous provision is viewpoint neutral.

While we question the viewpoint neutrality of the immoral or scandalous provision, we need not resolve that issue. Independent of whether the immoral or scandalous provision is viewpoint discriminatory, we conclude the provision impermissibly discriminates based on content in violation of the First Amendment.

A.

Section 2(a)'s Bar on Registering Immoral or Scandalous Marks is an Unconstitutional Content-Based Restriction on Speech

The government restricts speech based on content when "a law applies to particular speech because of the topic discussed or the idea or message expressed." *Reed v. Town of Gilbert*, 135 S. Ct. 2218, 2227, 192 L. Ed. 2d 236 (2015). Content-based statutes are presumptively invalid. *RAV v. City of St. Paul, Minn.*, 505 U.S. 377, 382, 112 S. Ct. 2538, 120 L. Ed. 2d 305 (1992). To survive, such statutes must withstand strict scrutiny review, which requires the government to "prove that the restriction furthers a compelling interest and is narrowly tailored to achieve that interest." *Reed*, 135 S. Ct. at 2231 (*quoting Ariz. Free Enter. Club's Freedom Club PAC v. Bennett*, 564 U.S. 721, 734, 131 S. Ct. 2806, 180 L. Ed. 2d 664 (2011)); [citation.] Strict scrutiny applies whether a government statute bans or merely burdens protected speech. *See Playboy*, 529 U.S. at 812 ("The Government's content-based burdens must satisfy the same rigorous scrutiny as its content-based bans.").

The government concedes that § 2(a)'s bar on registering immoral or scandalous marks is a content-based restriction on speech [a]nd ... does not assert that the immoral or scandalous provision survives strict scrutiny review. Instead, the government contends § 2(a)'s content-based bar on registering immoral or scandalous marks does not implicate the First Amendment because trademark registration is either a government subsidy program or limited public forum. Alternatively, the government argues trademarks are commercial speech implicating only the intermediate level of scrutiny set forth in

Central Hudson. Under a less exacting degree of scrutiny, the government argues the immoral or scandalous provision is an appropriate content-based restriction tailored to substantial government interests. We consider these arguments in turn.**

...

3.

The Prohibition on the Registration of Immoral or Scandalous Trademarks Targets the Expressive Content of Speech and Therefore Strict Scrutiny Should Be Applied

Commercial speech is speech which does "no more than propose a commercial transaction." *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 762, 96 S. Ct. 1817, 48 L. Ed. 2d 346 (1976) (citation omitted). Trademarks certainly convey a commercial message, but not exclusively so. There is no doubt that trademarks "identify the source of a product or service, and therefore play a role in the 'dissemination of information as to who is producing and selling what product, for what reason, and at what price.'" *Tam*, 808 F.3d at 1338 (quoting *Va. State Bd. of Pharmacy*, 425 U.S. at 765). However, trademarks—including immoral or scandalous trademarks—also "often have an expressive content." *Tam*, 137 S. Ct. at 1760. For immoral or scandalous marks, this message is often uncouth. But it can espouse a powerful cause. *See, e.g.*, FUCK HEROIN, Appl. No. 86,361,326; FUCK CANCER, Appl. No. 86,290,011; FUCK RACISM, Appl. No. 85,608,559. It can put forth a political view, *see* DEMOCRAT.BS, Appl. No. 77,042,069, or REPUBLICAN.BS, Appl. No. 77,042,071. While the speech expressed in trademarks is brief, "powerful messages can sometimes be conveyed in just a few words." *Tam*, 137 S. Ct. at 1760.

The test used by the PTO to prohibit immoral or scandalous marks is whether a "substantial composite of the general public" would find the mark "shocking to the sense of truth, decency, or propriety; disgraceful; offensive; disreputable; . . . giving offense to the conscience or moral feelings; . . . or calling out for condemnation." *Fox*, 702 F.3d at 635. There can be no question that the immoral or scandalous prohibition targets the expressive components of the speech. As in this case, the agency often justifies its rejection of marks on the grounds that they convey offensive ideas. (explaining that Mr. Brunetti's use of his trademark is scandalous because his mark "objectifies women and offers degrading examples of extreme misogyny" and contains a theme "of extreme nihilism" with "anti-social imagery" and is "lacking in taste"). These are each value judgments about the expressive message behind the trademark. Whether marks comprise immoral or scandalous subject matter hinges on the expressive, not source-identifying, nature of trademarks.

While different provisions of the Lanham Act may appropriately be classified as targeting a mark's source-identifying information—for example, § 2(e)'s bar on registering marks that are "merely descriptive" or "geographically descriptive"—the immoral or scandalous provision targets a mark's expressive message, which is separate and distinct from the commercial purpose of a mark as a source identifier. Justice Kennedy explained in his concurrence: "The central purpose of trademark registration is to facilitate source identification. . . . Whether a mark is disparaging bears no plausible relation to that goal." 137 S. Ct. at 1768 (Kennedy, J.). We find the same logic applies to the immoral or scandalous prohibition. As in the case of disparaging marks, the PTO's rejections under § 2(a)'s bar on immoral or scandalous marks are necessarily based in the government's belief that the rejected mark conveys an expressive message—namely, a message that is scandalous or offensive to a substantial composite of the general population. *See Tam*, 808 F.3d at 1338. Section 2(a) regulates the expressive components of speech, not the commercial components of speech, and as such it should be subject to strict scrutiny. *See Sorrell v. IMS Health Inc.*, 564 U.S. 552, 565, 131 S. Ct. 2653, 180 L. Ed. 2d 544 (2011). There is no dispute that § 2(a)'s bar on the registration of immoral or scandalous marks is unconstitutional if strict scrutiny applies.

** *Editors' Note.* The opinion's rejection of the government subsidy and limited public forum arguments is omitted.

4.

Section 2(a)'s Bar on Immoral or Scandalous Marks Does Not Survive Intermediate Scrutiny

Section 2(a)'s bar on the registration of immoral or scandalous marks is unconstitutional even if treated as a regulation of purely commercial speech reviewed according to the intermediate scrutiny framework established in *Central Hudson*, 447 U.S. at 566. Intermediate scrutiny requires that "the State must show at least that the statute directly advances a substantial governmental interest and that the measure is drawn to achieve that interest." *Sorrell*, 564 U.S. at 572.

Commercial speech is subject to a four-part test which asks whether (1) the speech concerns lawful activity and is not misleading; (2) the asserted government interest is substantial; (3) the regulation directly advances that government interest; and (4) whether the regulation is "not more extensive than necessary to serve that interest." *Central Hudson*, 447 U.S. at 566; [citation.] ...

The immoral or scandalous provision clearly meets the first prong of the *Central Hudson* test, which requires we first confirm the speech "concern lawful activity and not be misleading." 447 U.S. at 566. Section 2(a)'s provision barring immoral or scandalous marks, like the disparagement provision, does not address misleading, deceptive, or unlawful marks. Rather it is concerned with whether a mark is offensive, scandalous, or vulgar to a substantial composite of the general public.

Central Hudson's second prong, requiring a substantial government interest, is not met. The only government interest related to the immoral or scandalous provision that we can discern from the government's briefing is its interest in "protecting public order and morality." ... At another point, the government indicated its interest is to shield its examiners from immoral or scandalous marks.... Ultimately, the government stated, "Congress' primary interest is the promotion of the use of non-scandalous marks in commerce." Whichever articulation of the government's interest we choose, the government has failed to identify a substantial interest justifying its suppression of immoral or scandalous trademarks.

First, the government does not have a substantial interest in promoting certain trademarks over others. The Supreme Court rejected the government's claim that trademarks are government speech. *Tam*, 137 S. Ct. at 1757-61. Our conclusion that trademark registration is neither a government subsidy nor a limited public forum forecloses any remaining interest the government may have in approving only marks it "has deemed to be most suitable."

Second, Supreme Court precedent makes clear that the government's general interest in protecting the public from marks it deems "off-putting," whether to protect the general public or the government itself, is not a substantial interest justifying broad suppression of speech. "[T]he fact that society may find speech offensive is not a sufficient reason for suppressing it." *Hustler Magazine, Inc. v. Falwell*, 485 U.S. 46, 55, 108 S. Ct. 876, 99 L. Ed. 2d 41 (1988); [citations.]

The Supreme Court's decision in *Tam* supports our conclusion that the government's interest in protecting the public from off-putting marks is an inadequate government interest for First Amendment purposes. *See, e.g.*, 137 S. Ct. at 1764 (applying *Central Hudson* and rejecting the government's "interest in preventing speech expressing ideas that offend" because "that idea strikes at the heart of the First Amendment") (Alito, J.). In *Tam*, the Court acknowledged that it is a "bedrock First Amendment principle" that "Speech may not be banned on the ground that it expresses ideas that offend." *Tam*, 137 S. Ct. at 1751 (Alito, J.); *see also id.* at 1767 ("[T]he 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.") (Kennedy, J.). Both Justice Alito's and Justice Kennedy's opinions support their conclusions that the disparagement provision is unconstitutional citing cases holding "the public expression of ideas may not be prohibited merely because the ideas are themselves offensive to some of their hearers." *Id.* at 1763 (collecting cases) [citations.] The government's interest in suppressing speech because it is off-putting is unavailing.

...

Finally, the government does not have a substantial interest in protecting the public from scandalousness and profanities. The government attempts to justify this interest by pointing to the Supreme Court's decision in *FCC v. Pacifica Foundation*, 438 U.S. 726, 98 S. Ct. 3026, 57 L. Ed. 2d 1073 (1978). In *Pacifica*, the Supreme Court upheld the constitutionality of the FCC's declaratory order determining that an afternoon radio broadcast of George Carlin's "Filthy Words" monologue was indecent and potentially sanctionable. *Id.* at 730-32. The Court explained "references to excretory and sexual material . . . surely lie at the periphery of First Amendment concern." *Id.* at 742. The Court justified the FCC's order, however, because radio broadcasting has "a uniquely pervasive presence in the lives of all Americans" and is "uniquely accessible to children, even those too young to read," confronting Americans "in the privacy of the home, where the individual's right to be left alone plainly outweighs the First Amendment rights of an intruder." *Id.* at 749. The Court stressed: "It is appropriate to emphasize the narrowness of our holding." *Id.* at 750. Subsequent precedent explained that other mediums of communication, such as dial-in-services or the Internet, are "manifestly different from a situation in which a listener does not want the received message." *Sable Commc'ns of Cal., Inc. v. FCC*, 492 U.S. 115, 128, 109 S. Ct. 2829, 106 L. Ed. 2d 93 (1989) ("Unlike an unexpected outburst on a radio broadcast, the message received by one who places a call to a dial-a-porn service is not so invasive or surprising that it prevents an unwilling listener from avoiding exposure to it."); *Reno v. Am. Civil Liberties Union*, 521 U.S. 844, 868-69, 117 S. Ct. 2329, 138 L. Ed. 2d 874 (1997) (explaining *Pacifica* does not control because "the Internet is not as 'invasive' as radio or television").

The government's interest in protecting the public from profane and scandalous marks is not akin to the government's interest in protecting children and other unsuspecting listeners from a barrage of swear words over the radio in *Pacifica*. A trademark is not foisted upon listeners by virtue of its being registered. Nor does registration make a scandalous mark more accessible to children. Absent any concerns that trademark registration invades a substantial privacy interest in an intolerable manner, the government's interest amounts to protecting everyone, including adults, from scandalous content. But even when "many adults themselves would find the material highly offensive," adults have a First Amendment right to view and hear speech that is profane and scandalous. *Playboy*, 529 U.S. at 811 (First Amendment right to view "sexually explicit adult programming or other programming that is indecent"); *Sable*, 492 U.S. at 115 ("Sexual expression which is indecent but not obscene is protected by the First Amendment."). In crafting a substantial government interest, "the government may not 'reduce the adult population . . . to . . . only what is fit for children.'" *Bolger*, 463 U.S. at 73 (citation omitted); *cf. Sable*, 492 U.S. at 131 ("[T]he statute's denial of adult access to telephone messages which are indecent but not obscene far exceeds that which is necessary to limit the access of minors to such messages . . .").

Even if we were to hold that the government has a substantial interest in protecting the public from scandalous or immoral marks, the government could not meet the third prong of *Central Hudson*, which requires the regulation directly advance the government's asserted interest. As the government has repeatedly exhorted, § 2(a) does not directly prevent applicants from using their marks. Regardless of whether a trademark is federally registered, an applicant can still brand clothing with his mark, advertise with it on the television or radio, or place it on billboards along the highway. In this electronic/Internet age, to the extent that the government seeks to protect the general population from scandalous material, with all due respect, it has completely failed.

Finally, no matter the government's interest, it cannot meet the fourth prong of *Central Hudson*. The PTO's inconsistent application of the immoral or scandalous provision creates an "uncertainty [that] undermines the likelihood that the [provision] has been carefully tailored." *See Reno*, 521 U.S. at 871. Nearly identical marks have been approved by one examining attorney and rejected as scandalous or immoral by another. The PTO registered the mark FUGLY for use on clothing, but refused registration for use on alcoholic beverages.... The PTO registered NO BS! BRASS, Reg. No. 5,053,827, for entertainment services but rejected NO BS ZONE, Appl. No. 76,626,390, for internet training. NO \$#!+, Appl. No. 85,855,449, was rejected, but \$#! MY DAD SAYS, Reg. No. 4,142,745, was allowed. *See also* ROLL TURD, Appl. No. 86,448,988 (rejected), TURD HERDERS, Reg. No. 5,180,286 (registered). Although the language in these marks

is offensive, we cannot discern any pattern indicating when the incorporation of an offensive term into a mark will serve as a bar to registration and when it will not.

... Even marks that reference the indisputably vulgar term "fuck," like the mark at issue here, are not always rejected as a matter of course. The PTO registered the mark FCUK, but rejected the marks FUCT and F**K PROJECT as scandalous. It allowed the registration of MUTHA EFFIN BINGO, Reg. No. 4,183,272, and IF WE TOUCH IT, IT'S FN GOLDEN, Reg. No. 4,100,978, but not F ALL F'S APPAREL FOR THE F'N ANGRY, Appl. No. 78,420,315.

The Trademark Trial and Appeal Board has itself noted the vague and subjective nature of the scandalous inquiry. *In re In Over Our Heads, Inc.*, 1990 TTAB LEXIS 52, 1990 WL 354546 at *1 ("[T]he guidelines for determining whether a mark is scandalous or disparaging are somewhat vague and the determination of whether a mark is scandalous or disparaging is necessarily a highly subjective one."). It can no doubt be a difficult task to determine public perceptions of a trademark's morality or immorality, offensiveness, or even vulgarity. As the Supreme Court has explained, "it is largely because governmental officials cannot make principled distinctions in this area that the Constitution leaves matters of taste and style so largely to the individual." *Cohen*, 403 U.S. at 25. To be sure, there are other trademark's whose offensiveness cannot be reasonably questioned; the government attached an appendix with examples of such marks which it has rejected to this court. But the subjectivity in the determination of what is immoral or scandalous and the disparate and unpredictable application of these principles cause us to conclude that the prohibition at issue in this case would also fail the fourth prong of the *Central Hudson* analysis.

We conclude that the government has not presented us with a substantial government interest justifying the § 2(a) bar on immoral or scandalous marks. As we concluded in *Tam*, "All of the government's proffered interests boil down to permitting the government to burden speech it finds offensive." *Tam*, 808 F.3d at 1357. We also conclude that the government has failed to demonstrate that its restriction will advance the interests it asserts and that it is narrowly tailored to achieve that objective. Section 2(a)'s bar on immoral or scandalous marks does not survive intermediate scrutiny under *Central Hudson*.

5.

There Is No Reasonable Definition of the Statutory Terms Scandalous and Immoral Which Would Preserve Their Constitutionality

...

... The concurrence proposes that we "narrow the immoral-scandalous provision's scope to obscene marks in order to preserve its constitutionality. While the legislature could rewrite the statute to adopt such a standard, we cannot.

It is not reasonable to construe the words immoral and scandalous as confined to obscene material. There is no dispute that an obscene mark would be scandalous or immoral; however, not all scandalous or immoral marks are obscene.... The PTO has for a century rejected marks as scandalous or immoral that are clearly not obscene. As set forth above, many of the early cases applying the immoral or scandalous provision involved blasphemous marks touching on religion, which were not obscene.

The Supreme Court has made clear that the definition of obscenity for purposes of the First Amendment is "material which deals with sex in a manner appealing to prurient interest," *i.e.*, "material having a tendency to excite lustful thoughts." *Roth v. United States*, 354 U.S. 476, 487, 77 S. Ct. 1304, 1 L. Ed. 2d 1498 & n.20 (1957). This "definition does not reflect the precise meaning of 'obscene' as traditionally used in the English language," and instead is limited to "obscene material 'which deals with sex.'" *Miller v. California*, 413 U.S. 15, 20 n.2, 93 S. Ct. 2607, 37 L. Ed. 2d 419 (1973) (emphasis added).

Despite the concurrence's suggestion to the contrary, none of the dictionary definitions cited define "immoral" or "scandalous" in sexual terms. [Citations.]

Unlike the terms "immoral" and "scandalous," the statutory terms at issue in the cases cited in the concurrence are by their nature limited to material "which deals with sex." *See, e.g., Brockett v. Spokane Arcades, Inc.*, 472 U.S. 491, 494, 105 S. Ct. 2794, 86 L. Ed. 2d 394 (1985) (construing phrase "that which incites lasciviousness or lust"); *Manual Enters., Inc. v. Day*, 370 U.S. 478, 482-83, 82 S. Ct. 1432, 8 L. Ed. 2d 639 (1962) (opinion of Harlan, J.) ("While in common usage the words have different shades of meaning, the statute since its inception has always been taken as aimed at obnoxiously debasing portrayals of sex." (footnote omitted)); *Swearingen v. United States*, 161 U.S. 446, 451, 16 S. Ct. 562, 40 L. Ed. 765 (1896) ("The words 'obscene,' 'lewd,' and 'lascivious,' as used in the statute, signify that form of immorality which has relation to sexual impurity . . ."). We do not see how the words "immoral" and "scandalous" could reasonably be read to be limited to material of a sexual nature. We cannot stand in the shoes of the legislature and rewrite a statute.

CONCLUSION

The trademark at issue is vulgar. And the government included an appendix in its briefing to the court which contains numerous highly offensive, even shocking, images and words for which individuals have sought trademark registration. Many of the marks rejected under § 2(a)'s bar on immoral or scandalous marks, including the marks discussed in this opinion, are lewd, crass, or even disturbing. We find the use of such marks in commerce discomforting, and are not eager to see a proliferation of such marks in the marketplace. There are, however, a cadre of similarly offensive images and words that have secured copyright registration by the government. There are countless songs with vulgar lyrics, blasphemous images, scandalous books and paintings, all of which are protected under federal law. No doubt many works registered with the Copyright Office offend a substantial composite of the general public. There are words and images that we do not wish to be confronted with, not as art, nor in the marketplace. The First Amendment, however, protects private expression, even private expression which is offensive to a substantial composite of the general public. The government has offered no substantial government interest for policing offensive speech in the context of a registration program such as the one at issue in this case.

We hold that the bar in § 2(a) against immoral or scandalous marks is unconstitutional because it violates the First Amendment. We reverse the Board's holding that Mr. Brunetti's mark is unregistrable under § 2(a).

REVERSED

DYK, CIRCUIT JUDGE, concurring in the judgment.

...

I think that we are obligated to construe the statute to avoid ... constitutional questions. Courts must, "where possible, construe federal statutes so as 'to avoid serious doubt of their constitutionality.'" [Citations.]

One such fairly possible reading is available to us here by limiting the clause's reach to obscene marks, which are not protected by the First Amendment. Where the regulation of speech is concerned, the Supreme Court has a long history of narrowing the scope of similarly worded statutes to cover only obscene speech. The most prominent examples are the federal obscenity statutes. In 1896, the Supreme Court considered an early version of these laws, which criminalized the

mailing of "obscene, lewd or lascivious" materials. *Swearingen v. United States*, 161 U.S. 446, 450, 16 S. Ct. 562, 40 L. Ed. 765 (1896). While acknowledging that "it might be inferred that each of those epithets pointed out a distinct offense"—the familiar canon against superfluities—the Court nevertheless construed the statute narrowly to "describ[e] one and the same offense," namely, the mailing of obscene materials. *Id.*

The obscenity statutes were later amended to include an even broader description of the targeted matter. Today, 18 U.S.C. § 1461 criminalizes the mailing of any "obscene, lewd, lascivious, indecent, filthy or vile article," and § 1462 criminalizes the importation of "obscene, lewd, lascivious, or filthy" materials. Nonetheless, in a series of opinions in the 1960s and '70s, the Supreme Court construed this broader language narrowly to apply only to obscenity in order to avoid constitutional doubts. *See Hamling v. United States*, 418 U.S. 87, 114, 94 S. Ct. 2887, 41 L. Ed. 2d 590 (1974) (limiting § 1461 to obscenity to avoid a vagueness challenge); [citations.] The Supreme Court took a similar approach when rejecting an overbreadth challenge to a Washington statute that defined "prurient" as "that which incites lasciviousness or lust," *Brockett v. Spokane Arcades, Inc.*, 472 U.S. 491, 494, 105 S. Ct. 2794, 86 L. Ed. 2d 394 (1985), construing the statute's reference to lust to reach only obscenity, *id.* at 504-05.

As the Supreme Court has done with the obscenity statutes, here when faced with constitutional doubt as to the immoral-scandalous provision, we should adopt a narrowing construction and limit the statute to obscenity. As in the earlier Supreme Court cases, there is no question that the trademark statute bars registration of obscene marks. While the statute does not use the word "obscene" to define its scope, the absence of the word in my view makes a narrowing construction easier rather than more difficult, since it suggests that the drafters did not use the word "obscene" to differentiate "immoral" and "scandalous" material from obscenity. And the fact that the immoral-scandalous provision may appear to be broader than obscenity does not preclude our adopting a narrowing construction of the statute. Contemporary dictionaries from the period before the 1905 enactment of the provision suggest that "immoral" and "scandalous" were understood as equivalent to "obscene." For example, "obscene" was itself listed as a synonym for "immoral."

Under these circumstances, we can appropriately narrow the immoral-scandalous provision's scope to obscene marks in order to preserve its constitutionality, and we are obligated to do so.

...[T]he majority provides no plausible reason for failure to narrowly construe the language in § 1052(a) to avoid the evident problems created by a broader construction. ...[T]he potential breadth of the language is hardly a reason to reject a narrowing construction; rather, it is the very reason that a narrowing construction is appropriate. And the majority offers no convincing basis for distinguishing this case from the Supreme Court cases, discussed above, narrowing the construction of very similar language to obscenity. The majority appears to suggest that in those Supreme Court cases, the statutory concern with sexual representations was evident but that here that connection is absent. In fact, the central aim of the immoral-scandalous provision in this court's cases has been sexual material reflected in trademarks. So too, the vast majority of PTO rejections under the immoral-scandalous provision in recent decades have related to sex. The existence of isolated decisions viewing the provision as having a secondary concern with non-sexual marks cannot make a narrowing construction inappropriate. Interestingly, the scholarly analysis of the scandalous-immoral provision relied on by the majority has suggested that an amendment to the statute narrowing its scope to obscene marks would preserve the core of the provision.

...

Because there is no suggestion that Mr. Brunetti's mark is obscene, however, I agree that the decision of the Trademark Trial and Appeal Board must be reversed. For these reasons, I concur in the judgment.

QUESTIONS

1. Was the majority opinion in *Brunetti* correct in refusing to narrow interpretation of the scandalous and immoral prong to encompass only obscene material as the concurring opinion would have done? Are courts better-equipped to assess obscenity than immorality and scandalousness?

2. How do you think the Supreme Court would rule in light of its opinion in *Tam* should the case proceed to the Supreme Court?

3. 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 new Question 5.

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 Foods, Inc.*, 2018 TTAB LEXIS 155 (May 17, 2018).

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

Page 262. Add Question 4.

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,

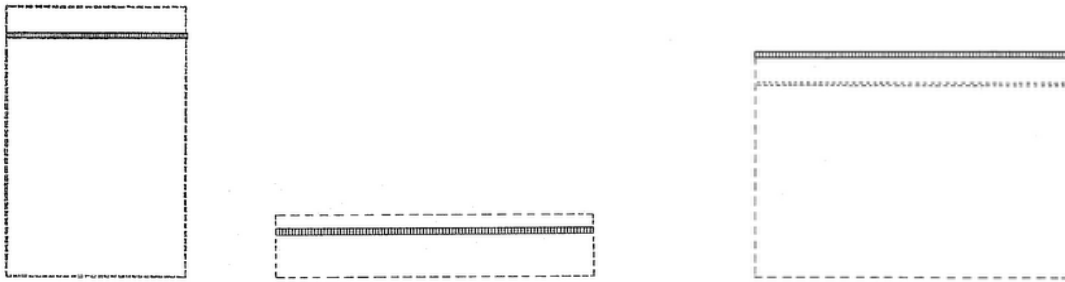
wines purchased by sophisticated customers; new world wines; wines priced between \$40 and \$60 a bottle; and wines sold on specific websites and at specific wineries.

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.

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

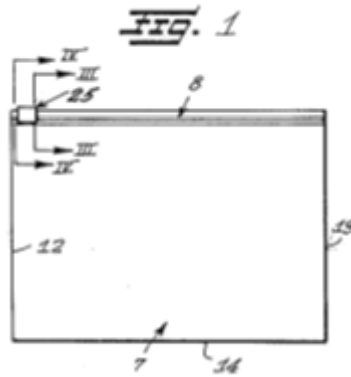
2. Illinois Tool owns three registrations for colored stripes across the top of plastic storage bags, flexible reclosable faster strips and reclosable film tubing and plastic film sheeting. The drawings of the three marks are shown below:



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.*, Canc. No. 92056833 (T.T.A.B. Oct. 18, 2017), on appeal to the Northern District of Texas, Civ. Action No. 3:18-cv-443.

CHAPTER 5: LOSS OF TRADEMARK RIGHTS

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 update, Ch.2.A.1, *supra*. 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. 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. 856 F.3d 1225 (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**, Opp. No. 91195552 (T.T.A.B. Sept. 6, 2017). This time the Board thoroughly analyzed the Teflon surveys of both sides described in its initial opinion 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.

The defendant has appealed the Board’s decision again, this time to the Western District of North Carolina. Civil Action No. 3-17-cv-00652. Do you agree that the Teflon test is not suited to measure genericness when a term is not a coined or arbitrary term? How about a suggestive term?

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 update Ch. 12.B.1., *infra*.

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., 2018 U.S. App. LEXIS 16670 (Fed. Cir. June 20, 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.*, 2018 U.S. App. LEXIS 16670 (Fed. Cir. June 20, 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?

CHAPTER 6: INFRINGEMENT

A. 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 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 9th 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 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 (9th Cir. 2018).

c. Reverse Confusion

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).

CHAPTER 7: SECTION 43(A)(1)(A) OF THE LANHAM ACT

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 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."⁵ ... 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.*,¹⁸ the Second Circuit held that

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).

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."²¹ 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.²³ "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."²⁴ 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.]

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."³⁰ 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."³¹ 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.³² The Fifth Circuit has upheld trademark protection for a cartoon character that was central to the comic strip.³³

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

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].

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).

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

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."⁸³ 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.

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."⁹⁹ 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 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.

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

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 (7th Cir. 2014), in the casebook Chapter 6[B][3][c] at page 451.

C. False Endorsement

Page 536. Add 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? In order to establish unfair competition, what would she need to establish in order to assert trademark rights in use of her appearance in the episode?

CHAPTER 8: DEFENSES TO INFRINGEMENT

A. Statutory Defenses

2. Particular Section 33(b) Defenses

a. *Functionality*

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

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*, Canc. No. 92064976 (TTAB April 24, 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. 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

the 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”?







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)

3. Trademarks as Speech

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

CHAPTER 9: DILUTION

B. Federal Dilution

1. Evolution of the Statutory Standards

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?

d. Parody

Page 742. Insert following Questions after *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*

VIP Prods., LLC v. Jack Daniel's Props., 291 F. Supp. 3d 891 (D. Ar. 2018). Sold continuously in the U.S. since 1875 (except for during prohibition), Jack Daniels 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 Daniels distillery.



The district court upheld Jack Daniels' claim of tarnishment:

A trademark may . . . be tarnished if the mark loses its ability to serve as a "wholesome identifier" of the plaintiff's product. [Citations.] The Second Circuit found that the relevant inquiry is how the junior mark's product affects the positive impressions about the famous mark's product, and not whether a consumer simply associates a negative sounding junior mark with the famous mark. *Starbucks*, 588 F.3d at 110. Regarding reputational harm, both parties engaged experts. . . . [Jack Daniels'] expert . . . relied on consumer psychology research to establish that when you associate any food or beverage with defecation, you are creating disgust in the mind of the consumer with respect to that food or beverage associated with defecation. [Citation] 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. . . . The Court credits [Jack Daniels' expert's] conclusion that such negative associations are particularly harmful for a company such as Jack Daniel's because the goods it offers for sale involves human consumption and human consumption and canine excrement do not mix. . . .

[VIP Product's expert's study is] flawed because the groups were initially directed by the moderator that the product under evaluation, "Bad Spaniels", was a joke, a spoof product, and as a result the focus groups produced predetermined results. This tainted the group's conclusions. . . .

Finally, Jack Daniel's trademarks and trade dress are tarnished by associating them with toys, particularly the kind of toys that might appeal to children. The Court finds that while an association with toys may not ordinarily cause reputational harm, Jack Daniel's is in the whiskey business, and does not market to children, does not license goods for children, and does not license goods that might appeal to children.

Here, the Court credits and gives prevailing weight to [Jack Daniels expert's] specialized knowledge and specific expertise in consumer psychology to evaluate and conclude a likelihood of dilution by tarnishment regarding the effect of the "Bad Spaniels" dog toy upon the Jack Daniel's trademarks and trade dress.; see *Eastman Kodak Co. v. Rakow*, 739 F. Supp. 116, 118 (W.D.N.Y. 1989) (stating that it does not matter whether this association is humorous or intended as such and enjoining use of the stage name KODAK by a stand-up comedian); *Grey v. Campbell Soup Co.*, 650 F. Supp. 1166, 1175 (C.D. Cal. 1986) (enjoining use of DOGIVA and CATIVA as harmful to Campbell's GODIVA business reputation because of the negative association the public makes between Godiva's premium quality food products and animal treats); *Steinway & Sons v. Robert Demars & Friends et al.*, 210 U.S.P.Q. 954 (C.D. Cal. 1981) (enjoining sale of clip-on beverage can handles under the name STEIN-WAY, finding that such association will inevitably tarnish Steinway's reputation and image with the public as sponsoring only products of taste, quality and distinction); see generally *Chemical Corp. of Am. v. Anheuser—Busch, Inc.*, 306 F.2d 433, 436-38 (5th Cir. 1962) (enjoining use of "Where there's life ... there's bugs!" slogan); *Original Appalachian Artworks, Inc. v. Topps Chewing Gum, Inc.*, 642 F. Supp. 1031, 1039 (N.D. Ga. 1986) (tarnishment "occurs when a defendant uses the same or similar marks in a way that creates an undesirable, unwholesome, or unsavory mental association with the plaintiff's mark").

The court acknowledged VIP Product's parodic purpose in creating BAD SPANIELS, but found that purpose unavailing:

A . . . claim of parody will be disregarded where the purpose of the similarity is to capitalize on a famous mark's popularity for the defendant's own commercial use. [Citation] Here, VIP's intent was clear that it sought to capitalize on Jack Daniel's popularity and good will for its own gain, and therefore its claim of parody is disregarded.

VIP Products did not cite the CHEWY VUITTON case at all. How would you distinguish the two dog toys cases?

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 12: REMEDIES

A. Injunctive Relief

Page 940. Add the following text at the end of the Note on Presumption of Irreparable Harm:

The Ninth Circuit recently clarified, in a 2-1 decision, that its earlier *Herb Reed* decision requires concrete evidence of irreparable harm to justify a preliminary injunction. **Adidas Am., Inc. v. Skechers USA, Inc.**, 890 F.3d 747 (9th Cir. 2018). Adidas sued for infringement of its trade dress in the Stan Smith sneaker and infringement of its 3-stripe mark. The district court issued a preliminary injunction against both of Skechers' sneakers. The majority of the panel agreed that plaintiff established a likelihood of success for both but only proved irreparable harm for the Stan Smith Shoe (shown below next to Skechers Onix shoe).

adidas

Skechers



Concerning irreparable harm caused to the Stan Smith shoe, the majority noted:

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's 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." See *Regents of Univ. of Cal. v. Am. Broad. Cos.*, 747 F.2d 511, 519 (9th Cir. 1984) (internal quotation marks omitted). 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 (shown below),

An adidas Sneaker Bearing 3-Stripe Mark



Skechers Cross Court Sneaker



the majority found that concrete evidence of irreparable harm had not been shown and reversed the preliminary injunction. The majority reasoned:

Both below and on appeal, 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 others wearing Cross Court shoes associate the allegedly lesser-quality Cross Courts with adidas and its Three-Stripe mark.⁶ Yet we find no evidence in the record that could support a finding of irreparable harm based on this loss of control theory.

First, 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).⁸

⁶ While there are other ways post-sale confusion could hypothetically harm a trademark holder, [citation], adidas has not raised any other theories of harm here. Unlike the dissent, we hold adidas to its burden of showing a likelihood of irreparable harm on the theory that it actually raised. *See* Dissent at 26-29 & n.2 (outlining how adidas *could have* suffered post-sale harm if the Skechers buyer could benefit from others believing she was wearing adidas shoes).

⁸ The dissent criticizes our reliance on *Herb Reed*. Dissent at 31-32. True, there are more facts in the record here that adidas *claims* support a finding of likelihood of irreparable harm than there were in *Herb Reed*. *See* 736 F.3d at 1250 (noting there was only one email in the record that might support an inference of irreparable harm). The problem is that none of those facts *actually* support such a finding. *Herb Reed* makes clear that it is the plaintiff's burden to put forth specific evidence from which the court can infer irreparable harm. *See id.* ("The district court's analysis of irreparable harm is cursory and conclusory, rather than being grounded in any evidence or showing offered by [the plaintiff]."). Regardless of our deferential review, there must actually be such evidence in the record before we can uphold the district court's factual findings. *Id.* (overturning the district court where its "pronouncements [were] grounded in platitudes rather than evidence"). We simply disagree with the dissent that there is any such evidence supporting

Second, 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 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. *See Herb Reed*, 736 F.3d at 1250-51.

As discussed above, 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.*

B. Monetary Relief

1. Assessing Profits and/or Damages

Page 977. Insert the following case after *Romag Fasteners*

TIFFANY & CO. V. COSTCO WHOLESALE CORP.

adidas's theory of irreparable harm on this record.

* Editors' Note – the parties settled after this.

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.

[T]he Court issued an order directing the parties to address whether and to what extent the jury's verdict should be treated as advisory with respect to: (a) the determination of Costco's relevant profits; (b) whether that profit determination was inadequate or excessive as an amount to be recovered by Tiffany in light of the nature of Costco's wrongful conduct; and, if so, (c) what amount would be just as an award of profits. The parties were also directed to address: whether there are any "extenuating circumstances" within the meaning of 15 U.S.C. § 1117(b) that preclude the trebling of the profits award; whether and to what extent equitable and injunctive relief ought to be granted; and whether the jury's verdict is supported by the weight of the evidence and otherwise authorized under the law. ...

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.

By way of brief background, in 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. At trial, the jury was instructed to determine what monetary relief, if any, Tiffany was entitled to recover as a result of Costco's trademark infringement, unfair competition, and counterfeiting. 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 has sold rings under signage using "Tiffany" without a following modifier since before 2007. There was no evidence as to when precisely this usage began, nor any credible evidence as to Costco's reason for using "Tiffany" without a following modifier.

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....

3. Attorneys Fees

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 of a refusal to register to the TTAB is 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 must 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. The same issue is currently pending before the *en banc* Federal Circuit in *NantkWest Inc. v. Matal*, No. 15-1293.